TODAY’S CONVERSATION- THE DIGITAL E-COMMERCE JOURNEY & THE IMPACT OF COVID-19

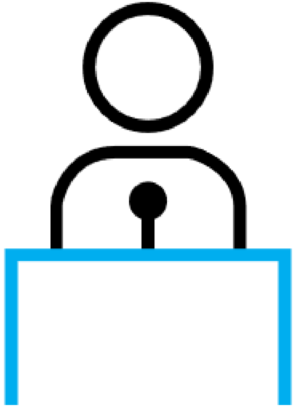
RECAPPING THE DIGITAL JOURNEY

A four-year effort designed to help clients understand the ongoing impact of digital

2017	2018	2019	2020
SIZE OF THE PRIZE	**READINESS ASSESSMENT**	**CAPABILITY REQUIREMENTS**	**NEW HORIZONS**

TODAY’S CONVERSATION

Part 1 – Recasting the size of the prize



KRISTIN GORSKI

Director, Business Development

nielsen

FMI FOOD MARKETING INSTITUTE

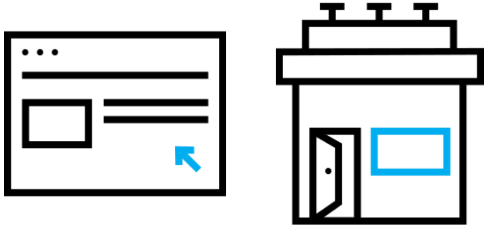
THE SIZE OF THE PRIZE HAS INCREASED

2016 PROJECTION	
On-line food and beverage sales and percent of sales by 2025	
$103B	***20%***
2019 PROJECTION	
On-line food and beverage sales and percent of sales by 2025	
$143B	***18%***

Source: Nielsen Total Ecommerce Measurement powered by Rakuten Intelligence, 52 weeks ending 10/31/19; Nielsen xAOC + Convenience 52 Weeks Ending 11/2/19

WHERE ARE THE KEY GROWTH DRIVERS

The rationale for the projected increase in sales is driven by four key previously unconsidered factors in the original size of the prize estimate



THE OMNISHOPPER

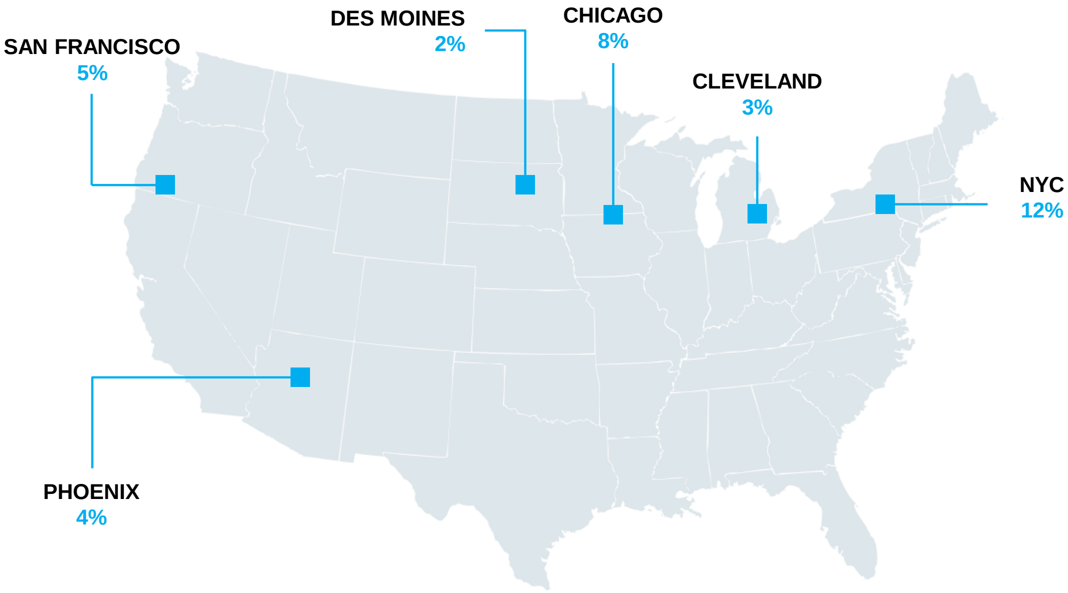
1. Growing Impact of Click and Collect and Home Delivery
2. Food/Meal Service at Grocery
3. Home delivery of Food from Restaurants
4. Subscription and Auto replenishment

Source: Nielsen Total Ecommerce Measurement powered by Rakuten Intelligence, 52 weeks ending 10/31/19; Nielsen xAOC + Convenience 52 Weeks Ending 11/2/19

TRADING AREAS ARE MATURING DIFFERENTLY

The growth and market share of the Omnishopper opportunity will vary greatly geographically

CURRENT ONLINE DOLLAR SHARE OF TOTAL FOOD AND BEVERAGE SALES



Source: Nielsen Total Ecommerce Measurement powered by Rakuten Intelligence, 52 weeks ending 10/31/19; Nielsen xAOC + Convenience 52 Weeks Ending 11/2/19

OMNISHOPPERS REPRESENT 44% OF HOUSEHOLDS

In 2019, 54M households on 2019 made the transition to shopping both in-store and on-line

OMNISHOPPER HOUSEHOLDS

Households Shopping In-Store

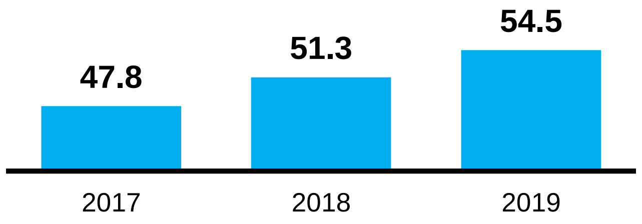
+

Households Shopping Online

These households have integrated both channels as "convenience driven" paths to purchase

BUYING HOUSEHOLDS
In Millions

+14.0%
Chg. vs. 2YA

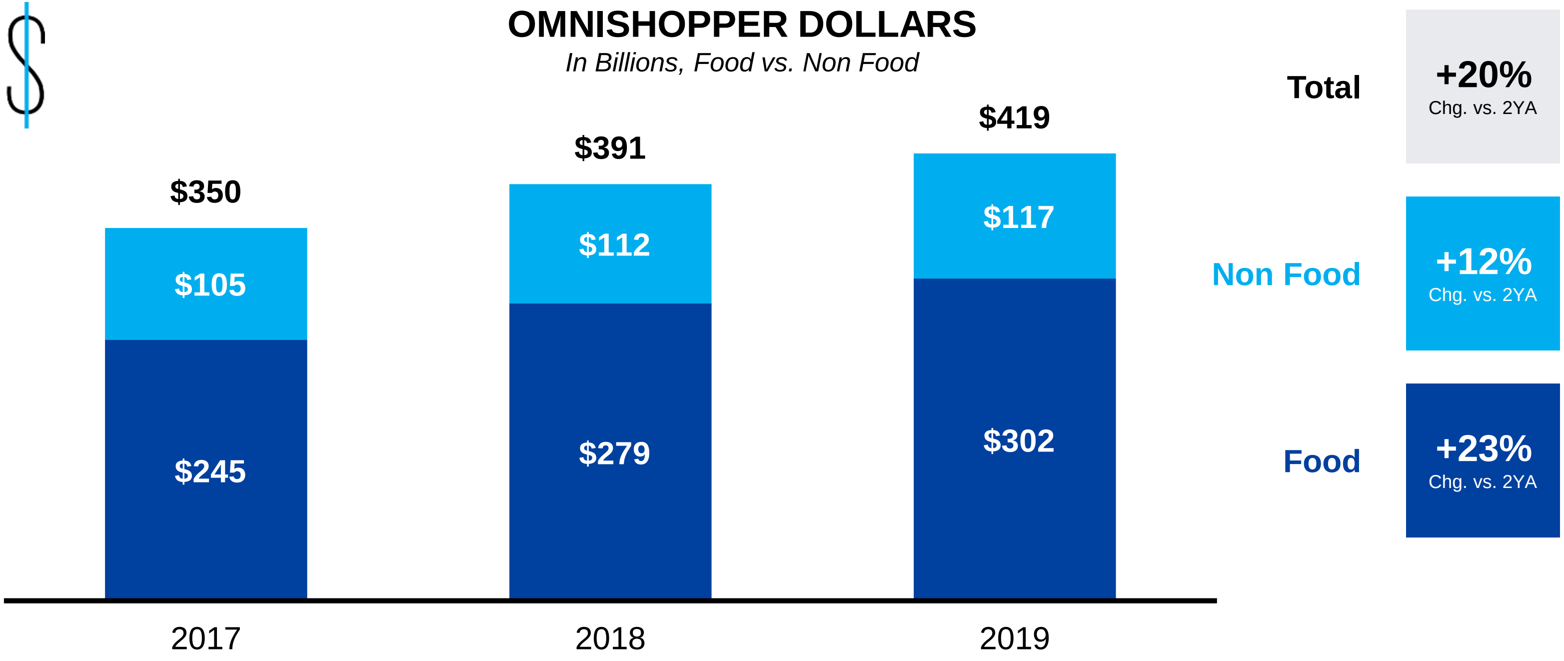


	2017	2018	2019
% of HHs	39%	41%	44%

Source: Nielsen Homescan Trip Projection; L52 WE 10/26/19 vs. 2YA; Total US; Omnishopper defined as HHs purchasing in-store and online

THEY REPRESENT OVER $400B IN BUYING POWER

44% of households represent 50% of dollars



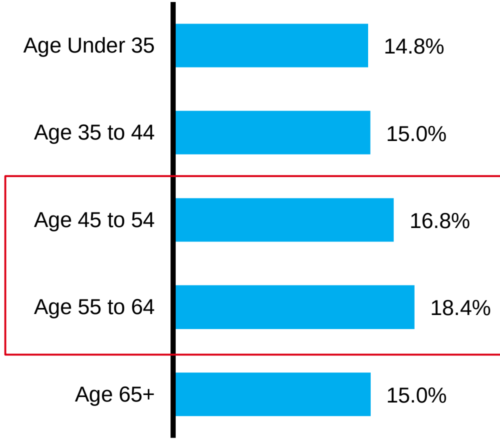
Source: Nielsen Homescan Trip Projection; L52 WE 10/26/19 vs. 2YA; Total US; Omnishopper defined as HHs purchasing in-store and online

WHO IS THE OMNISHOPPER

Older income households are the leaders in moving toward integrated on-line and in-store shopping

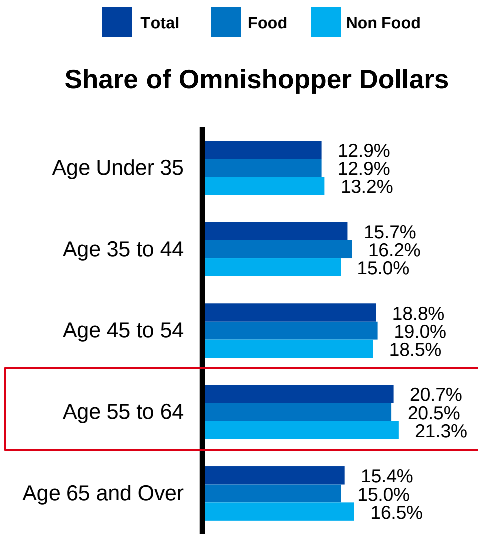
OMNISHOPPER BY AGE

Share of Omnishopper HHs



# of HHs (in MM)	Index to TUS
8.0	96
8.1	96
9.0	101
9.9	107
8.1	101

Share of Omnishopper Dollars



Total $B chg. vs. 2YA
$10.3
$15.7
$12.3
$19.6
$12.2

Source: Nielsen Homescan Trip Projection; L52 WE 10/26/19 vs. 2YA; Total US; Omnishopper defined as HHs purchasing in-store and online

THE OMNISHOPPER CATEGORY OPPORTUNITIES

12 categories which are driving the seamless omnishopper experience

Food Non Food

CATEGORY GROWTH RATES AMONG OMNI SHOPPERS

Pet Food	Paper & Plastics	Soft Drinks	Vitamins & Supplements	HH Laundry Care	Chocolate
+21.2%	+20.5%	+22.4%	+20.2%	+24.7%	+18.5%
Coffee	**Non-Specialty Cheese**	**HBC Oral Care**	**Cow's Milk**	**HH Cleaner & Supplies**	**Pet Supplies**
+10.5%	+12.7%	+19.5%	+5.6%	+15.9%	+16.5%

Source: Nielsen Homescan Trip Projection; L52 WE 10/26/19 vs. 2YA; Total US; Omni Shopper defined as HHs purchasing in-store and online

WANT TRIP GROWTH – ENGAGE OMNISHOPPERS

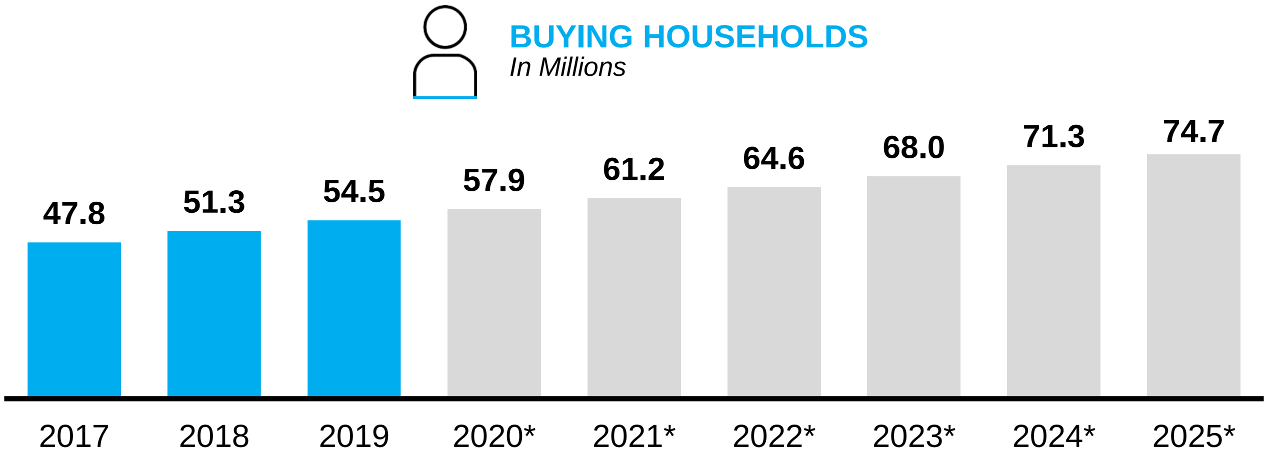
Though lower basket ring, Omni-Shoppers are making more trips, more often leading to a higher overall spend each year

TOTAL – ALL CATEGORIES	AVERAGE SHOPPER	OMNI SHOPPERS
Dollars Per Buyer	$6,989	$7,954
Basket Size	$33.0	$31.4
Purchase Frequency	211.6 trips	253.3 trips
Purchase Cycle	4.0 days	3.3 days
% of Dollars Sold on Deal	18.5%	19.2%

Source: Nielsen Homescan Trip Projection; L52 WE 10/26/19 vs. 2YA; Total US; Omni Shopper defined as HHs purchasing in-store and online

OMNISHOPPERS HOUSEHOLDS DOMINATE BY 2025

OMNISHOPPER HOUSEHOLD PROJECTION

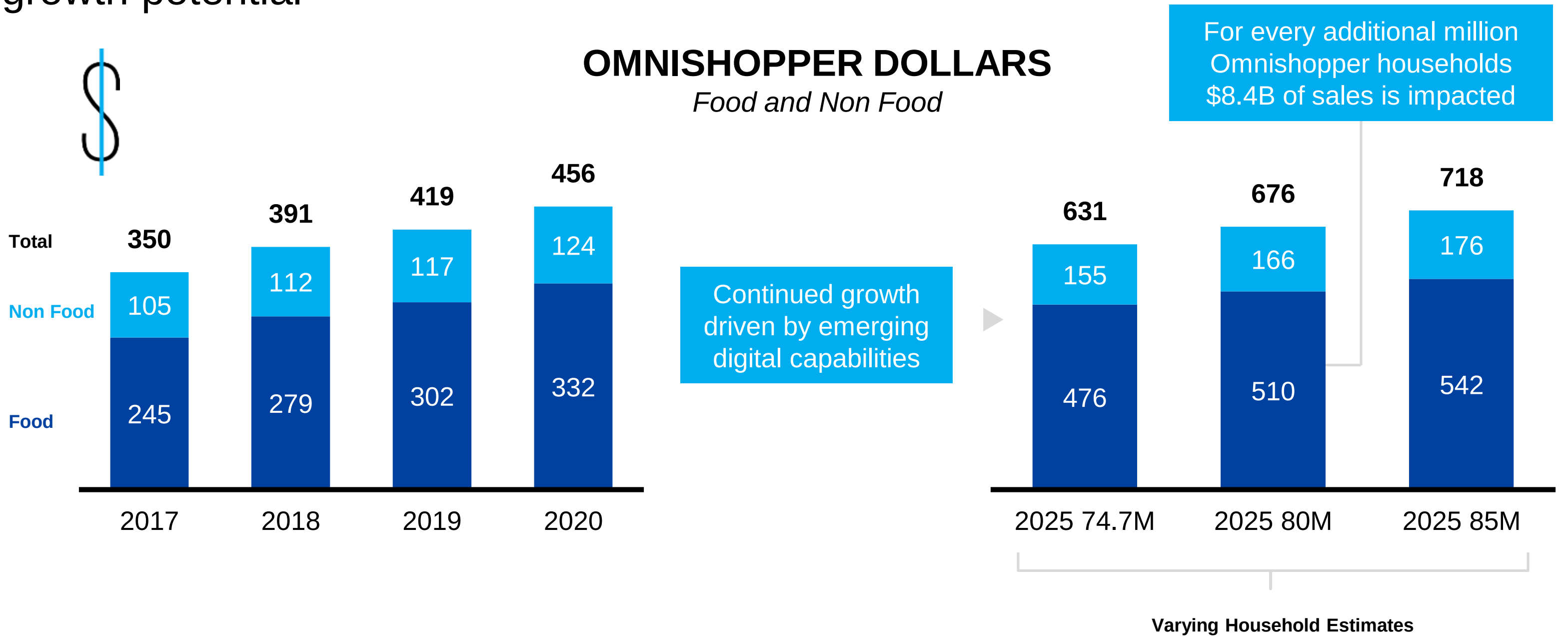


% of HHs	39%	41%	44%	46%	48%	51%	53%	55%	57%

Source: Nielsen Homescan Trip Projection; L52 WE 10/26/19 vs. 2YA; Total US; Omnishopper defined as HHs purchasing in-store and online; *Projection based on “forecast” function in Excel using the past three years of data available

OMNISHOPPERS INFLUENCE OVER $630B IN SPEND

The 74.4M households are an expected baseline which has significant upside growth potential



Source: Nielsen Homescan Trip Projection; L52 WE 10/26/19 vs. 2YA; Total US; Omnishopper defined as HHs purchasing in-store and online; *Projection based on “forecast” function in Excel using the past three years of data available

WINNING DEMANDS OMNISHOPPER CENTRICITY

Capabilities driven strategies enable success in Omnishopper real and profitable growth

1. Understanding your Omnishopper is foundational. Omnishopper data/analytics are the key enablers
2. Omnishopper supply chain is core to seamlessly serving this shopper. The new supply chain requires fulfilling the "phygital shelf"
3. Seamless Digital engagement – EASY, EXPERT, and FAIR – is critical -- no matter how and/or when the shopper engages in purchasing
4. Capturing shopper ongoing dollars will be achieved by prioritizing and engaging in center store, perimeter, food service and private label efforts

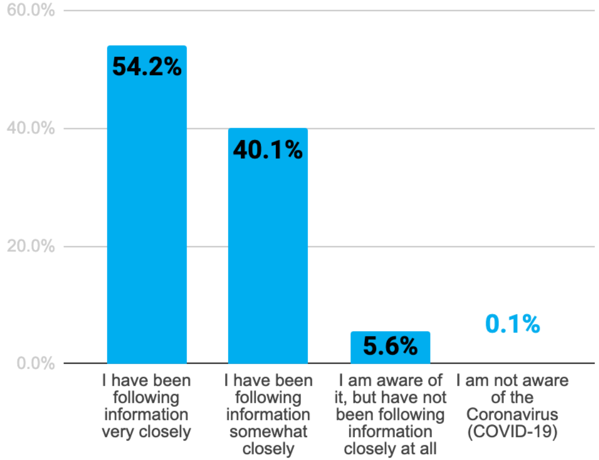
NIELSEN INSIGHTS

ANDING COVID-19'S IMPACT AND OUTLOOK ON FMCG

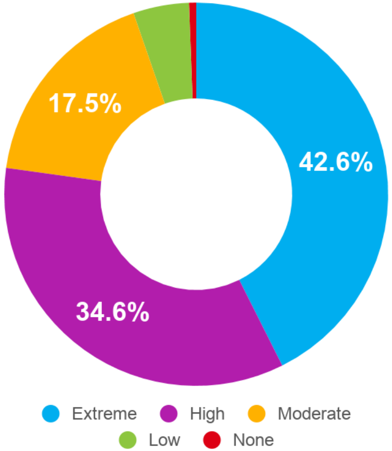
March - April 2020

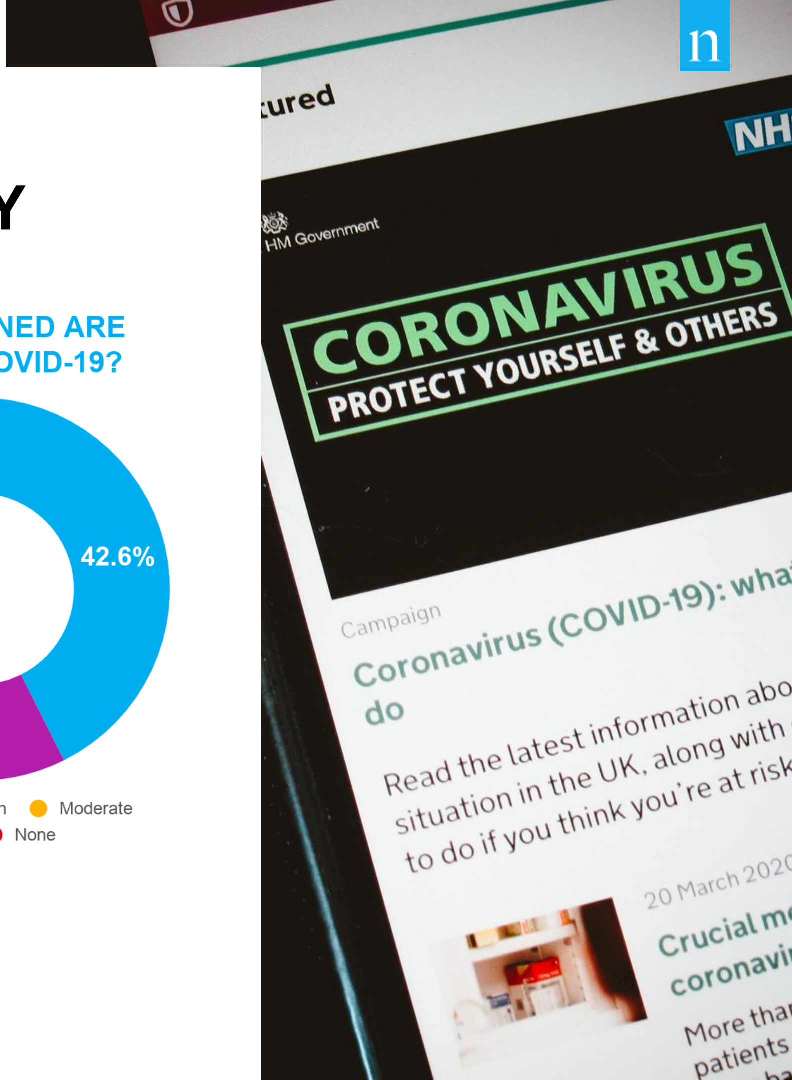
CONSUMERS ARE FOLLOWING COVID-19 CLOSELY AND HIGHLY CONCERNED

HOW CLOSELY ARE YOU FOLLOWING COVID-19 IN THE NEWS?



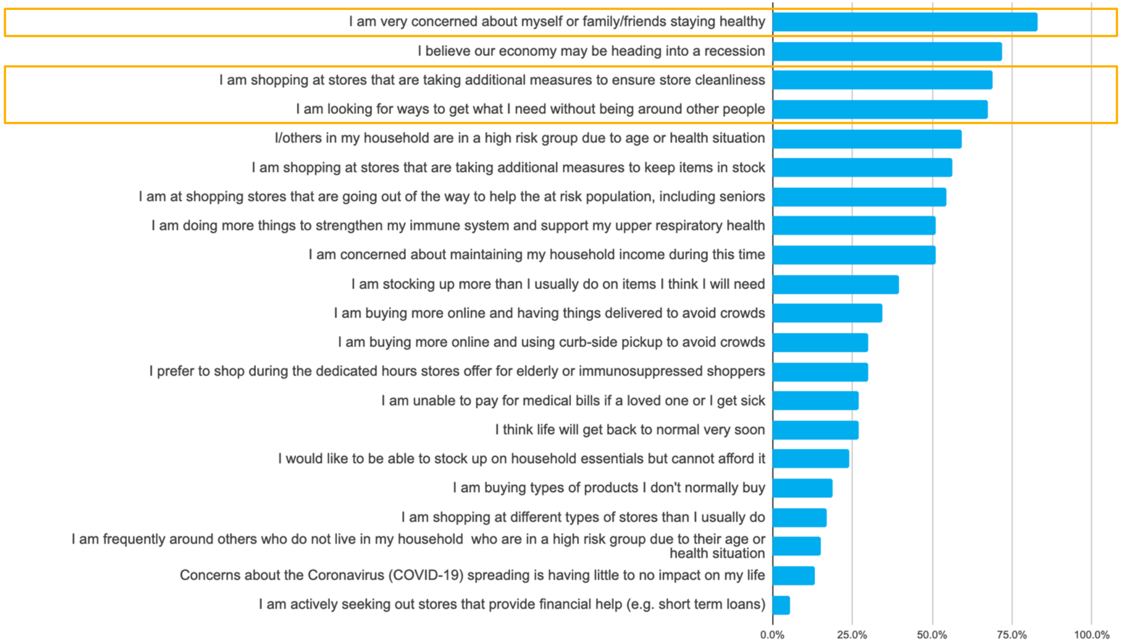
HOW CONCERNED ARE YOU ABOUT COVID-19?

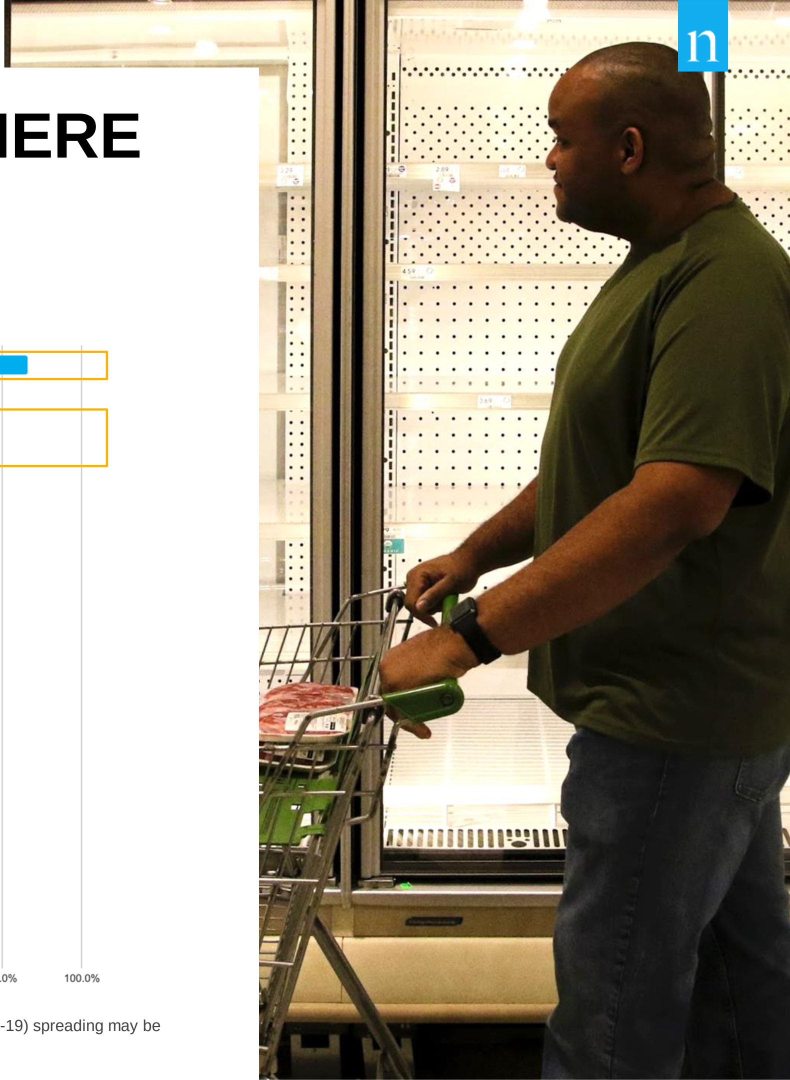




Source: Nielsen Homescan Panel Survey April 2020

SHOPPERS ARE CHANGING WHERE THEY SHOP BASED ON CLEANLINESS AND IN-STOCK

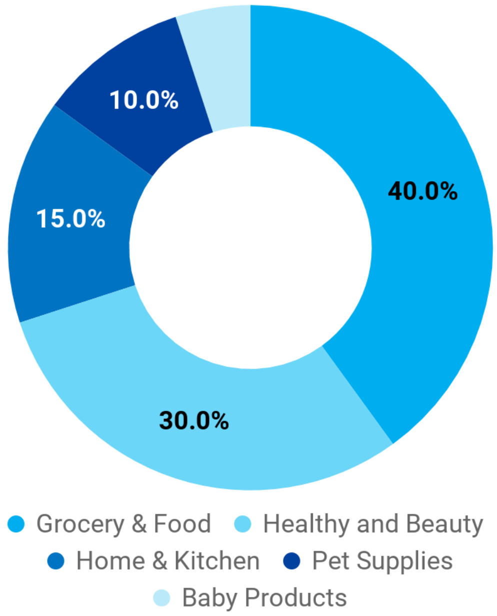




Source: Nielsen Homescan Panel Survey April 1, 2020. Q: We would like to know more about how concerns about the Coronavirus (COVID-19) spreading may be impacting you and others in your household, if at all. Please tell us how much you agree or disagree with the following statements.

STRONG MARCH SALES GROWTH ONLINE

SHARE OF E-COMMERCE ABSOLUTE DOLLAR CHANGE AND GROWTH

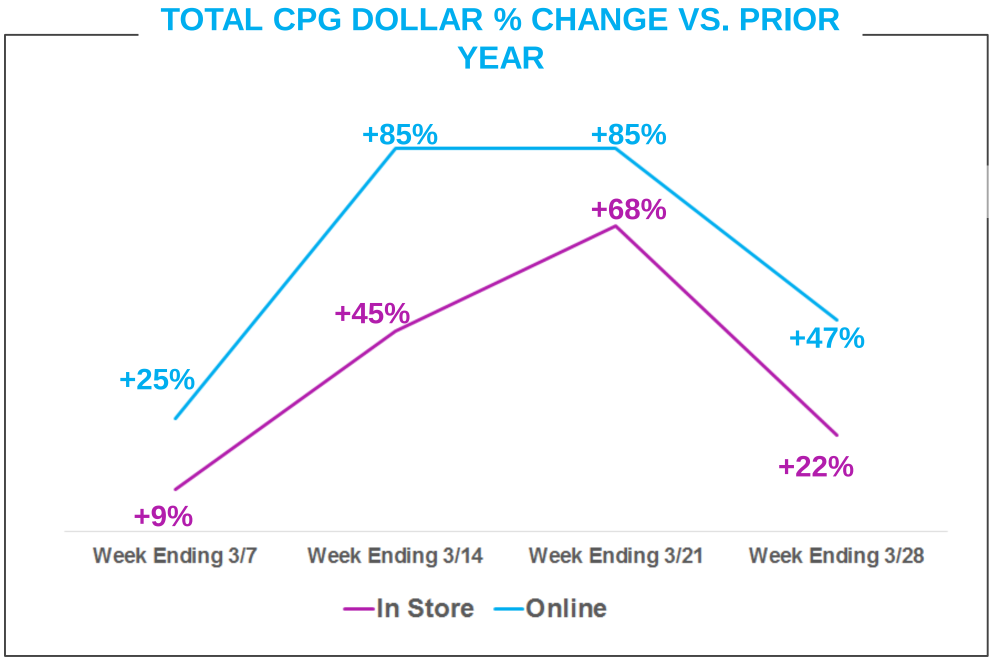


4 Weeks Ending 3/28/20 vs. Prior Year

DEPARTMENT	DOLLAR % GROWTH VS. PRIOR 4 WEEKS	DOLLAR % GROWTH VS. MARCH 2019
Grocery & Gourmet Food	44%	85%
Health & Beauty	40%	37%
Home & Kitchen	83%	122%
Pet Supplies	26%	54%
Baby Products	66%	89%

Source: Nielsen Total US E-commerce measurement powered by Rakuten Intelligence

WE'RE IN UNCHARTED WATERS WITH ARGUABLY THE FASTEST CHANGE IN SHOPPER BEHAVIOR...EVER

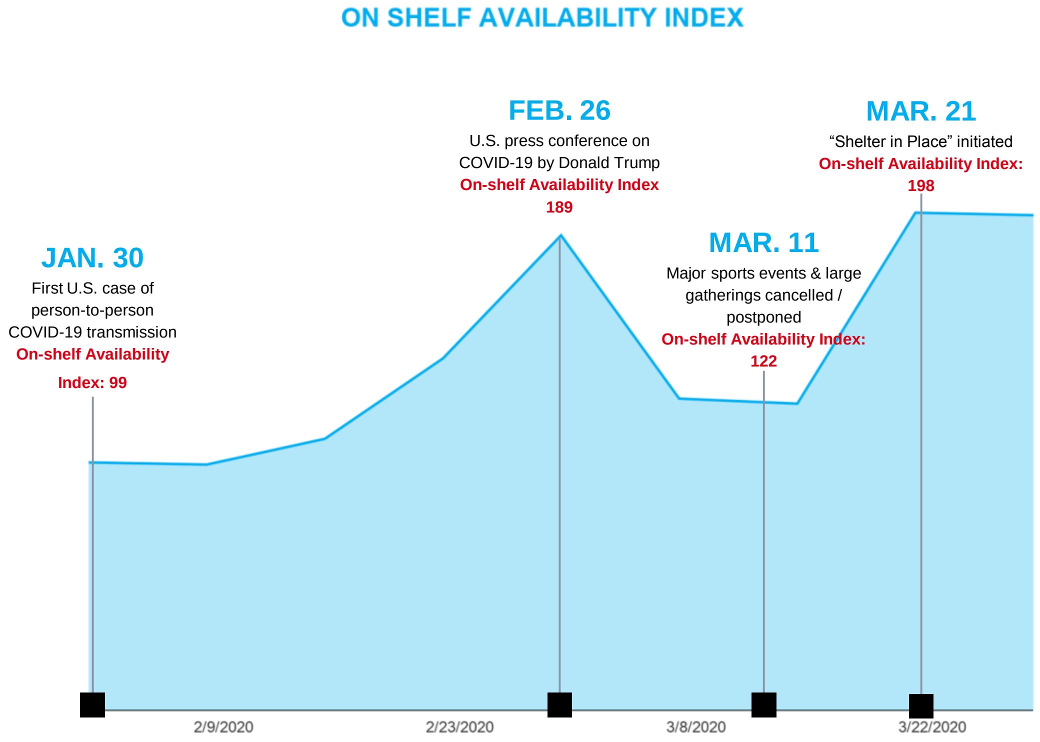


MARCH SALES GROWTH vs. LAST YEAR

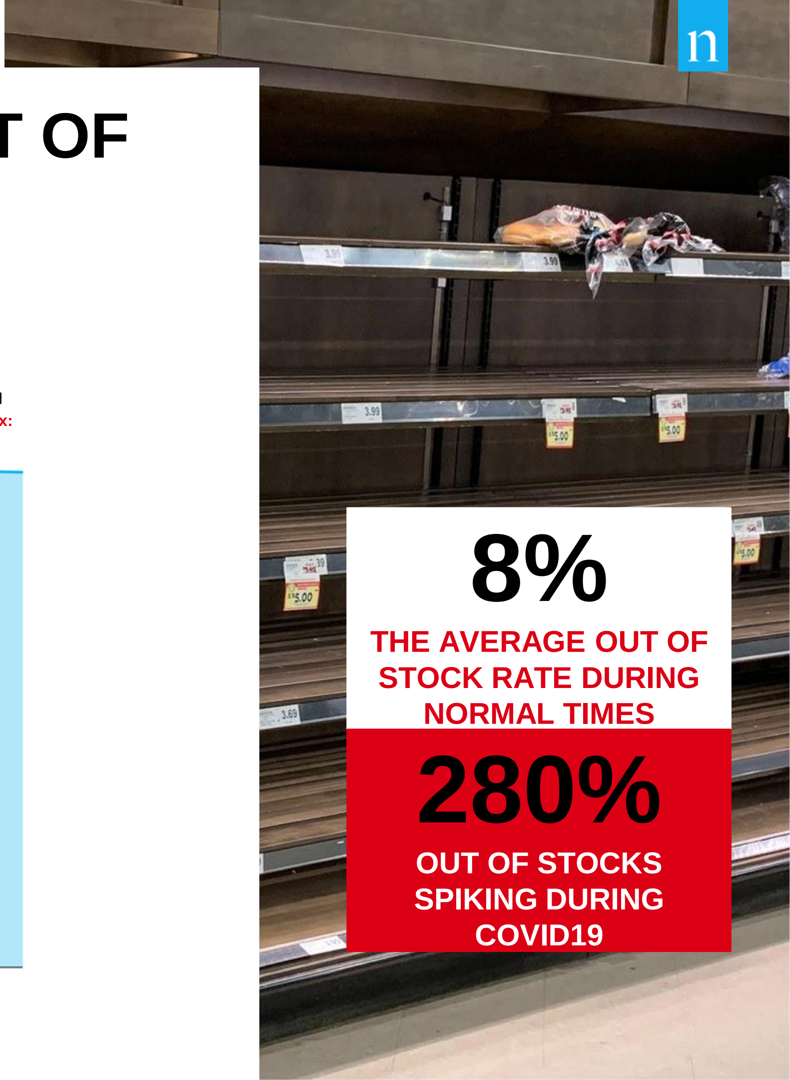
$24.5B

Source: Nielsen Total US xAOC; Nielsen Ecommerce measurement powered by Rakuten Intelligence
Source: Nielsen Total US xAOC + Ecommerce 4 Weeks Ending March 28, 2020 vs. prior year

CONSUMER FEAR CREATES OUT OF STOCKS



Source: Nielsen Total US xAOC Week Ending 3/28/2020



8%

THE AVERAGE OUT OF STOCK RATE DURING NORMAL TIMES

280%

OUT OF STOCKS SPIKING DURING COVID19

SOME CATEGORIES RISE WHILE OTHERS FALL DURING COVID-19

CONSUMER SPENDING INCREASES IN

Consumers are increasing their spending most in:

1. Household Paper & Plastics
2. Beverages
3. Fresh Meat and Prepared Foods

CONSUMER SPENDING DECREASES IN

Consumer shopping is declining most in:

1. School Supplies
2. Pest Control
3. Lawn Care
4. Baby Accessories

$18.8 BILLION

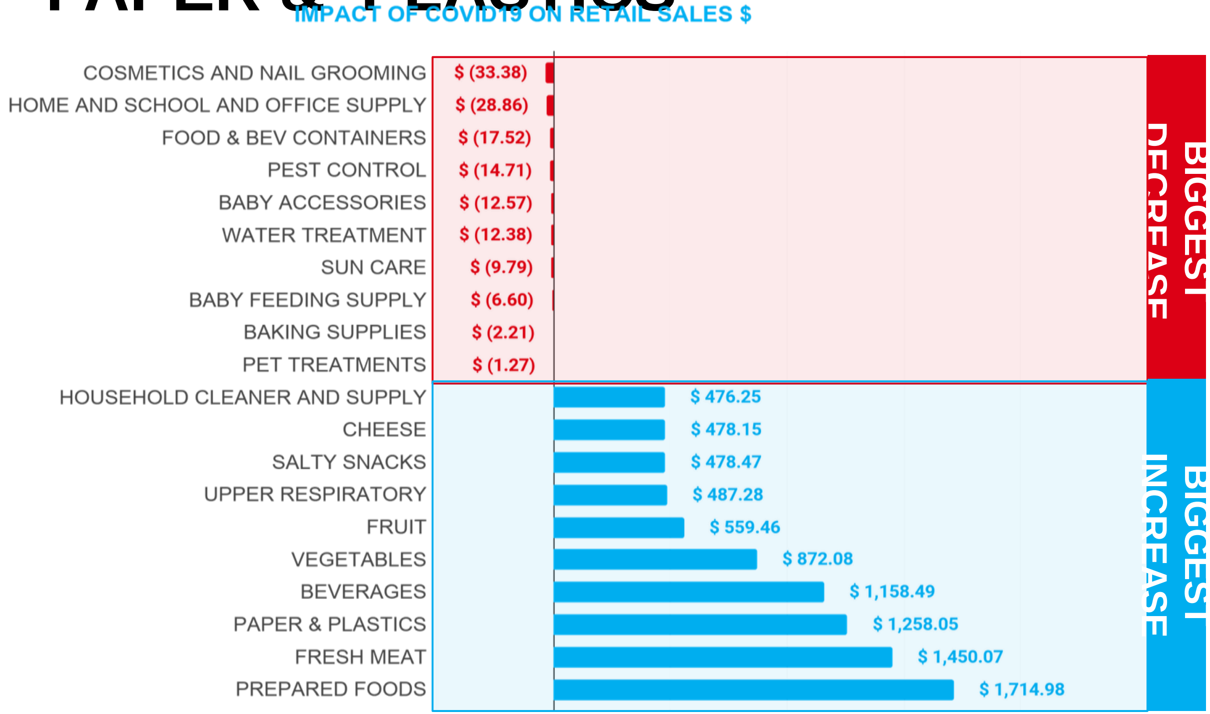
FMCG Retail Sales Growth Driven by COVID-19

+$8.2B

Consumers have added $8.2B of incremental inventory to their pantries during COVID-19.

Source: Nielsen Total US xAOC Week Ending 3/28/2020

AFRAID TO RUN OUT, CONSUMERS BOUGHT AN INCREMENTAL $1.3B IN PAPER & PLASTICS



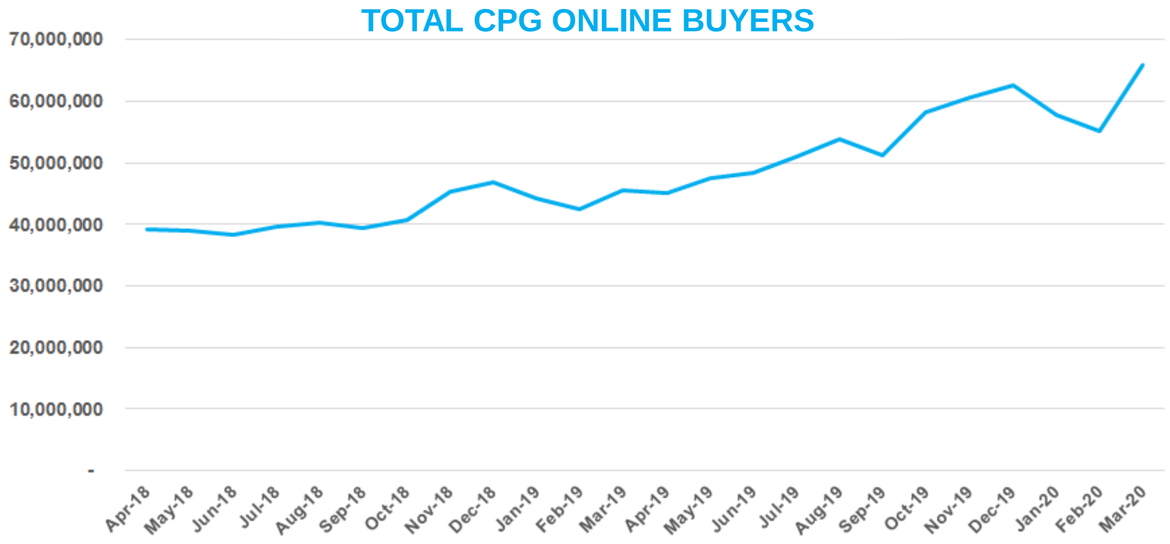
Source: Nielsen Total US xAOC Week Ending 3/28/2020

How much paper and plastic?

+$1.3BM

$1.3B in incremental sales. That’s equivalent to approximately 1.38B rolls of toilet paper, or about 4 rolls per person in the USA. .

WHY IS THIS SO IMPORTANT? ONCE BUYERS TEST ONLINE SHOPPING, MANY TEND TO CONTINUE



Source: Nielsen Total US E-commerce measurement powered by Rakuten Intelligence

PREPARE FOR THE POST COVID-19 IMPACT BY LOOKING AT THE PAST

In 2008, the modern world faced what has now been dubbed as the great recession. During that time many manufacturers had a rude awakening that their pricing strategy created more problems than solutions. In fact, Credit Suisse commented that "...these [packaged food companies] lack the pricing power to fully offset rising commodity costs."

And while guardrails have been put in place to ward off a recession like that in 2008, COVID-19 will leave an impact. To help you get ready to price effectively, we wanted to share some learnings and best practices.

THINGS THAT DIDN'T CHANGE IN 2008 RECESSION...

- Health & Wellness needs
- Convenience of purchase (right product, right time)
- Demographics (aging, ethnic, haves vs. have nots)
- Price responsiveness

...AND THINGS THAT DID

Types of purchases

- Reordering shopping lists of basics and opting out of certain categories entirely
- Increase in private label
- Increased buy-on-deal and coupon clicking

Where and how shoppers shop

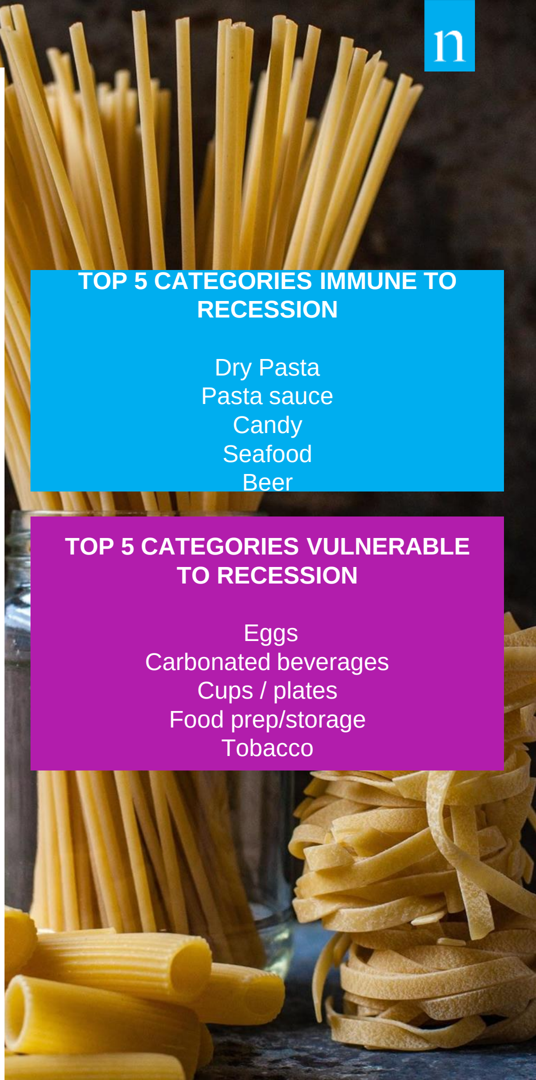
- Shift to value channels
- Fewer trips and smaller baskets

New spending patterns

- Redefining discretionary versus essential spending
- Redefining spending from out of home to in-home (e.g. Salon > In-home beauty)

Making trading offs

- Across categories and down on brand



TOP 5 CATEGORIES IMMUNE TO RECESSION

Dry Pasta
Pasta sauce
Candy
Seafood
Beer

TOP 5 CATEGORIES VULNERABLE TO RECESSION

Eggs
Carbonated beverages
Cups / plates
Food prep/storage
Tobacco

Nielsen Economic Advisor Oct 2009 Todd Hale, James Russo - presentation

NOW CONSIDER SOME CHANGES THAT HAVE HAPPENED IN THE PAST 12 YEARS

+75%

Digital Savvy Shoppers

Nearly ¾ of shoppers indicate that they have better access to tech in the past two years. That has caused many shoppers to use or be willing to use a digital device in their purchasing. More than 75% of shoppers are using or willing to use an online app to manage rewards as well as use a navigation app to find products in store.

87%

The Ease of eCommerce

With the COVID-19 crisis, e-commerce use has been accelerated. Prior to COVID-19, 67% of shoppers indicated using it due to ease and convenience. However, it is highly likely that number has reached, if not exceed, the expected penetration of 87%.

1.7x

Informed, Smart Shoppers

A more informed shopper will continue to look for products that are good for them and their home. To do this, 1 in 3 Consumers share their personal data to inform AI-delivered content and decision making. And when they do, it increases likelihood to purchase by 1.7X.

60%

Shifted Shopping Channels

Invest your trade dollars targeting your key and prospective audiences in the channels that resonate. Warehouse Clubs and Premiere Fresh Grocery have over 60% of shoppers with HH income above $70K per year.

Nielsen Tech Transformed Consumption survey February 2020
Nielsen Homescan, Total U.S. 52 w/e 12/30/2017; excludes gas only or Rx only trips

WE GAVE IT SOME THOUGHT AND HERE ARE OUR PREDICTIONS FOR IMPENDING IMPACT

DESIRE FOR HEALTH & WELLNESS

It wasn’t that long ago that 38% of Shoppers were willing to pay a premium when product contains environmentally friendly / sustainable materials (bpa free, terracycle, plantable packaging). There’s no reason why this trend won’t continue, especially as Private Label brands are tuned into this too.

CONVENIENCE REIGNS KING

Convenience and experience really plays a part when it comes to delivery, check-out process, heavy items and time-savings. Shoppers look for experience not only with your product, but in the stores they visit. This means collaboration with your retail partners is even more critical and impactful.

MILLENNIALS WILL SPEND MORE

By 2025, Millennial purchase power will be $8.5TN - up from $1.4TN in 2014 (source: Nielsen / Accenture). It’s important to connect your brand with their needs states. They rely heavily on digital and expect brands to invest in sustainable programs (source: Conference Board Global Survey).

BRAND PERCEPTION WILL SHIFT

While categories remained largely unchanged during the last recession, individual brands were more impacted. Next time this could be amplified as smarter shoppers have more purchase choices and can be more discerning. It’s really critical to ensure you communicate your value through your price and promotion strategies.

Nielsen Product Insider, powered by Label Insight, 52 weeks ending 4/27/2017 vs. year-ago. *Includes products that are rated Clean Label or above; *Conference Board Global Consumer Survey

PREPARING FOR IMPACT WITH A MODERN PLAYBOOK

1 **THINK OMNICHANNEL FIRST**
Manage your portfolio with an omnichannel mindset - your shopper already thinks that way.

2 **CATEGORY COLLABORATION**
Build category supporting, value-driven pricing strategies that are supportive to your retail customer conversations so that you can have better collaboration and negotiation.

3 **REVISIT PRICE/PACK ARCHITECTURE**
Even if you recently did so, it’s time to revisit how your price architecture aligns as a portfolio, across channels, and as part of your brand’s message.

4 **ENSURE YOU HAVE THE RIGHT PERCEPTION**
Validate your price position vs. private label & key competitors; your shoppers are making informed decisions on your brand and any alternatives that exist - sometimes even jumping to other categories.

5 **PROMOTE WITH PURPOSE**
Over-promotion was a failure of the last recession resulting in promotion investment being diluted. Although the temptation is strong, repeating that can hurt your long-term goals. Have a purpose to your promotions that you can communicate to both your board and your retail customers.

6 **CREATE COST-REDUCTION IN THE RIGHT PLACES**
Going cheap on product ingredients is a strong communication to your shopper that they will pick up on immediately. During the last recession, some thought going cheap on their analytics was also good enough - much to their chagrin. Combining modern technology & automation reduces operational cost and supports faster, more impactful decisions that protects your position.

“Success breeds complacency. Complacency breeds failure. Only the paranoid survive.”

Andrew Grove

SHAPING A SMARTER MARKET™

This artwork was created using Nielsen data.