A FRESH LOOK INTO MULTICULTURAL CONSUMERS:

REFRESHING THE RETAIL LANDSCAPE

FEBRUARY 2017

nielsen

AN UNCOMMON SENSE OF THE CONSUMER™

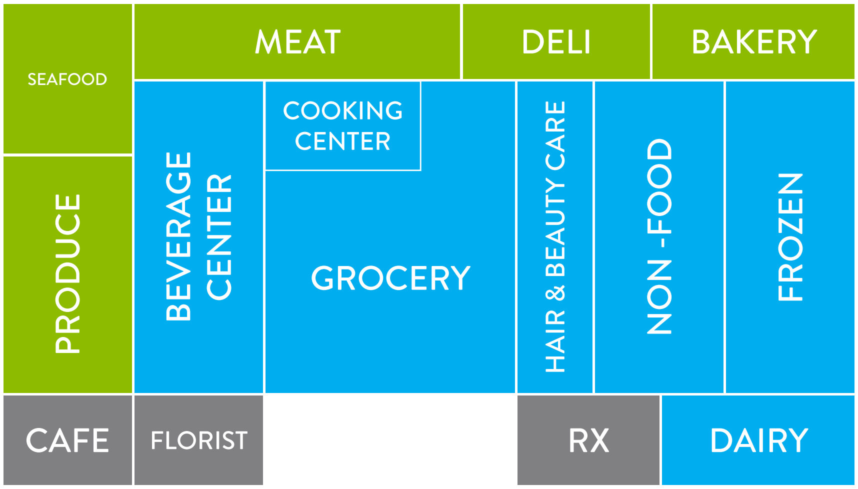
A FRESH LOOK AT MULTICULTURAL CONSUMERS

With the rapid growth of multicultural households in America and their unparalleled influence on the marketplace, retailers must consider new strategies that include a wider range of the fresh food products and flavor profiles that appeal to these critical consumers. The convergence of diverse multicultural taste profiles has exposed many Americans to new cuisines and created growing appetites for more adventurous meals, resulting in complex while nonetheless tremendous opportunities in food retailing.

Most American households are entering a new mainstream with their own unique set of culinary preferences adopted from various global ethnicities. These new shopping patterns are responsible for the higher perishable purchase rates of multicultural consumers and their non-Hispanic white counterparts.

Understanding the influence multicultural consumers wield on all perishable shoppers across the meat, produce, seafood, deli, and bakery categories will be critical for any retailer looking to leverage new growth opportunities over the next several decades.

RETAIL FLOORPLAN



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SECTION 1

A CROSS-COUNTRY VIEW OF FRESH MULTICULTURAL CONSUMPTION

TODAY'S FASTEST GROWING CONSUMERS AND TOMORROW'S NEW MAINSTREAM

Multicultural populations will reach a position of dominance in the United States within the next couple of decades. But for savvy marketers, there's no need to wait. In fact, waiting may have a profound cost: multicultural consumers are the fastest growing segment of the U.S. population and are responsible for 92% of population growth between 2000 and 2014. African American, Asian American, and Hispanic consumers collectively are influencing a variety of product categories and industries, including grocery.[1] Palates that favor multicultural flavors are influencing the taste preferences of non-Hispanic whites and society at-large.

Multicultural consumers are the growth engine for fresh food categories across the board. In order to tap this critical market, retailers need to rethink the assortment of fresh products being offered to today's increasingly multicultural shoppers and develop aggressive, nuanced, and focused strategies for the delivery of a broad variety of products to those shoppers.

IN 5 YEARS, THE U.S. POPULATION WILL GROW BY

[1]Source: Nielsen State of the Hispanic Consumer Report: The Hispanic Market Imperative, American Communities Survey (2014), U.S. Census Bureau * Excludes American Indian, Alaska Native, Hawaiian & Other Pacific Islanders

THE NEW MAP OF MULTICULTURAL FRESH PRODUCT CONSUMPTION

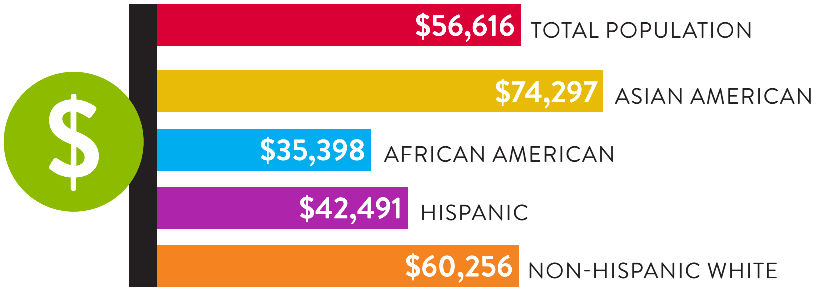
We don't have to wait for a distant future when multicultural populations will be dominant. Today, 21 of the top 25 most populated counties in the U.S. already enjoy multicultural majorities, and their influence is profoundly affecting mainstream society. In fact, what was once considered "multicultural" is becoming the new "mainstream."

The U.S. Asian American population is considerably wealthy, with a household median income of $74,297 vs. the country's average of $56,616[2]. The foreign-born Asian American population has shown the greatest percentage increase of immigrant groups, growing since 1970 from 824,000 to 11.1 million.[3] Across all but two of the 18 metro regions with the largest Asian American populations, the cohort comprises more than half of each county's total population. Driven by relocation, births, and immigration, Asian American populations have grown in the west, the northeast, the midwest, and the south. With those expansions in population have come increases in buying power.

African American consumers' size and influence are growing faster than non-Hispanic whites across all income segments above $60,000, with the most accelerated growth coming in the number[3] of African American households with annual incomes over $100,000. Black population metro hubs are continuing to shift back to the south.

Hispanics are expanding geographically as well, and that cohort is also

MEDIAN HOUSEHOLD INCOME



[2]Economic Policy Institute Analysis of Current Population Survey Annual Social and Economic Supplement Historical poverty tables
[3]U.S. Census

THE REALITY OF A MULTICULTURAL FUTURE

RANK	NAME	STATE	NIELSEN DMA*
1	Los Angeles County	CA	Los Angeles, CA
2	Cook County	IL	Chicago, IL
3	Harris County	TX	Houston, TX
4	Maricopa County	AZ	Phoenix et al, AZ
5	San Diego County	CA	San Diego, CA
6	Orange County	CA	Los Angeles, CA
7	Miami-Dade County	FL	Miami-Ft. Lauderdale, FL
8	Kings County	NY	New York, NY
9	Dallas County	TX	Dallas-Ft. Worth, TX
10	Riverside County	CA	Los Angeles, CA
11	Queens County	NY	New York, NY
12	San Bernardino County	CA	Los Angeles, CA
13	Clark County	NV	Las Vegas, NV
14	King County	WA	Seattle-Tacoma, WA
15	Tarrant County	TX	Dallas-Ft. Worth, TX
16	Santa Clara County	CA	San Francisco et al, CA
17	Bexar County	TX	San Antonio, TX
18	Broward County	FL	Miami-Ft. Lauderdale, TX
19	Wayne County	MI	Detroit, MI
20	New York County	NY	New York, NY
21	Alameda County	CA	San Francisco et al, CA
22	Middlesex County	MA	Boston et al, MA-NH
23	Philadelphia County	PA	Philadelphia, PA
24	Suffolk County	NY	New York, NY
25	Sacramento County	CA	Sacramento et al, CA

21 of 25

MOST POPULATED COUNTIES
ARE MULTICULTURAL MAJORITY

Source: Nielsen Spectra

*Nielsen Designated Market Area

experiencing tremendous growth in household size: multigenerational Hispanic households grew from 18% to 25% in just the past several years.[4] The dominant Hispanic subgroup varies by region. In the southern strongholds of Los Angeles and Houston,[5] for example, 79% and 75% of Hispanics are Mexican, respectively. On the east coast, Salvadorans dominate Washington, D.C. while nearly half of New York Hispanics come from the Caribbean. This diversity among Hispanic subgroups expands preexisting notions regarding Hispanic cuisines and their respective flavor profiles.

Asian American, African American, and Hispanic populations retain significant aspects of their cultures, including cuisine. They have successfully integrated into American culture, and while we've evolved from the notion of our country being a *melting* pot, the dominance of ethnic populations has expanded what's in America's *cooking* pots by retaining unique cooking styles and flavor profiles.

[4]Pew Research Center
[5]Nielsen PopFacts

MULTIGENERATION HOUSEHOLDS

1.5x

ASIAN AMERICANS ARE 1.5 TIMES **MORE LIKELY** THAN THE **TOTAL POPULATION** TO BE A PART OF A MULTIGENERATIONAL HOUSEHOLDS

1.3x

AFRICAN AMERICANS ARE 1.3 TIMES **MORE LIKELY** TO BE A PART OF MULTIGENERATIONAL HOUSEHOLDS

1.3x

HISPANICS ARE 1.3 TIMES **MORE LIKELY** TO BE A PART OF MULTIGENERATIONAL HOUSEHOLDS

0.2x

NON-HISPANIC WHITES ARE 0.2 TIMES **LESS LIKELY** TO BE A PART OF MULTIGENERATIONAL HOUSEHOLDS

Source: Pew Research Center

WHERE AND WHY DO MULTICULTURAL CONSUMERS SHOP FOR FRESH?

The multicultural push for fresh comes from cooking and eating norms that are central to the particular cultures of African Americans, Asian Americans, and Hispanics. Globally, family traditions are often reflected in the preparation and enjoyment of food. Cuisines are the longest lasting expression of culture and the most important driver of multicultural consumers' shopping preferences.

Multicultural groups are mindful, choosy consumers of all fresh departments: meat, produce, deli, bakery, and seafood. They will often drive to distant ethnic stores for a wide selection of each authentic ingredient rather than shop at a more convenient local alternative that offers a limited selection. However, convenience may win their business if a local retailer has curated a leading brand or two or an authentic variety of the multicultural shopper's most frequently purchased fresh ingredients.

For example, Asian Americans spend 10% more on food to prepare at home than do the average population, and they have shown they will travel further and spend more than other consumers on fresh produce and organic foods.[6] Their dietary habits reflect key cultural preferences revolving around fresh and healthy choices.

Multicultural groups share common ground around natural, organic, fresh, and locally sourced produce, proteins, and freshly prepared foods, and that preference is even more pronounced when looking at the shopping habits of older and more affluent populations. However, there are definite differences in where each ethnic group likes to shop.

While non-Hispanic white populations are more likely to consider traditional grocery channels, multicultural groups often seek out ethnic stores that offer broad, diverse assortments of food products.

Multicultural populations are more likely to shop for fresh in club, in part because that channel's discounts for quantity purchases meet the needs of multicultural buyers and their larger household sizes. Some

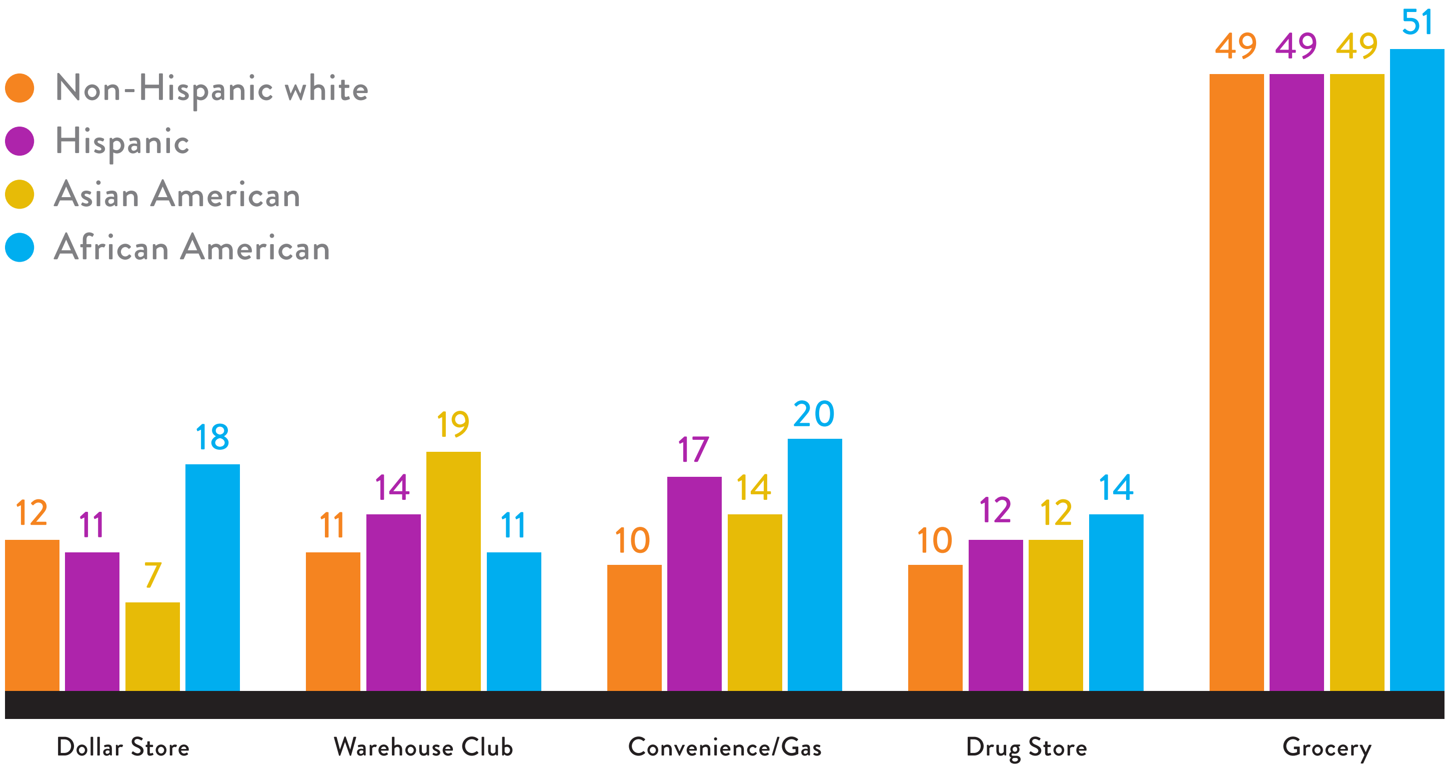
[6]Bureau of Labor Statistics

Club stores have also been vigilant about appealing to concentrations of multicultural consumers near each outlet, offering ethnic items like Kobe style beef or pre-seasoned pork for Mexican carnitas in the fresh section, as well as frozen versions of ethnic foods in the store center.

Dollar and drug store chains are prominent in demographic areas where shoppers need to stretch budgets more, and along with club stores have achieved success in offering fresh produce at attractive prices. Overall, multicultural populations prefer dollar, club, and mass merchandise stores for fresh products at slightly higher rates than non-Hispanic whites.

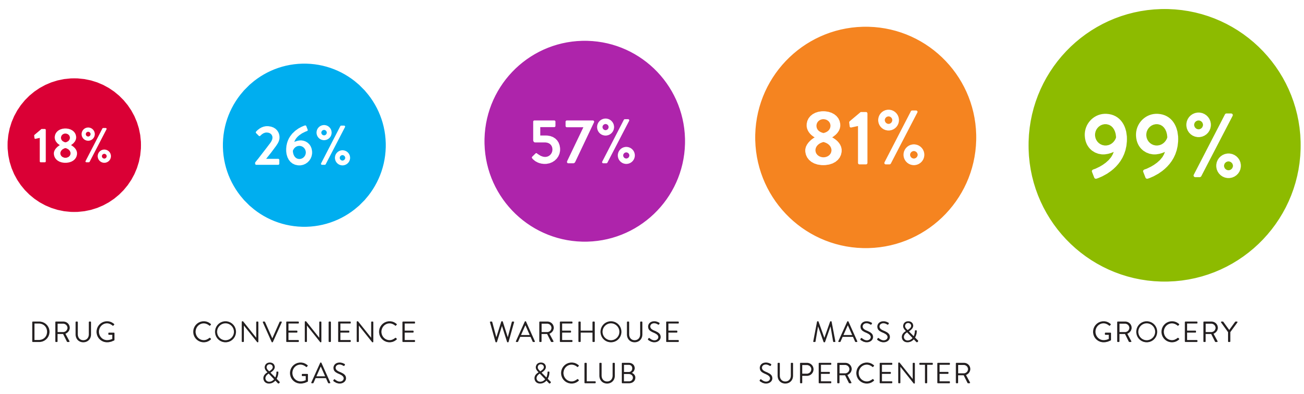
Another factor retailers should consider as they build a new multicultural strategy is that while non-Hispanic white consumers are more strongly influenced by benefits promised, multicultural groups respond much more strongly to product value.

ANNUAL TRIPS BY CHANNEL



Source: Nielsen Homescan Panel, Latest 52 Weeks ending in 5/21/2016

% OF MULTICULTURAL SHOPPERS PURCHASING FRESH



Source: Nielsen Homescan TSV Panel, Data 52 Weeks Ending 07/02/2016

INDEX OF FRESH SPEND TO TOTAL BASKET

	AFRICAN AMERICAN	ASIAN AMEICAN	HISPANIC	NON-HISPANIC WHITE
PRODUCE	94	139	108	97
MEAT	116	101	103	97
SEAFOOD	166	258	106	81
DELI	92	113	107	100
BAKERY	89	102	103	102

Source: Nielsen Homescan TSV Panel, Data 52 Weeks Ending 07/02/2016

Read as: African Americans are 16% more likely to spend on Fresh

SECTION 2

PERISHABLES: THE TRANSFORMATIONAL BOOM IN ATTRACTING MULTICULTURAL CONSUMERS

SEEDED BY MULTICULTURAL, FRESH PRODUCTS ARE BLOOMING IN THE NEW MAINSTREAM

Multicultural consumers are critical to fresh departments across all channels, over indexing in fresh departments while non-Hispanic white households under index.

Multicultural households spend a higher share on fresh food categories as a percentage of their total food spend. Multicultural consumer spend makes up 25% of the total perishable spend versus 24% of the total store spend, and that over indexing holds across all ethnicities[7] While only 2%, larger the 1% resulting increase in multicultural spending on perishables is a very significant — $2.2 billion — and it's growing.[7]

Multicultural consumers are a very important and growing segment behind fresh purchases in general, but they are even more important in the meat, produce and seafood departments. While multicultural consumption is perhaps less strong in deli and bakery, those departments provide ample opportunities for retailers to grow their multicultural spend by providing the right assortment of products, curating authentic flavor profiles, and capitalizing on multicultural communities increasing desire for convenience.

[7]Nielsen TSV Panel Latest 52 Weeks Ending in 07/02/16

MULTICULTURAL SHOPPERS

MAKE 3% MORE TRIPS CONTAINING FRESH ITEMS
80K ADDITIONAL TRIPS

SPEND 4% MORE PER YEAR ON FRESH ITEMS
$60M INCREMENTAL SALES

INCREASING SHARE OF FRESH FASTER THAN NON-MULTICULTURAL SHOPPERS

Source: Nielsen Homescan TSV Panel, Data 52 Weeks Ending 07/02/2016

A look at some of the items exhibiting the fastest growth in fresh sections presents a compelling case for the importance of multicultural cuisines and consumers. The Asian American staple kimchi grew 71% and Korean style beef increased a whopping 365%. While Asian entrees overall grew only 6%, it was from a multi-million dollar base. Comparatively, salsa also grew 6% from a larger base to more than $172 million in annual sales, as it moved from the center of the store to fresh. Among African American delicacies, Cajun entrées grew 33%.[8]

The expanding fresh category has clear appeal to the growing number of ethnicities including non-Hispanic whites willing to try new, more adventuresome flavors. A "halo effect" is noticeable here, with Multicultural flavors become alluring for everyone, and entering the new mainstream. Nothing illustrates it better than the phenomenon of Sriracha, which finds its way into the homes of 5 million non-Hispanic white households.[9]

Even Baby Boomers are willing to try a variety of new flavors and experiences. 29% of Baby Boomers agree it is important the food they consume contains multicultural flavors, and a full 69% of them say they love trying new things outside of their own culture.[10] Additionally, many items considered multicultural have gained wider appeal due to their positive perception of being healthy, like couscous, greens and kombucha.

This "halo effect" extends to all of perishables and to all ethnicities. Our recent exclusive attitudinal Harris Poll study reveals 33% of all adults say that multicultural flavors are important, with 6% going so far as deeming them "absolutely essential."

[8]Nielsen Perishables FreshFacts 52 Weeks Ending 4/30/2016
[9]Nielsen Multicultural Edge 2015 Report, The Rising Super Consumer
[10]Harris Poll conducted online Sept. 19-Oct. 3, 2016 among 2,223 U.S. adults ages 18+, plus oversamples among 441 Hispanic adults (in English and in Spanish) and 143 Asian adults (in English)

38%

SAY THEY EAT MULTICULTURAL FLAVORS **AT LEAST ONCE A WEEK.**

37%

OF ALL ADULTS REPRESENTING ALL ETHNICITIES SAY THAT THEY WOULD **BE WILLING TO PAY MORE FOR A BRAND** THAT DISPLAYS AN UNDERSTANDING OF MULTICULTURAL NEEDS.

Source: Harris Poll conducted online Sept 19-Oct 3, 2016 among 2,223 U.S. adults ages 18+, plus oversamples among 441 Hispanic adults (in English and in Spanish) and 143 Asian adults (in English)

DELI AND BAKERY MOVE TOWARD CONVENIENT AUTHENTICITY

The importance of convenience is growing within multicultural populations. Ambitious retailers can look forward to engaging their Deli departments to easily convert multicultural shoppers to specialty prepared foods similar to the ones they are making at home.

Applying the convenience factor to the fact that Asian American and Hispanic households both over index for chicken in the Meat Department suggests another opportunity: to capitalize on its popularity and create options that bring in popular ethnic flavor profiles and cooking styles to prepared chicken.

Meanwhile, Asian and Hispanic households over index in bakery categories that can be tailored to specific flavors and preferences, including bakery bread and rolls, specialty desserts, and croissants.

Asian households over index highest in deli cheese and some meats—especially specialty products--and deli prepared foods including chicken and deli entrees.

While African American households under index in deli and bakery, the surge of Black households with annual incomes over $100,000 in the South makes deli and bakery strategies with carefully considered selections of ethnic delicacies a clear opportunity in the right designated market areas. While African Americans underindex in deli and bakery, they may be successfully cultivated with the culturally inclusive product assortments.

Clearly, there is ample opportunity for retailers who strategically adjust their offerings to achieve higher shares of the fast-growing deli and bakery departments.

MULTICULTURAL NEEDS IN DELI

NON-HISPANIC WHITE

↑ $ NATIONAL AVERAGE

Increases in multicultural options like tortilla soup, guacamole, pot stickers, sushi

HISPANIC

↑ $ OVER-INDEX

Largest annual spend, with focus on prepared foods & specialty cheese

AFRICAN AMERICAN

↑ $ UNDER-INDEX

Convenience categories such as chicken, sides and deli platters

ASIAN AMERICAN

↓ $ NATIONAL AVERAGE

Highest basket size, with focus on entertaining

Source: Nielsen Homescan TSV Panel, Data 52 Weeks Ending 07/02/2016

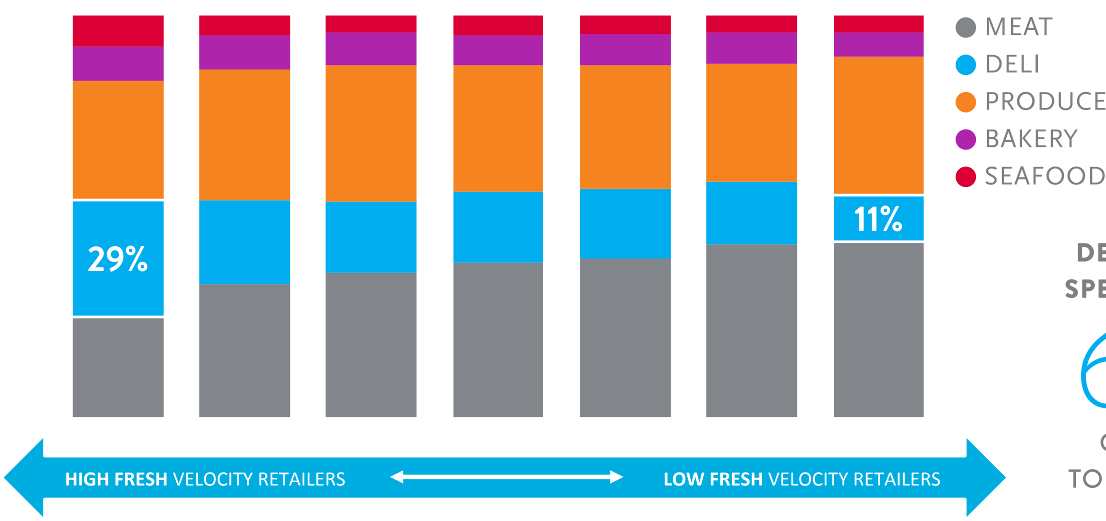
SUCCESSFUL RETAILERS USE DELI TO MAKE GOURMET EASY

The in-store deli has been identified as a key differentiator in top performing fresh retailers. Deli is experiencing the highest growth among all fresh departments, and most households purchase from all areas of the deli department. Top performing fresh retailers make their deli a dining destination via convenient and gourmet options including salad bars, rice bowls, and other dine-in possibilities. Whether it's grab and go sandwiches, sushi bars or even selling prepared fish, top Fresh retailers understand their shopper and the assortment they are looking for, while their lower performing counterparts stick to traditional staples like fried and rotisserie chicken.

While modifications to deli will be an effective strategy in some markets, the department can't be everything to everyone and serves different multicultural consumers in different ways. For example, Asian consumers rely on deli during special events, while Hispanics look to a well stocked, diverse deli for the delivery of prepared foods. Retailers and manufacturers need to understand the roles of the deli department within their own stores and their local neighborhoods, while keeping competition top of mind across all channels.

African Americans are the most frequent buyers purchasing deli at the Convenience/Gas and Dollar Store channels at 23% and 27% respectively, which reflects the greater concentration of those outlets in heavily African American metros.[7]

$ SHARE BY FRESH DEPARTMENT



DELI PREPARED SPEND IS NEARLY

65%

OF SALES IN TOP PERFOMING RETAILERS

Source: Nielsen Perishables Group *FreshFacts*® 52 Weeks Ending 12/2/2015

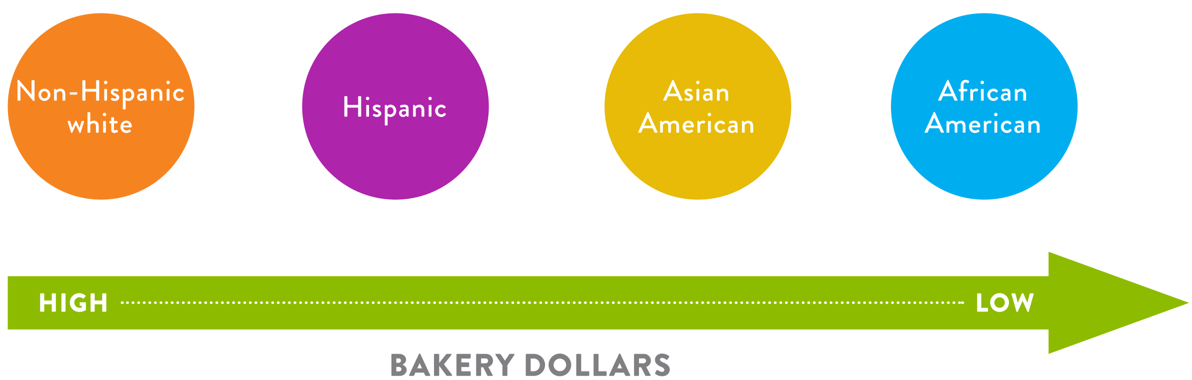
In contrast, only 14% of Asian American households purchase deli at Convenience/Gas channels, although success with outstanding and authentic items like Samosas might suggest a profitable strategy.[7] 61% of Asian Americans purchase deli from warehouse while only 35% of total consumers follow suit, likely because of the appeal to Asian consumers of the warehouse channel's bulk discounts and the increase of both Asian and healthy offerings in their deli departments.[7]

BAKERY — WITH IMPROVED AUTHENTICITY — DRIVES COMPANION PURCHASES

Almost everyone — a full 99% of households — buys from in-store bakeries, averaging $4.50 a trip. [7] However, multicultural consumers index lower than the general U.S. population in bakery department purchases. This suggests that capturing a bigger share of the homeland bakery items multicultural households crave present a big opportunity for retailers. There's clearly a potential opportunity for authentic bakery products.

An important tradition for many Asian American households is a trip to an Asian bakery to buy items like red bean buns and egg tarts. Hispanics go out of their way to pick up authentic traditional Mexican baked goods and sweets like *pan dulce* and *tres leches* cake.

OPPORTUNITY FOR MULTICULTURAL CONSUMERS IN BAKERY



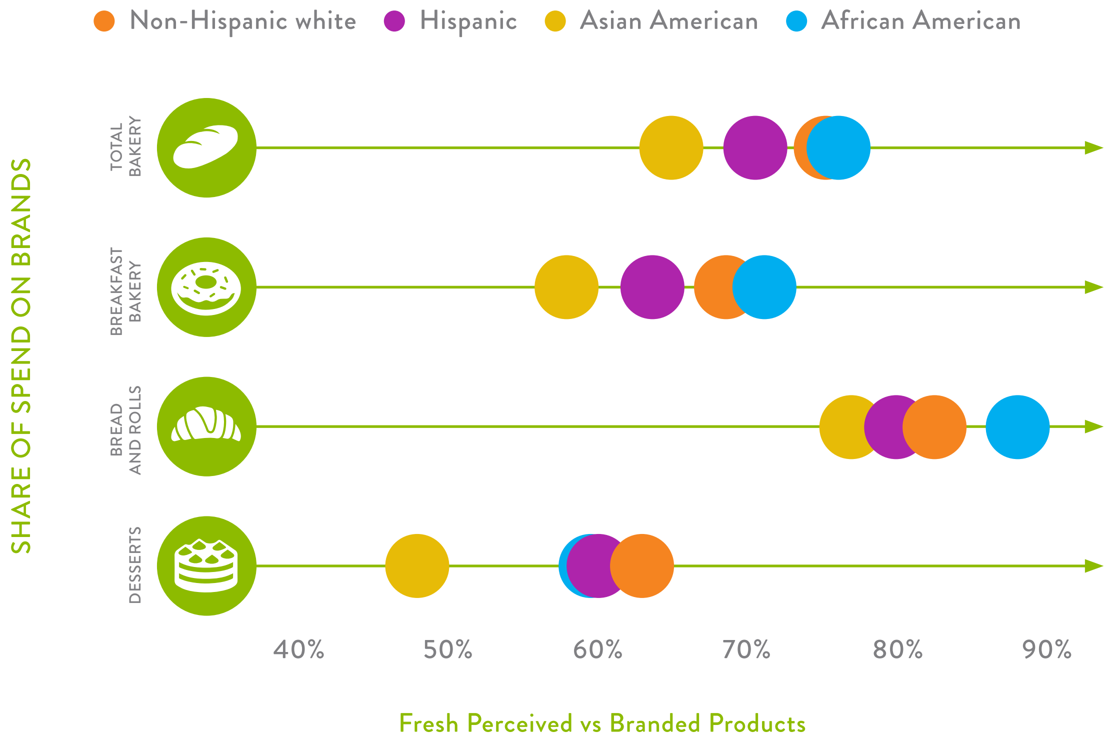
Source: Nielsen Homescan TSV Panel, Data 52 Weeks Ending 07/02/2016

Many top performing fresh retailers emphasize bulk selection, focusing less on branded products and higher indexing on fresh items such as bulk bagels, rolls, and artisan breads. This approach has helped some grocers increase sales from Asian American and Hispanic households, who over index in bakery bread and rolls, specialty desserts, and croissants. In fact, Hispanic households buy bakery bread more often than the other segments and Hispanic and Asian American households buy croissants more than the average American household.

It should be noted that when a bakery cake is in a multicultural shopper's basket, overall basket spend rises significantly from additional spending for the other foods consumed at a celebration. In addition, 5+ member households, many of which are multi-generational multicultural households, account for 15% of bakery sales.[11]

[11]Nielsen Homescan Data Ending 10/31/2015

PREPARED IN STORE BAKERY ITEMS



Source: Nielsen Homescan TSV Panel, Data 52 Weeks Ending 07/02/2016

FRESH PRODUCE, MEAT, AND SEAFOOD DEFINE MULTICULTURAL TRADITIONS

Different multicultural groups place very different value on a variety of meat sub-groups. For example, African Americans consumers over index in the purchase of dry vegetables and grains, refrigerated juices, and meat as a percentage of their total perishable spend. They also buy meat more frequently than any other group.

Asian Americans gravitate toward seafood and over index on the purchase of meats and seafood, while spending more on perishables than any other consumer segment.

Hispanic consumers spend more money on fresh produce, packaged meat, and juices than the general population.

In the seafood department, Asian Americans purchase the most frequently and spend more per visit, but are closely followed by African Americans, Hispanics and all multicultural consumers.

PRODUCE LEADS THE WAY TO FRESH FLAVOR, HEALTH, AND CONVENIENCE

Multicultural — with Asian Americans leading the way — take produce shopping very seriously. Food is considered a significant part of cultural bonding, and traditional preparation begins with fresh ingredients. Asian Americans purchase three times as many vegetables and grains as the rest of the population and over-index in the purchase of fresh fruits. Seventy-eight percent of Asian Americans say that they prefer cooking with fresh food rather than canned or frozen food, and 72% say they rarely eat frozen dinners.[12]

Flavor, health and wellness, and convenience are the main growth areas for produce, including snacking formats and ready-to-cook items.

[12]Nielsen Scarborough

Beyond traditional produce - including apples, oranges, bananas, and carrots, many increasingly popular produce items include bitter melon, squash, kiwis, cilantro, tomatillo, and jalapeño peppers which are common among multicultural consumers.

Value-added produce such as sliced jicama are a part of the potential that leading produce departments may capitalize on. Health and wellness, which is an important consideration for Multicultural shoppers, also provides opportunities around healthful items, including kefir and various greens. Not only do value-added products have strong connections to health wellness, their convenience appeals strongly to the younger multicultural shopper.

Another produce item emerging in popularity, with a high-growth rate, is edamame. Edamame—young, green, still-in-the pod soybeans—are a popular Asian pre-meal snack. Mango, meanwhile, has moved from the center of the store to the Fresh section along with various other ready-to-cook or ready-to-snack selections.

MEAT MATTERS

African American households over index in Meat, spending 38% of their total perishables budget there.[7] Their traditional cuisine includes affordable types of meat and seafood including fresh chicken wings, pork ribs, shrimp, frozen seafood, and sausage.

Meat is the largest category of perishable purchases among all multicultural shoppers with the exception of Asian Americans. On

MULTICULTURAL PRODUCE EXCITES SHOPPERS

(DOLLARS VS. YEAR AGO)

+72%
LYCHEE

+39%
CHINESE CELERY

+32%
PASSION FRUIT

+22%
BITTER MELON

+18%
HABANERO PEPPERS

VALUE-ADDED FRUIT AND VEGETABLES GROWING, SALES OF VALUE-ADDED FRUIT FOR MULTICULTURAL SHOPPERS

FRUITS & VEGETABLES
+7.7%
DOLLARS

PINEAPPLE
$303K
+10.8%

PEPPERS
$28M
+32%

MANGO
$58K
+37.9%

SUGAR SNAP PEAS
$99M
+5.2%

Source: Nielsen Perishables FreshFacts 52 Weeks Ending 4/30/2016 average, multicultural households spend 8% more annually on meat than non-Hispanic white households.[7]

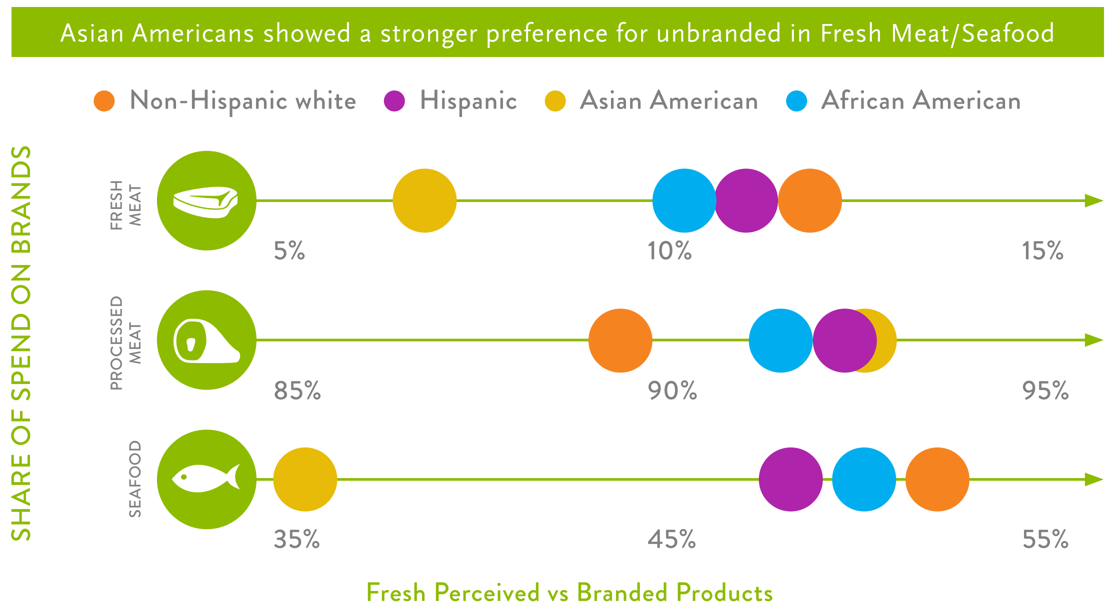
Multicultural products and flavors are driving much of the growth in value-added meat. Consumers are looking both for more unique flavor profiles along with increased convenience in preparing what they used to make from scratch. Ethnically influenced items like chicken fajita strips, carne asada and lamb kabobs are all growing at a faster rate than conventional meat items.

Health and wellness is one of the most reliable drivers of growth for perishables. As such, chicken, given its claim to be healthier, has achieved the highest volume share of the top three proteins. As in other categories, Asian households are less deterred by high prices for meat, buying more expensive items including fresh beef and fresh pork, while under-indexing in lower-priced counterparts.

FRESH SEAFOOD IS GROWING QUICKLY — AND IS DOMINATED BY MULTICULTURAL GROUPS

Asian American households purchase 69% more fresh seafood than other households, contributing up to 9% of total seafood spending.[7] Asian American consumers purchase seafood more frequently than other ethnicities and average the largest purchase size in terms of dollar volume. They are closely followed by African Americans, Hispanics and all multicultural consumers.

BRANDS IN MEATS AND SEAFOOD



Source: Nielsen Homescan TSV Panel, Data 52 Weeks Ending 07/02/2016

SECTION 3

A SOARING, MULTICULTURAL FRESH SECTION LEADS TO OVERALL STORE GROWTH

CAREFUL CONSIDERATION OF MULTICULTURAL OPPORTUNITIES PROVIDES THE CLEAREST PATH TO BETTER SALES

Capitalizing on and catering to the multicultural shopper is a promising route to total retail store success.

Growth in the perimeter of stores has been hovering around 6% for the past few years, as opposed to 2% in the center store.[13] Part of the potential boost retailers can achieve in perimeter fresh lies in attracting multicultural shoppers, a group whose buying power is growing and that shops the fresh departments more than the general population. However, many products with multicultural origins or inspired flavors are realizing their biggest sales growth from the positive 'halo effect' that those consumers' buying habits and tastes are having on the general population. In essence, other shoppers follow the multicultural consumers' lead frequently purchasing food that is reflective of a variety of influential cultures.

[13]Nielsen Perishables Group Advanced Fresh Perspective; Total U.S., 2015.

RETAILERS HAVE OTHER MULTICULTURAL THEMES TO LEVERAGE

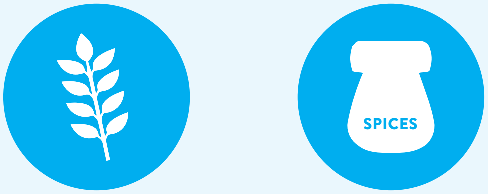
Cuisine is one of the longest lasting expressions of culture. Members of multicultural communities consider shopping a highly valued family activity. Elders in particular, who often lead multigenerational families on shopping trips, understand the importance of food to family. As such, there is a huge payoff awaiting retailers who transform their fresh section into a destination that's worthy of a valued, enjoyable family outing.

Retailers' success in drawing multicultural customers and those with similar tastes will likely spread to other departments. The most successful retailers are connecting several departments within their entire stores, with the main growth areas for produce being flavor, health and wellness, and convenience.

And that brings up one last multicultural theme: retailers should capitalize on convenience trends and flavor profiles to provide these consumers what they have traditionally prepared at home. Multicultural consumers over index in saying that their dinners at home are usually planned ahead of time and that they cook meals frequently and like to be adventurous in the kitchen. Multicultural consumers also prefer cooking with fresh foods 31% more than the average consumer, and 25% more of them say they like to eat meals on the run.[12] No wonder, then, that they respond well to some of the prepared convenience foods retailers are offering.

DOLLAR SALES GROWTH IN SALES OF HERBS AND SPICES

(2012-2015)



+17% +14%

Source: Nielsen TargetTrack X US AOC Calendar 2012-2015

PRE-PACKAGED HAS RESPONDED CREATIVELY TO THE NUANCED WANTS OF THE MULTICULTURAL CONSUMER

Pre-packaged product producers have noticed the increasing importance and higher growth rates of multicultural consumers' impact on the fresh category. One producer of spices looked to boost the sales of its spices and seasonings through more creative consumer engagement. Recognizing the increased openness to alternative flavors resulting from the increasing influence of multicultural cuisines, this vendor created an online tool that enabled consumers to answer a series of questions and build a unique flavor profile that then suggested recipes using many of the manufacturer's products that were aligned with consumers' preferred flavors. Their targeted consumers can continue to refine their flavor profiles over time by rating the suggestions as they try them. In addition to engaging consumers in a new way, the manufacturer also gained tremendous insights to better inform their R&D and innovation efforts.

But individual herbs and spice products aren't the only ones that consumers are pulling from the shelves: blended garlic-centric herb and spice seasoning products are also enhancing the flavor of dishes across America. The blends are often multi-ethnic hybrids that, in some ways, mirror the multicultural compositions of the families buying them. These potent pre-mixed herb and spice blends generated more than $3 billion in sales.[14]

Within spices/seasonings, we see growth in products that are often staples in cuisine from outside the U.S. For example, bold flavors like chili, cinnamon and red pepper, often used in Hispanic and Indian dishes, topped the sales chart over the last year. Among herbs, consumers prefer cool, fragrant and common additions to their meals, with oregano, parsley and basil leading the way.

IMPACT OF PRIVATE LABEL VERSUS BRANDED PRODUCTS

Store brands, also known as private-label, grew share between 2009 and 2011, with year-over-year sales growth outpacing brands by a significant margin.

But with the economy's upswing, consumers began looking beyond price to quality, availability and convenience as key factors driving their purchase decisions.

It's apparent that private brands have lower share among the top multicultural segments that are driving non-white population growth. Hispanic, Asian American, and African American consumers spend more on branded items and relatively less on store brands. In particular, while annual branded buying rates among Asian and African American households are lower than total white non-Hispanic households, they're especially low for store brands, where African American households spend 18% less annually, and Asian American households spend 22% less.[14]

[14]Source: Nielsen AOD, Latest 52 weeks ending on May 28, 2016

SUSHI BARS, TORTILLA STANDS, AND LOCAL RESTAURANTS SATISFY MULTICULTURAL TASTES, DRIVE COMMUNITY CONNECTION

Successful grocers are positioning their stores as destinations for both general grocery shopping and dining. This approach helps grocers build a lasting relationship with their shoppers who are looking to augment their traditional grocery fare with products that will enhance their dining experiences, many of which are inspired by their multicultural flavor profiles. Increasingly, those profiles feature such offerings as beef chow mein, chile verde featuring firm and tart tomatillos, fried catfish, and Cajun chicken.

SUSHI BARS JOIN THE NEW MAINSTREAM

For retailers seeking growth, fresh sushi is among the most effective — and visible — multicultural-inspired offerings in total annual sales. With $884[15] million in sushi sales at grocery stores over the past 12 months, comprising 3% of all deli sales and 14% growth compared to a year ago, Sushi is part of the new mainstream.[15]

Although fresh sushi doesn't have a long shelf life, it can make sense because the new mainstream consumer wants it and will go elsewhere if you don't have it. Strategic thinking might mean accepting small margins on high sushi fan traffic plus the additional Fresh and center store items in their market basket. Additionally, the goodwill generated among multicultural consumers by the addition of this product line should be considered.

Mainstream grocers employ sushi chefs behind their fresh refrigerated displays. Customers can order customized party trays and watch them wrapped and rolled while they wait. While most mass merchandisers stop short of employing on-site sushi chefs, their retail locations routinely offer sushi party toasted seaweed and a variety of sushi rolling kits. The "halo effect" is apparent. Clearly, these savvy retailers are

[15]Nielsen Perishables FreshFacts 52 Weeks Ending 4/30/2016

meeting the new demands influenced by a growing Asian culture in the U.S.

WIN WITH AUTHENTIC TORTILLAS

This is another product line that's more broadly available due to the "halo effect." While not available in Cuban or Puerto Rican markets, Mexican markets offer fresh, still-warm tortillas. Tortillas have, in fact, invaded the fresh departments of mainstream retailers, with several cook-your-own offerings being increasingly found in the refrigerated cases of mainstream grocery chains. Some of those chains have used tortillas as the veritable foundation for new, highly popular sit-down dining destinations within their stores.

BRINGING LOCAL RESTAURANTS IN-STORE

While club and mass merchant merchandiser chains have long hosted in-store fast-food franchises, innovative retailers are gaining customers by bringing local restaurants on-site. These restaurants have begun offering full service dining experiences on-site, and both general market and higher end grocers are successfully wooing new customers by broadening the experiences being offered in this fashion.

MULTICULTURAL CONSUMERS ARE NOT ONE SIZE FITS ALL

There's no doubt that the five fresh departments—Produce, Meat, Seafood, Deli and Bakery—provide the multicultural-inspired products and flavors retailers need to satisfy their unique customers' demands.

To be successful, retailers must understand and embrace the many layers of multicultural consumers and the undeniable "halo effect" that those consumers are having on mainstream non-Hispanic white shoppers. The multicultural consumer covers a broad spectrum, from multi-generational families to millennials, to Asian American, African American, and Hispanic subgroups that have been influenced by distinct global culinary traditions. Retailers must consider the multi-ethnic tastes of their current and desired customers, including those non-Hispanic white shoppers whose palettes and shopping carts increasing resemble those of their more ethnic peers, and strategically select what to target from among a much broader range of needs and desired product lines.

WITH

$884 MILLION

IN SUSHI SALES AT GROCERY STORES OVER THE PAST 12 MONTHS, COMPRISING **3% OF ALL DELI SALES** AND **27% GROWTH OVER THE PAST FOUR YEARS,** SUSHI IS PART OF THE NEW MAINSTREAM.

METHODOLOGY

Insights utilized in this report were sourced from the following Nielsen analytical tools and solutions. All tools offer their own representative levels of consumer insights and behavior across Hispanic, Asian American, African American and non-Hispanic white respondents (based on data collection, survey/ panel design and/or fusion approaches).

Nielsen PopFacts 2016: Nielsen Pop-Facts Premier provides demographic data based on Census and American Community Survey (ACS) data. Pop-Facts Premier provides current-year estimates and five-year projections. For this release, current-year and five-year refers to 2016 estimates and 2021 projections, respectively. The dataset also provides data for 2000 and 2010 census years for current year geographies. This release of PopFacts Premier is the fourth to provide Nielsen demographic estimates in 2010 Census geographies and to make full use of all Census 2010 results.

Nielsen Scarborough USA+ 2016 Release 1, Gfk/MRI Attitudinal Insights Module: February 2015 - April 2016. (Base: Age of respondent summaries: Adults 18+ - Projected 246,843,172, Respondents: 203,267).

By integrating 400+ attitudinal statements and segmentations with Nielsen Scarborough's syndicated data set, this analysis reflects consumer psychographics in the studied categories. In the top 36 Hispanic Demographic Market Areas (DMAs) this is among both English and Spanish-speaking adults. This study sample is balanced for the Asian population only in Honolulu; the survey is not offered in an Asian language.

Nielsen Homescan Panel Data: The Homescan national panel consists of a randomly dispersed sample of households that is intended to be representative of, and projectable to, the total U.S. market. Panel members use handheld scanners to record items with a UPC which they purchase from any outlet. In September 2014, the Spanish Dominant sample expanded from four to eight major markets, with increased sample in eight markets through Expanded Hispanic Panel. The Total Store View Panel is a subset of Total Panel that includes both UPC and random weight fresh foods.

Nielsen Target Track: Nielsen collects information from a sample of scanning-equipped chain and large independent grocery stores with estimated annual sales in excess of $2 million and uses proprietary statistical procedures and methodologies to create Nielsen's estimate of basic product sales information, including (i) consumer sales (in UPCs and dollars); (ii) percent of stores selling (ACV basis); (iii) causal data indicating the presence of newspaper retailer advertising and displays and average retail selling price for the chain and large independent grocery and super-center stores within each of (a) Scantrack Major Markets (sometimes referred to as "SMMs"; (b) Total U.S. Markets; and (c) Remaining U.S. markets.

Nielsen Fresh Facts: Data in the fresh perimeter departments (produce, meat, deli, seafood, bakery) is unique. Roughly half of fresh sales come from UPC items, while the other half is made up of non-UPC or "random weight" items, which are not traditionally captured. FreshFacts provides a full picture of fresh department performance by capturing both UPC and non-UPC weight items, with retail census sales for key food, club and mass/supercenter store chains in the U.S. with $2 million+ annual ACV* sales per store.

Harris Poll Data: This Harris Poll was conducted online, in English, within the U.S. September 19 - October 3, 2016 among 2,223 adults (aged 18 and over), including oversamples of 441 Hispanic adults (in English and Spanish) and 143 Asian adults (in English). Figures for age, sex, race/ethnicity, education, region and household income were weighted where necessary to bring them into line with their actual proportions in the population. Propensity score weighting was also used to adjust for respondents' propensity to be online.

All sample surveys and polls, whether or not they use probability sampling, are subject to multiple sources of error which are most often not possible to quantify or estimate, including sampling error, coverage error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments. Therefore, The Harris Poll avoids the words "margin of error" as they are misleading. All that can be calculated are different possible sampling errors with different probabilities for pure, unweighted, random samples with 100% response rates. These are only theoretical because no published polls come close to this ideal.

Respondents for this survey were selected from among those who have agreed to participate in Harris Poll surveys. The data have been weighted to reflect the composition of the adult population. Because the sample is based on those who agreed to participate in our panel, no estimates of theoretical sampling error can be calculated.

This study contains aggregate survey data and reflect attitudes and opinions of respondents at the time of the surveys. Nielsen shall not be liable for the accuracy of any information in the study, for any errors or omissions in the information, or for any loss or damage resulting from a reader's improper use or reliance on it. Nielsen hereby disclaims and makes no warranty, express or implied, including without limitation, any warranty of merchantability, fitness for use for a particular purpose.

Readers hereby acknowledge that any reliance on and use of the information contained in this study, including but not limited to, any decision, action or inaction, shall be at reader's sole risk.

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