Transparency in omnichannel retail

February 24, 2022

NielsenIQ

FMI — THE FOOD INDUSTRY ASSOCIATION

Today's Speakers

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FMI Antitrust Statement

FMI believes strongly in competition. Our nation's antitrust laws govern competition in the economy.
It is FMI's policy to comply in all respects with the antitrust laws.

Association meetings or workshops by their very nature bring competitors together. It is expected that all member representatives involved in FMI activities, as well as FMI consultants and other participants, will be sensitive to the legal issues and act in compliance with applicable antitrust and competition laws both at FMI meetings and FMI-sponsored events.

Accordingly, it is necessary to avoid discussions of sensitive topics that can create antitrust concerns. Agreements to fix prices, allocate markets, engage in product boycotts and to refuse to deal with third parties are illegal under the antitrust laws. At any association meeting discussions of prices (including elements of prices such as allowances and credit terms), quality ratings of suppliers, and discussions that may cause a competitor to cease purchasing from a particular supplier, or selling to a particular customer, should be avoided. Also, there should be no discussion that might be interpreted as a dividing up of territories.

An antitrust violation does not require proof of a formal agreement. A discussion of a sensitive topic, such as price, followed by action by those involved or present at the discussion is enough to show a price fixing conspiracy. As a result, those attending an association-sponsored meeting should remember the importance of avoiding not only unlawful activities, but even the appearance of unlawful activity.

As a practical matter violations of these rules can have serious consequences for a company and its employees. Antitrust investigations and litigation are lengthy, complex and disruptive. The Sherman Act is a criminal statute and may even result in penalties punishable by steep fines and imprisonment. The Justice Department, state attorneys general and any person or company injured by a violation of the antitrust laws may bring an action for three times the amount of the damages, plus attorney's fees.

If you have any questions or concerns at this meeting, please bring them to the attention of FMI staff.

Today's Agenda

Consumer outlook

Changing landscape

Growing value of transparency

Health reprioritization

Nutrition information
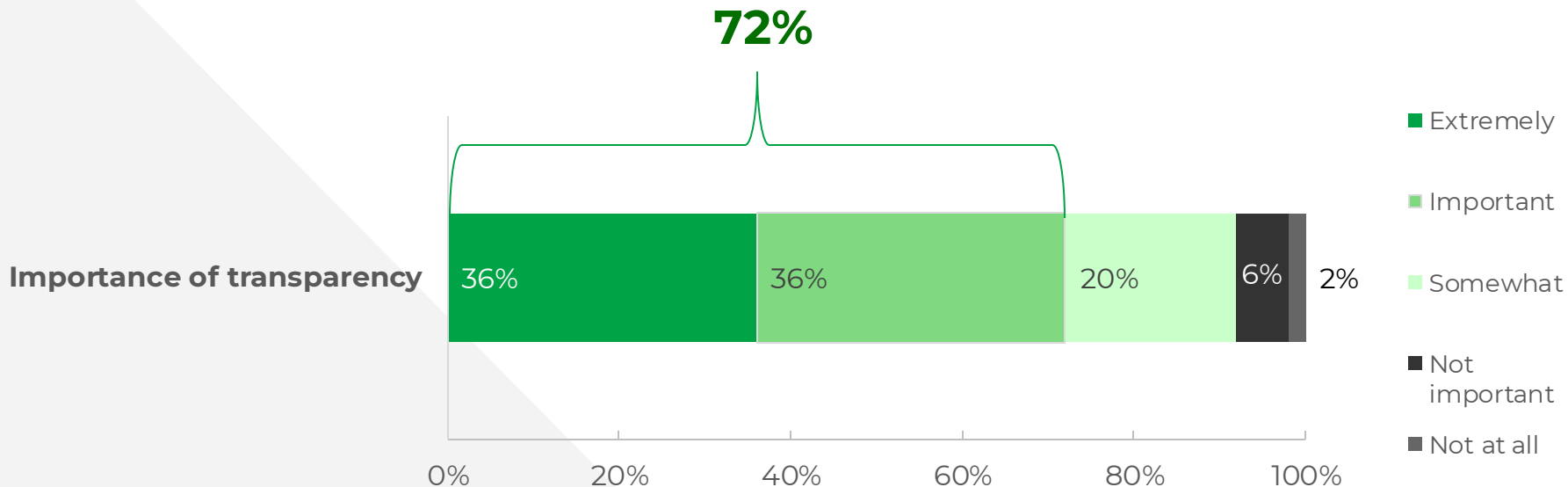
Confusion implications

Looking forward

Movement to online

How consumers shop online

Value, quality, price are top purchase drivers but interest in nutrition, manufacturing and company values in consideration

Driver	Percentage
Good value for the money	86%
Product quality	83%
Price	80%
Brand reputation	61%
Health benefits product offers	59%
Source of ingredients	56%
Dietary claims a product makes (fat-free, high fiber)	51%
How product was manufacturered or grown	49%
Experience with/nostalgia	41%
Shares my value for social responsibility	40%

Transparency is important to most consumers

Importance of transparency

72%

Extremely	Important	Somewhat	Not important	Not at all
36%	36%	20%	6%	2%

Indicators of transparency range from ingredients and nutrition to how products are sourced and produced

Ingredients/Nutrition
Production practices

Indicator	Value
Provides a complete list of ingredients	59%
Plain English description of ingredients	49%
In-depth nutritional information	45%
Certifications and claims	37%
Allergen information that is required	30%
Provides nutrient and health claims	28%
Explanation of what ingredients are used for	28%
Value-based information such as animal welfare, fair trade or labor…	26%
Information about how products are produced	26%
Information about how ingredients are sourced	25%
Provides allergen information beyone what is required	24%
Sustainability practices	19%

Desire to be informed driven by many reasons, from personal to planet

Consumers would like to know more about products they purchase

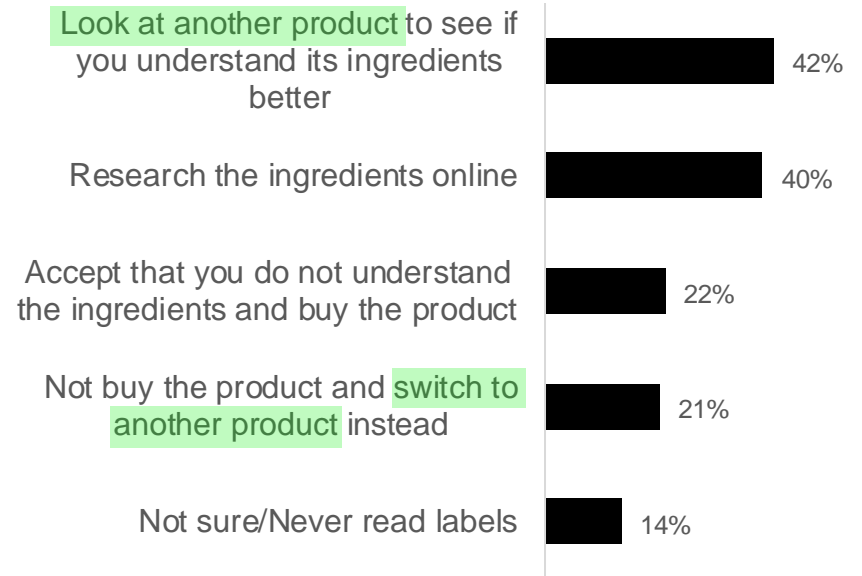**78%**

For family well-being

78%

In general

69%

To support a better planet

Labels receiving more attention and drive purchase and switching behavior

Read product labels

Less **7%**

Same **52%**

More **41%**

Response to confusing labels

Look at another product to see if you understand its ingredients better — 42%

Research the ingredients online — 40%

Accept that you do not understand the ingredients and buy the product — 22%

Not buy the product and switch to another product instead — 21%

Not sure/Never read labels — 14%

Health reprioritization

Health is being reprioritized

89%

say general nutrition facts about a product are at least somewhat important, while **66%** find this important or extremely important

48%

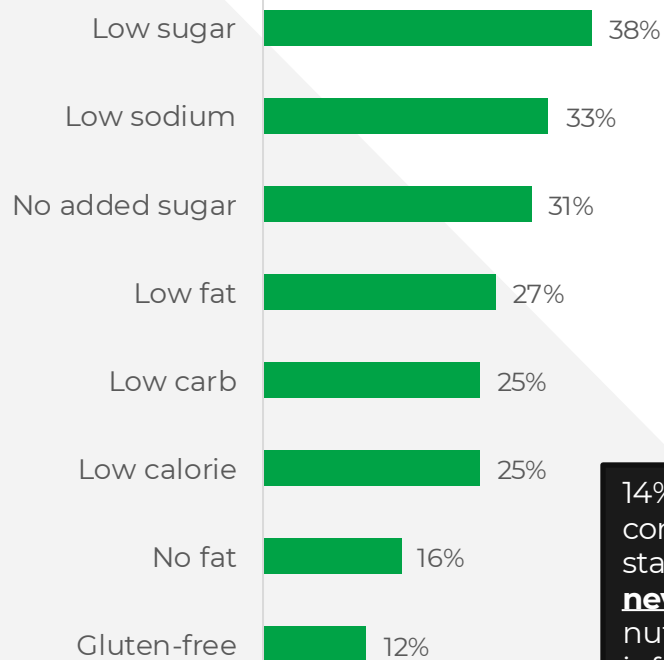Expect to eat healthier moving forward

45%

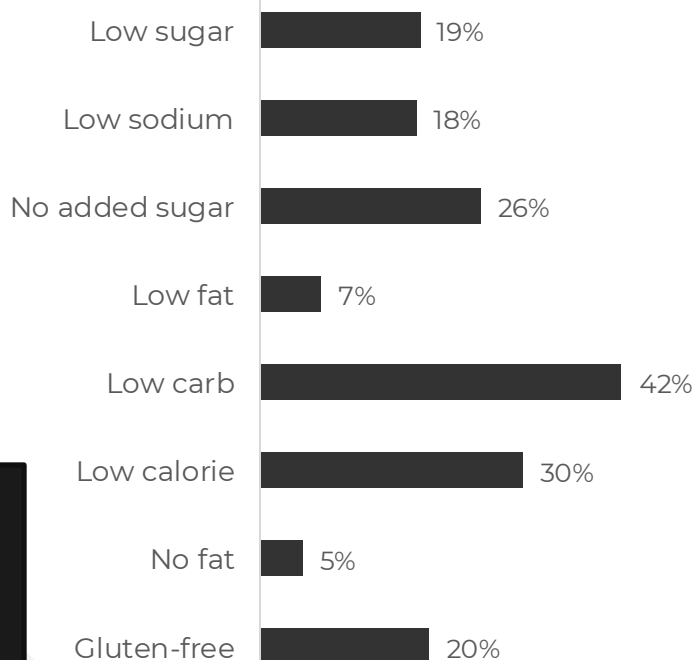say showing in-depth nutritional information is an indication of transparency

Nutritional information consumers look to avoid when purchasing or eating food products
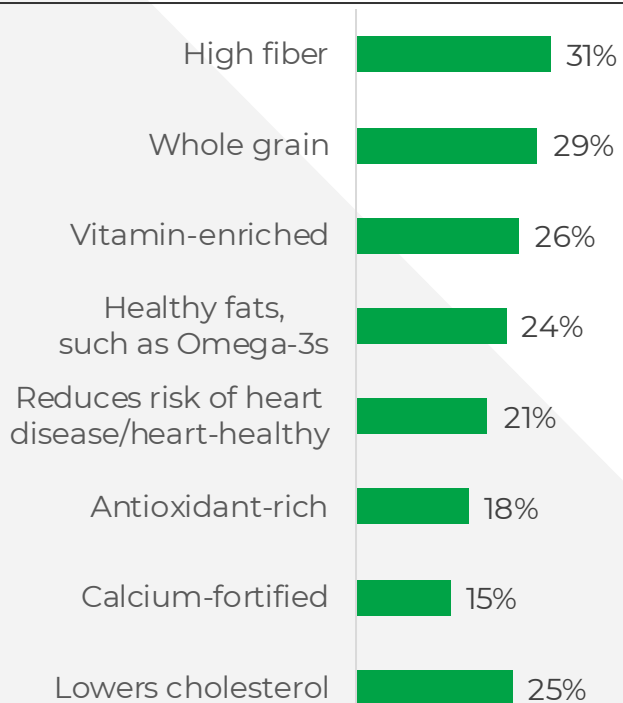
Consumer Interest

Low sugar	38%
Low sodium	33%
No added sugar	31%
Low fat	27%
Low carb	25%
Low calorie	25%
No fat	16%
Gluten-free	12%

Sales Growth

Low sugar	19%
Low sodium	18%
No added sugar	26%
Low fat	7%
Low carb	42%
Low calorie	30%
No fat	5%
Gluten-free	20%

14% of consumers state they <u>never</u> look for nutritional information

Top F&B Online Searches

Organic
Fresh
Energy
Diet
Vegan
Gluten-free
Sugar-Free

FMI/NIQ Transparency in an Evolving Omnichannel World Report 2022
NielsenIQ Retail Measurement Services, Product Insider, powered by Label Insight, Total USxAOC, data ending 2.12.22 v.2YA

Nutritional information consumers look to include when purchasing or eating food products
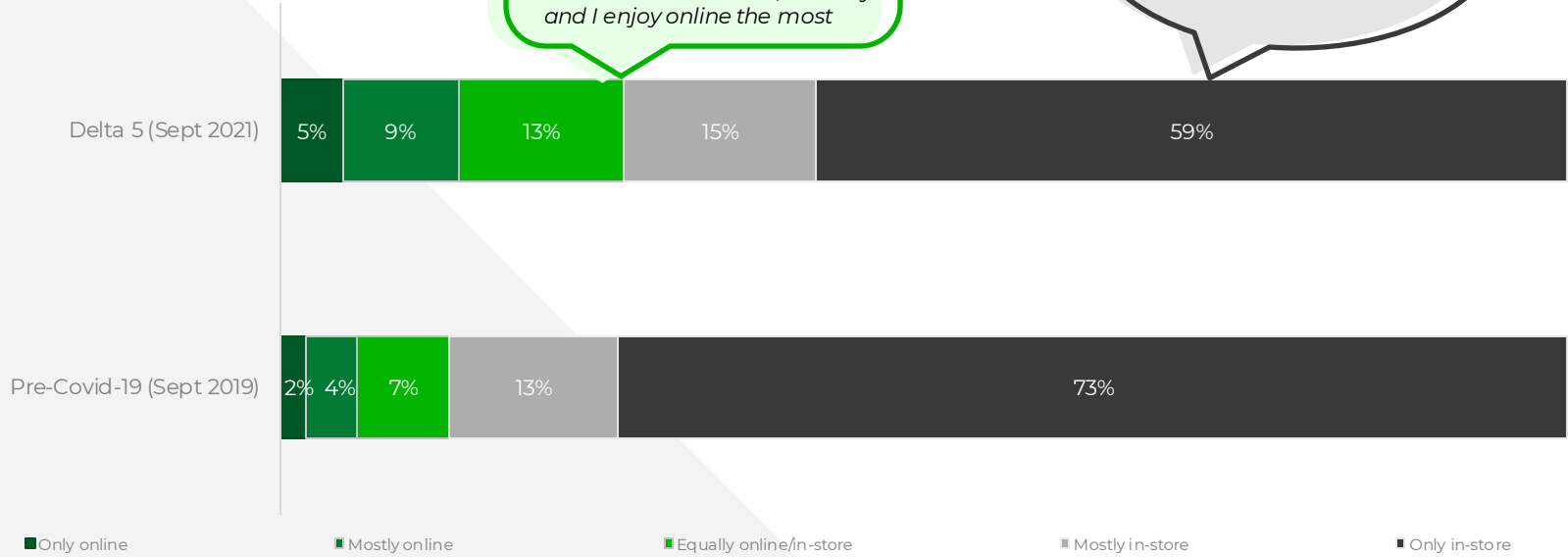
Consumer Interest

Category	Value
High fiber	31%
Whole grain	29%
Vitamin-enriched	26%
Healthy fats, such as Omega-3s	24%
Reduces risk of heart disease/heart-healthy	21%
Antioxidant-rich	18%
Calcium-fortified	15%
Lowers cholesterol	25%

Sales Growth

Category	Value
Excellent source of fiber	18%
Whole grain diet	7%
Vitamin-enriched	9%
Omega-3	15%
AHA Heart Health	-2%
Antioxidant-rich	20%
Calcium-fortified	14%
Lowers cholesterol	-2%
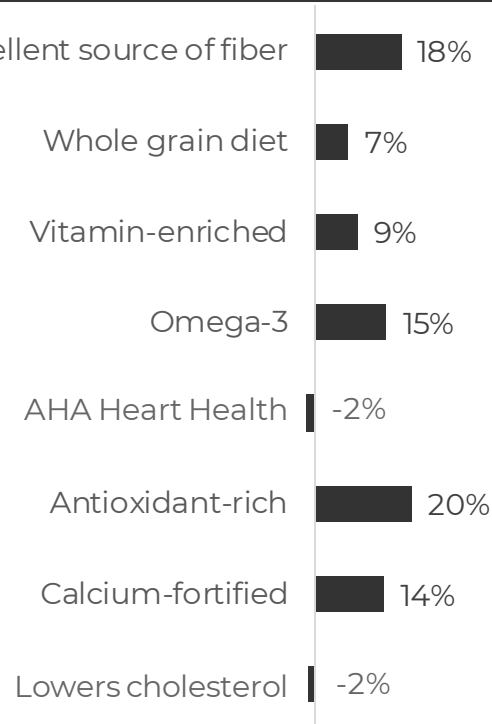
Omnichannel world

Online had dramatic gains through the pandemic
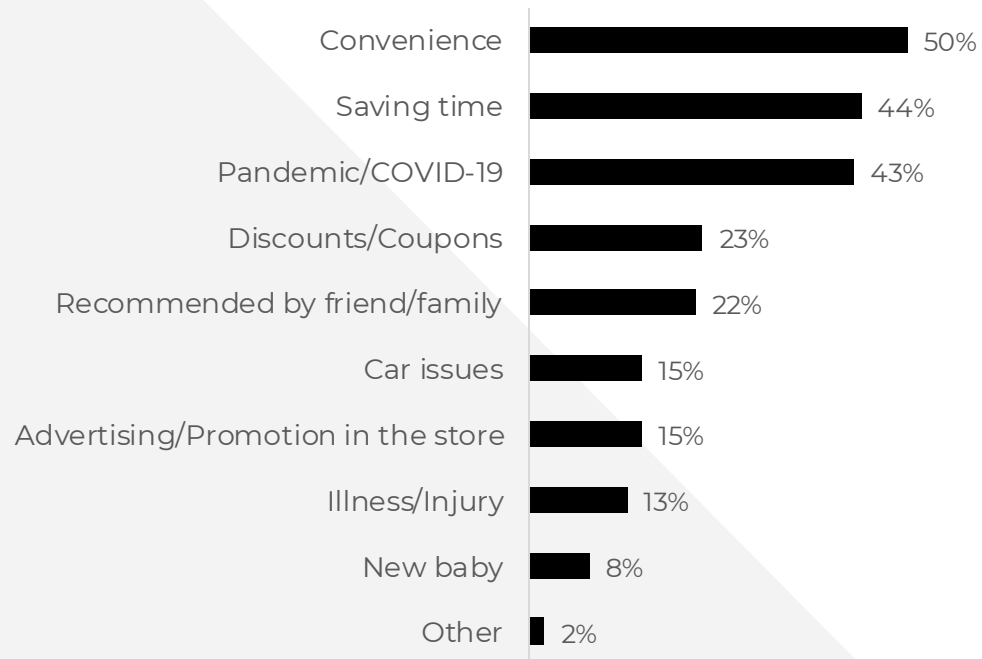
In-store to online shift

> *I like shopping online. It was hard when things were out of stock because of the pandemic.*
>
> *But if it wasn't for that, it's easy and I enjoy online the most*

> *I want to touch the products in-store, check the dates and see new things. I can't really do this shopping online"*

Delta 5 (Sept 2021)
| 5% | 9% | 13% | 15% | 59% |

Pre-Covid-19 (Sept 2019)
| 2% | 4% | 7% | 13% | 73% |

■ Only online ■ Mostly online ■ Equally online/in-store ■ Mostly in-store ■ Only in-store

THE FOOD INDUSTRY ASSOCIATION

Convenience and pandemic prompted online shopping

What Prompted Start

Category	Percentage
Convenience	50%
Saving time	44%
Pandemic/COVID-19	43%
Discounts/Coupons	23%
Recommended by friend/family	22%
Car issues	15%
Advertising/Promotion in the store	15%
Illness/Injury	13%
New baby	8%
Other	2%

64%

Started shopping online in the last 6-18 months

Omnishoppers are here to stay

Consumers will largely retain their online habits

Orders per buyer for online
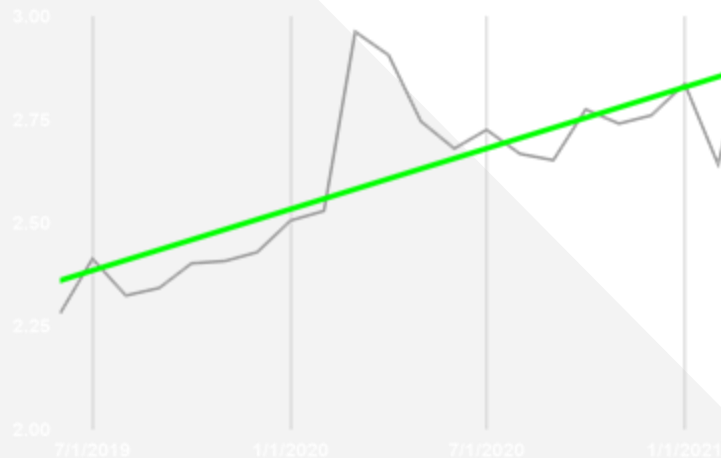
Omni sustains its importance

40%
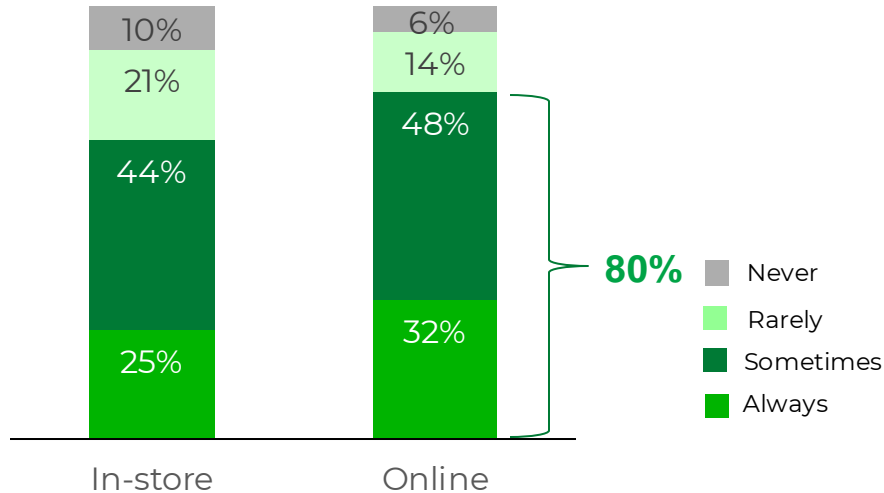Of CPG shoppers are omnishoppers
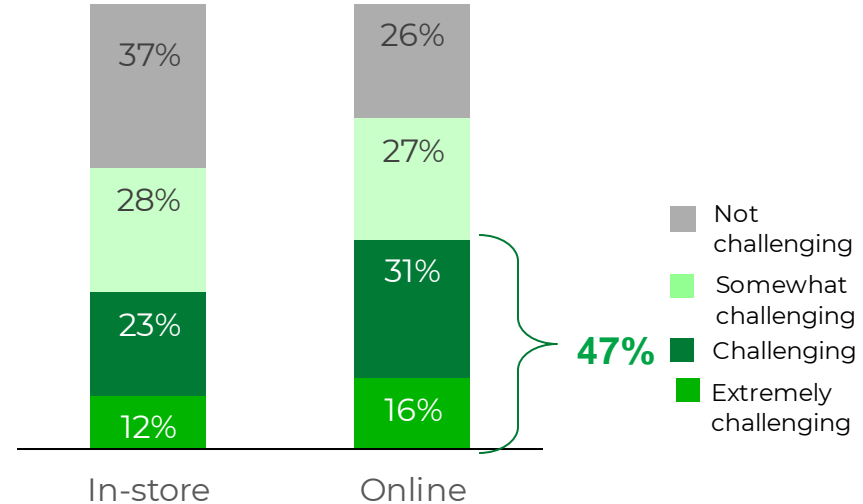
$160 Billion
Online CPG sales in the last year

44%
Of e-commerce dollar share is CPG food and beverage

Online v. In-store Transparency Needs and Challenges

Search product labels

In-store:
- Never 10%
- Rarely 21%
- Sometimes 44%
- Always 25%

Online:
- Never 6%
- Rarely 14%
- Sometimes 48%
- Always 32%

80%

Legend:
- Never
- Rarely
- Sometimes
- Always

Meets product needs

In-store:
- Not challenging 37%
- Somewhat challenging 28%
- Challenging 23%
- Extremely challenging 12%

Online:
- Not challenging 26%
- Somewhat challenging 27%
- Challenging 31%
- Extremely challenging 16%

47%

Legend:
- Not challenging
- Somewhat challenging
- Challenging
- Extremely challenging

Consumers believe online is a good way to find more information about production and sourcing

31%
Sourcing of ingredients

18%
Company's sustainable practices

26%
Manufacturing process

16%
Company's labor practices

20%
Company practices on animal welfare

14%
Company's social responsibility programs

Consumers want transparency in manufacturing, sourcing, company values

$ Volume
Total Store Chg. vs 2YA

+12.8%	+13.5%	+16.5%	+2.8%	+12.6%	+24.9%
Social Responsibility	Sustainable Farming	Environmental Sustainability	Sustainable Forestry	Sustainable Packaging	Animal Welfare

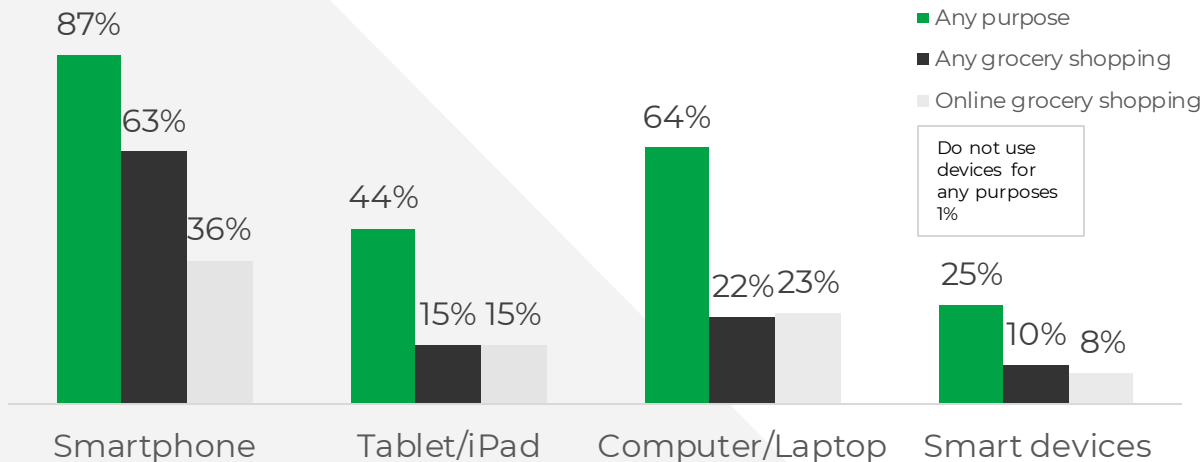|					
+31.7% B Corporation	**+37.6%** EU Organic Farming	**+17.5%** Sustainability certified	**+19.5%** Contains Sustainable Palm Oil	**+8.1%** 100% Recycled Paperboard	**+51.3%** Cruelty Free
+23.5% Ethical	**+17.7%** Family Farmed	**+60.3%** Carbon Free	**+11.7%** Forest Stewardship Council	**+21.3%** Eco Friendly Packaging	**+22.2%** Cage Free
+23.2% Fair Trade	**+24.6%** Farm Raised	**+37.6%** Renewable Energy	**+4.1%** Rainforest Alliance Certified	**+96.4%** Plastic Free	**+28.1%** Free Range
+7.8% Fair Wages		**+36.7%** Less Emissions		**+22.1%** Tetra Pak	**+25.1%** Humane
		+29.8% Zero Waste			**+41.3%** Marine Stwdshp Cncl

Claims/Certifications that are stated on package

Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total US xAOC; Year end 2021 - 52 weeks W/E 01/01/22 vs 2YA
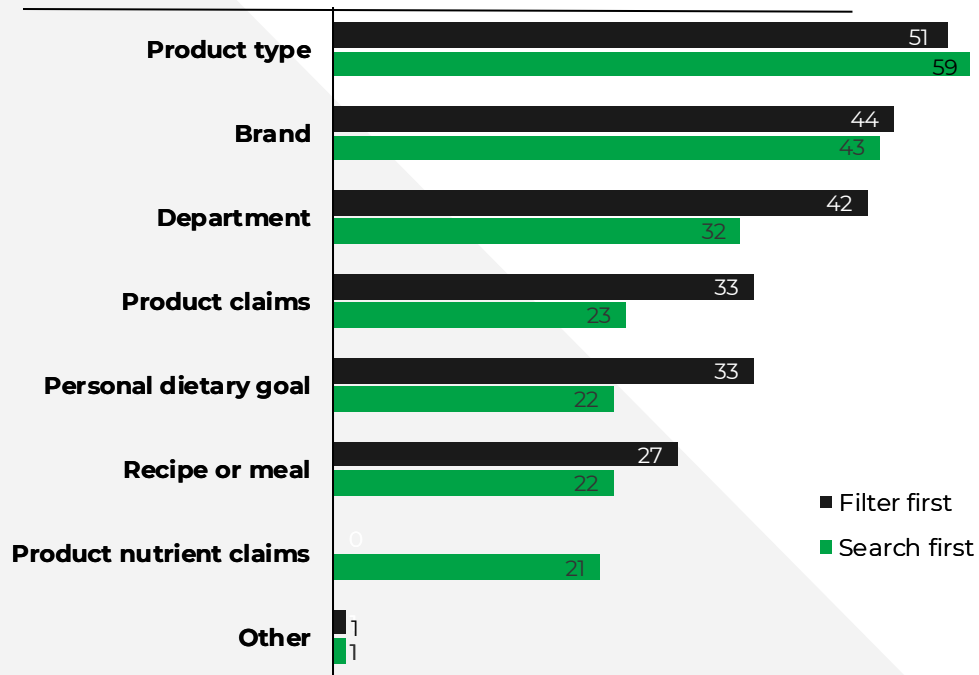
Smartphones are most used devices for grocery shopping

Chart legend:
- Any purpose (green)
- Any grocery shopping (dark)
- Online grocery shopping (light gray)

Do not use devices for any purposes 1%

Smartphone
- 87%
- 63%
- 36%

Tablet/iPad
- 44%
- 15%
- 15%

Computer/Laptop
- 64%
- 22%
- 23%

Smart devices
- 25%
- 10%
- 8%

Opportunity to improve user experience with personalized filters and searchable attributes

Product search: Filter or search bar first?

Category	Filter first	Search first
Product type	51	59
Brand	44	43
Department	42	32
Product claims	33	23
Personal dietary goal	33	22
Recipe or meal	27	22
Product nutrient claims	0	21
Other	1	1

■ Filter first
■ Search first

84%
Of products fail to claim at least 1 of their top 3 most searched attributes

92%
Of products that qualify are not returned in the retailer's search results

Consumers desire improved user experience in online shopping

45% of shoppers say online shopping has been much improved, but want more ease

Faster delivery	42%
Easier to use web site	37%
Better online experience	31%
More/better product information	30%
Retention of order history	29%
More accurate search functionality	28%
Product recommendations based on preferences	23%
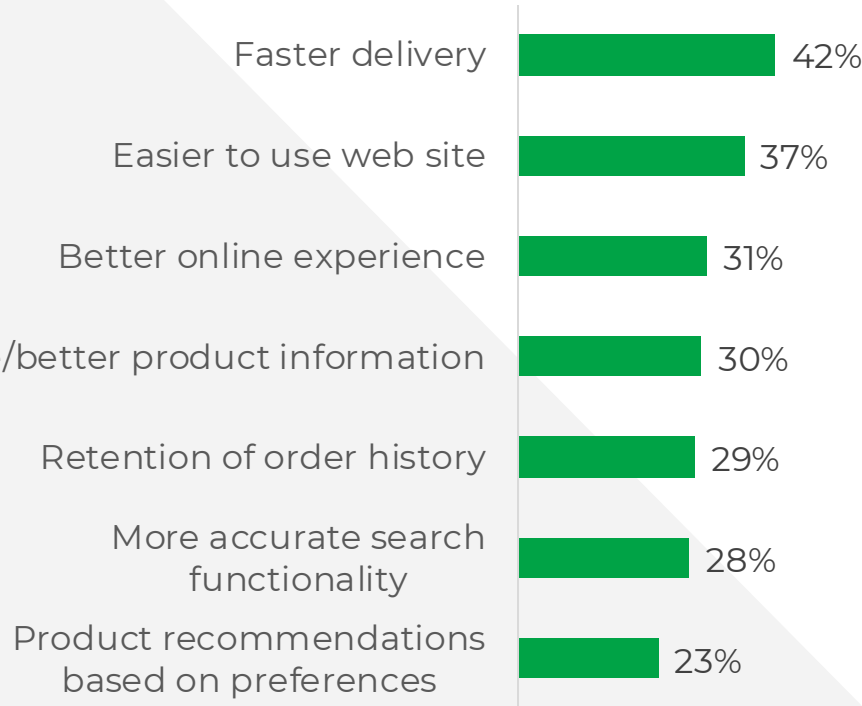
Often-used online features
- Zoom in on package label
- Product details
- List-building tools
- Nutrition facts label
- Search feature
- Digital coupons/promotions
- Product reviews
- Ingredient lists
- Product introductions/recommendations
- Filters on product claims
- Filters on health claims
- Integration with other online services
- Filters based on allergen presence
- Return of unwanted items

Implications for the Industry

Packaging

-With limited packaging space, need to improve trust and eliminate confusion

The opportunity is to leverage:
- ✓ Easy-to-understand communication symbols/tools around nutrition, production practices, etc., on pack
- ✓ Leverage technology to provide in-depth product information

Online grocery shopping

- ✓ Continued user experience improvement (site functionality, search, product content)
- ✓ Increased personalization (recommendations, recipes, shopping lists, meal plans, etc.)
- ✓ Create health/dietary, sourcing icons/filters

Claiming attributes

- ✓ Brands must ensure searchability by all relevant attributes, to not leave money on the table by missed searches

Thank you.

Read through the Transparency in an evolving omnichannel world report **here**

For more on our thought leadership, visit our **Total Wellness page**

Appendix

Key benefits

- Analyze trends with trustworthy insights
- Answer key questions to propel business decisions
- Understand buyer behavior across key competitors
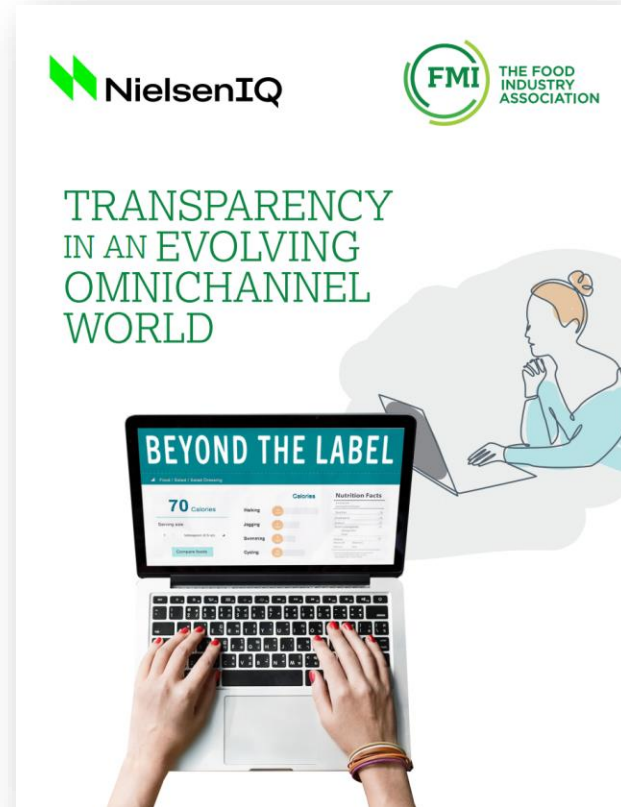
NielsenIQ Omnishopper

Bridge the shopper insights gap

Understand shopper behavior both online and offline

Accurately capture a comprehensive and granular view into modern shopper behavior, across online and offline channels. Data is collected using a broad, multi-sourced approach, aligning ecommerce and retail POS data so you can make bolder decisions with confidence, eliminating the need to stitch disparate data sources.

NielsenIQ

"**Since March 2020, over 22 million CPG shoppers have gone online to do their shopping.**

This acceleration of shoppers making purchases both online and offline presents a giant opportunity to capitalize on shifts in shopper behavior.

Don't settle for 'good enough' insights

A holistic view

Today, every shopper is an omnishopper. And in order to make confident, strategic decisions, you need to understand exactly how and where your shoppers make purchases.

- Complete data accuracy
- Product-level analysis
- Broad blind spot coverage
- Seamless access to data

Answer key questions

How do **shoppers shift** across my portfolio in-store vs. online? And how do I set a unique strategy to adapt?

How does my profitability compare **across products**, pack types and case packs? And how can I execute offers in a granular way?

18M new buyers came from online in the last six months. How many engaged with my brands, and **were they incremental**?

Is **brand penetration** down at a specific retailer? Am I losing buyers? Or are shoppers shifting to shop on other **retailer sites**?

For more information about NielsenIQ Omnishopper, contact your NielsenIQ representative.

What is it?

Trending attributes measures multichannel **product attribute-based search performance** to provide insight into top ranking, fastest growing and seasonally relevant search insights – integrated into one dashboard.

Uncover growth opportunities, bring in products relevant to consumers, and boost product content effectiveness with insight into **what consumers are searching for**.

How it works?

We source our search data from industry-leading retail channels to provide trends that are **automatically mapped to qualifying products across your portfolio** at a UPC level for search engine optimization, unclaimed attribute opportunities, and top converting keywords to highlight in your sponsored campaigns.

Key benefits

Uncover **growth** opportunities based on consumer search trends

Maximize **revenue** with insight to top converting keywords

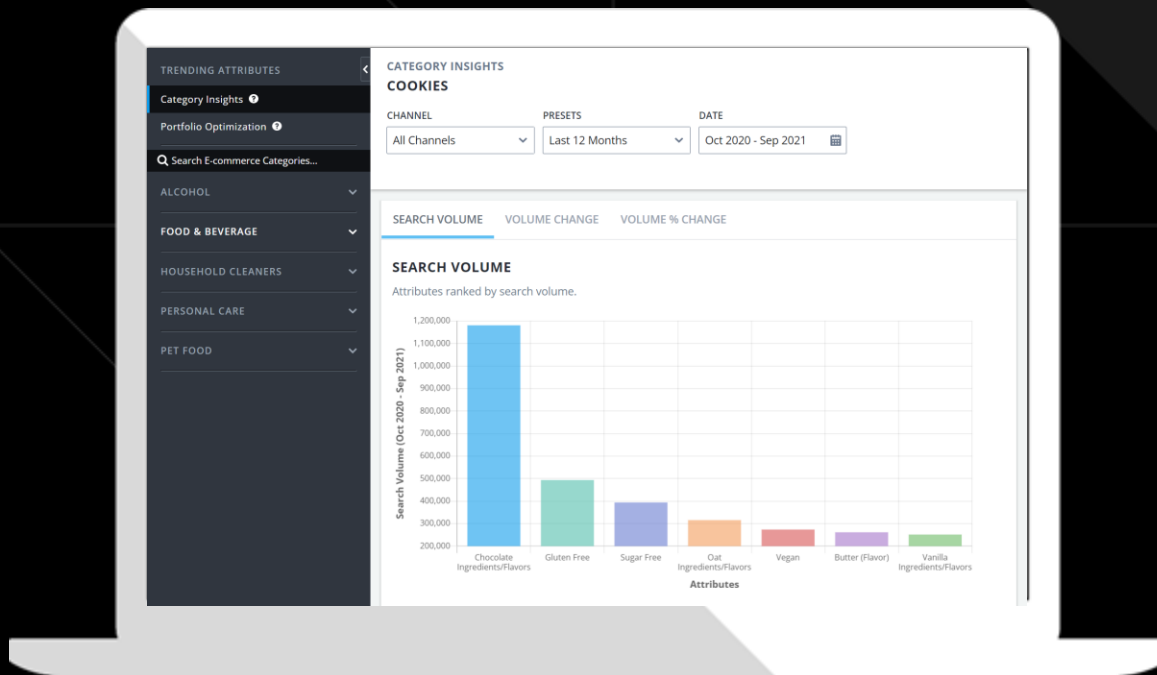Optimize **product content** with search trends

Win against the competition

Trending Attributes

Discover attribute-based search trends

LABELINSIGHT®

NielsenIQ

*From Transparency Trends Report, FMI, 2020.

Line of sight into consumer product attribute searches

For more information about Trending Attributes, contact your NielsenIQ representative.

Perform attribute-based search analysis into:

- Top product attribute rankings by category

- Top category rankings by product attribute

- Unclaimed product attributes for searches your products qualify for

- Longtail raw keywords for use in sponsored content

- UPC and brand-level claims audit for SEO

Understand what consumers are searching for to meet their specific needs

NielsenIQ Product Insight 2.0

Dive into ingredients to find growth

Shoppers are sharing what they want—are you listening?

NielsenIQ

What is it?

Understand growth drivers through the lens of product attributes. Use the performance of stated & qualified attributes together and in comparison to **unlock opportunities** to promote claims on product packaging and target additional markets.

Key benefits

- Lead with on-trend product innovations
- Effectively draw consumers to your product
- Query your own brand to improve marketing
- Compare positioning based on competitor performance

New features

- Expanded & enhanced attributes from 500 to over 1,000
- Consolidate on-pack and qualified attribution into one set of premium attributes, delivering a more informed experience
- Enable attribute packages that align insights to a theme
- Deliver report templates that drive customization and help quickly & efficiently navigate to insights

How it works

PI CAFFEINE PRESENCE STATED
- Contains Caffeine
- Decaffeinated
- Free From Caffeine
- Naturally Caffeine Free
- Reduced or Low Caffeine

PI CAFFEINE PRESENCE QUALIFIED
- Contains Caffeine
- Free From Caffeine
- Not Applicable

Drive growth by understanding demand with 1,000+ attributes

Covers products across total store

210 stated/qualified pairings, enabling easier trend growth analysis

250+ attributes not available anywhere else

Base Package
Includes Natural & Organic + most relevant essentials group

Natural & Organic group
Includes the most used attributes from Wellness Track

- Colors
- Exfoliants
- Flavors
- Ingredients
- Preservatives
- Sweeteners
- Naturally Derived
- Organic Marketing Claim
- Plus more...

Essentials group (choose one)
Includes category-specific, relevant attributes

- Baby
- Bev Al
- Food
- Femine Care
- Hair & Skincare
- Household Care
- Oral Care
- OTC/Medicine
- Personal Care
- Pet

Additional Add-ons
Choose from groups with the following themes:

Environment/Social/Governance
- Animal Welfare
- Environmental Sustainability
- Plus more...

Insights
- Clean Label
- Low carb/Keto
- Planted Based
- Plus more...

Ingredients
- Extracts
- Fruits
- Herb & Spice
- Plus more...

Other
- Animal Type
- Artisan/Premium
- Health & Need States
- Plus more...