NIELSEN CONSUMERS REPORT

POCKETS OF GROWTH

LATIN AMERICA

“EVERYBODY IN LATAM WANTS PREMIUM PRODUCTS.”

DISCOVER WHO IS WILLING TO PAY AND FOR WHICH PRODUCTS

CONSUMER BEHAVIOR

Do consumers
really want Premium?

GENERATIONAL PREFERENCES

Who is **willing to pay more for Premium**?

PURCHASE HABITS

There are pockets...
How do we reach them?

CONSUMER BEHAVIOR

IS IT A GOOD TIME TO BE PREMIUM?

These are challenging times for Latin American consumers who are facing economic constrictions, high inflation rates are pushing them into active money saving choices while manufacturers are concerned about how to increase their profits while their general consumers have smaller and tighter wallets, despite this the middle classes are still growing in the Region, there are more people with high disposable incomes, growing young generations and more health conscious populations, who are all looking to maintain their current lifestyles.

21% OF LATINOS ARE NOT CHANGING THEIR SPENDING PATTERNS TO SAVE MONEY

These consumers are still looking for the best products, even if it means paying a little bit more. The other 79% of consumers are changing their spending patterns to save money, general consumers are open to purchase newer and better products if the proposal matches with their key concerns and demands, these attitudes are reflected in sales within Latin America.

	TOTAL MARKET	PREMIUM BRANDS
Latin America	7.5%	*9.2%
Brazil	5.5%	6.8%
Mexico	5.9%	8.4%
Colombia	6.2%	8.3%
Chile	7.0%	8.1%

The opportunities are there but manufacturers need to have a better understanding of these potential consumers and their offerings of smarter innovations in order to specifically target these niche markets.

LATINOS ARE WILLING TO PAY EXTRA FOR...

57%
Higher Quality / Safety Standards

50%
Superior Function or Performance

49%
Organic or Natural Ingredients

48%
Environmentally Friendly

39%
Socially Responsible Products

17%
Specific Country Origin

Via this report you will be able to focus on real pockets of growth, understanding the tipping points to detonate sales of premium products in households from Brazil, Mexico, Chile and Colombia.

*Regional Average

GENERATIONAL PREFERENCES

WHO IS WILLING TO PAY FOR PREMIUM?

In Latin America, previous general marketing strategies were aimed at the population as a whole but they are no longer applicable, today the reality is that each generation has a very specific profile and therefore should be segmented in order to better understand their reasons behind a premium product purchase and the attributes that make them pay more.

More than 30% of Millennials and Generation X, are more worried about what people say and purchase premium products to feel good and successful. 5 out of 10 are more open to innovations (products that offer or do something that no other product on the market provides or one that provides superior function or performance), while 50% of Baby Boomers and Silent Generation are more inclined to pay a little bit more for products that can help them to be healthier (organic or all natural products), however this varies from country to country.

SILENT GENERATION
65 + years

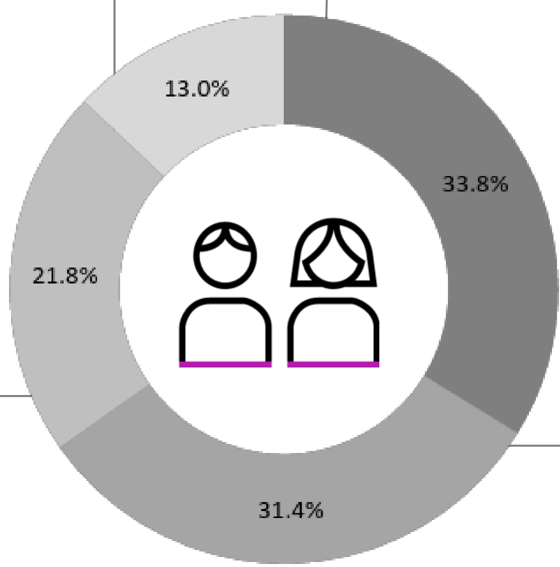
LOOKING FOR PREMIUM IN...

- Dairy Products 37%
- Body Care 37%
- Tea & Coffee35%
- Hair Care 31%
- Oral Care 30%

MILLENNIALS
21-34 years

LOOKING FOR PREMIUM IN...

- Hair Care 35%
- Oral Care 34%
- Deodorant 33%
- Body Care 31%
- Cosmetics 30%



BABY BOOMERS
50-64 years

LOOKING FOR PREMIUM IN...

- Dairy Products 42%
- Hair Care 40%
- Body Care 38%
- Oral Care 38%
- Tea & Coffee 34%

GENERATION x
35-49 years

LOOKING FOR PREMIUM IN...

- Oral Care 35%
- Hair Care 34%
- Dairy Products 34%
- Body Care 34%
- Rice & Grains 33%

Adult population (older than 20) in 2017

BRAZIL

MEXICO

COLOMBIA

CHILE

POCKETS OF GROWTH 2017

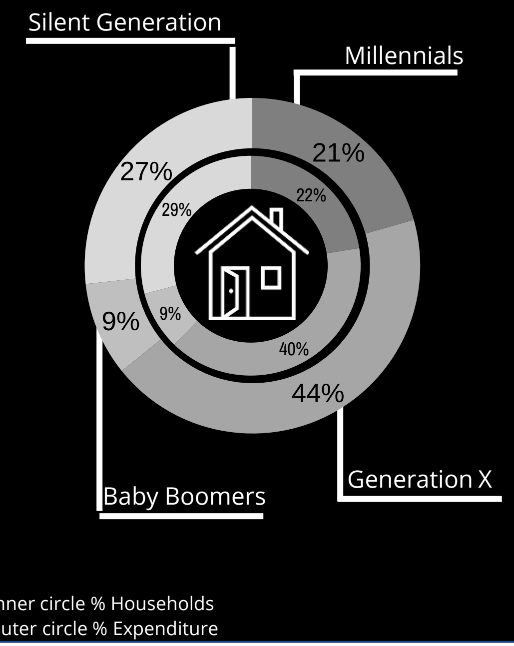
NIELSEN CONSUMERS REPORT

BRAZIL

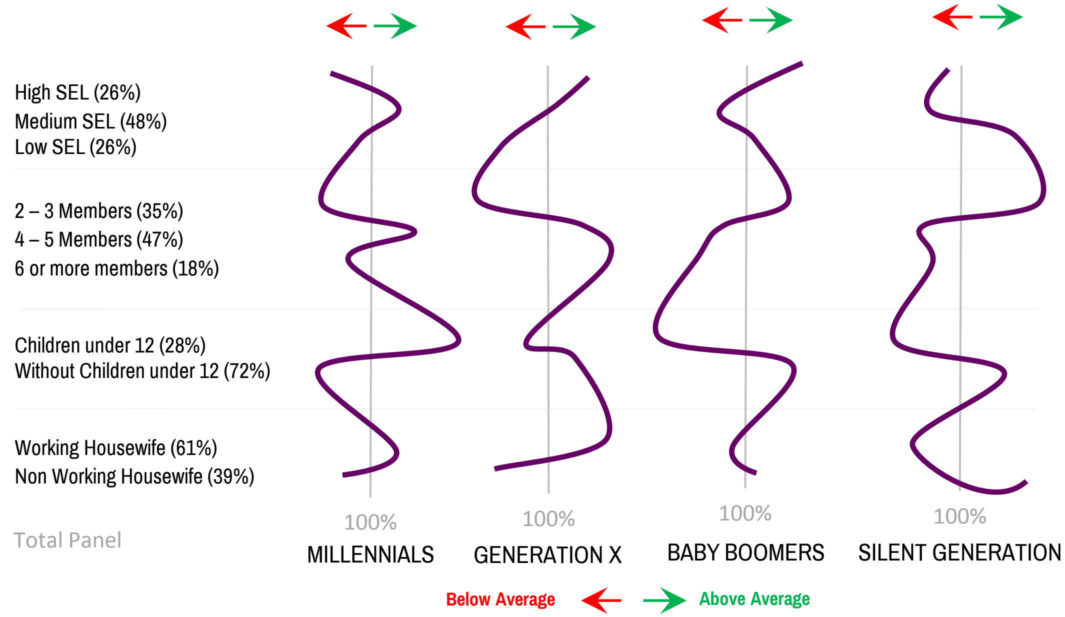
BRAZIL
WHO ARE THEY?

After several economic recessions, Brazilian housewives are now more cautious than ever and are proactively seeking savings. According to Raquel Ferreira *“this recession is changing the type of consumption Brazilians are making in order to save money, however, they are more demanding than ever, 39% of Brazilian families have a trendsetter housewife who is looking for innovations and the best products”*, therefore manufacturers and retailers have to identify the different pockets of growth that premium products represent in each life stage in order to increase their profit growth.

Millennials Housewives were the most affected by the crises, these types of households are mainly concentrated in the Medium SEL, and are thus influencing the FMCG slowdown by diminishing their ticket sizes and by being more conscientious of making savings.



BUYER INDEX VS. TOTAL PANEL



The group of older adults (Silent Generation) who have smaller families have lower purchase power (overdeveloped at low socioeconomic level), which is why we must gain a better understanding as to which real benefits this generation is willing to pay more for. 5 out of 10 housewives in this age group consider that a premium product to be one that offers a superior function or performance and a better experience for the consumer.

BRAZIL

WHAT ARE THEY LOOKING FOR?

The change in Brazilian consumer behavior in the face of the crisis opens up opportunities to develop premium products in key categories such as alcoholic beverages that grew, at a rate of 8% in value during 2016, because households are becoming the new place to meet. While for the rest of the categories the promise of high quality standards and products with better performance in the market (i.e. higher performance and practicality) seem to be the key where all generations are willing to pay a higher price.

TOP PRODUCTS WHICH COMMAND PREMIUM PRICES

MILLENNIALS

- Beverages
- Mouthwash
- Bathroom & Kitchen Cleansers

More than **50%** are willing to pay extra for **higher quality and superior function or performance**

GENERATION X

- Coffee Capsules
- Insecticides
- Children´s Fragrance

58% are willing to pay extra for products with **high quality and safety standards**

BABY BOOMERS

- Shaving Cream
- Fermented Milk
- Prepared Juices

49% are willing to pay extra for products with **superior function or performance**

SILENT GENERATION

- Prepared Juices
- Energy drinks
- Fermented Milk

40% are willing to pay extra for **products that offer additional benefits** (quality, performance or natural ingredients)

The categories as shown above demonstrate where the different generations are currently spending extra, however many Brazilians have stated that they are thinking of buying premium products from other categories in the future.

3 out of 10 Millennials will consider looking for premium options for personal care products like deodorants, oral and hair care, while the same proportion of Generation X housewives consider oral and hair care products but will also be looking for dairy products. Silent Generation is more open to to buy premium products in the food basket and will continue to do so, but focusing primarily on dairy products.

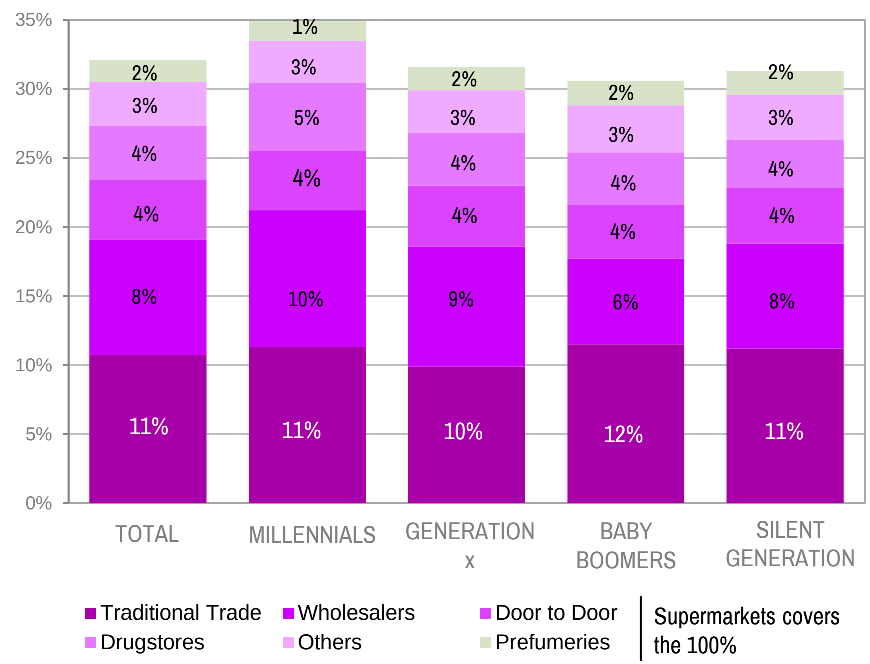
BRAZIL

HOW CAN WE REACH THEM?

Given the current economic reality of Brazil and in the quest to maintain their lifestyle and find the best prices, shoppers have begun to increase the number of outlets they visit to make their purchases (7 different channels on average).

This economic environment has driven the increase of small formats as complementary channels, Millennials and Generation X have increased their purchases in these formats.

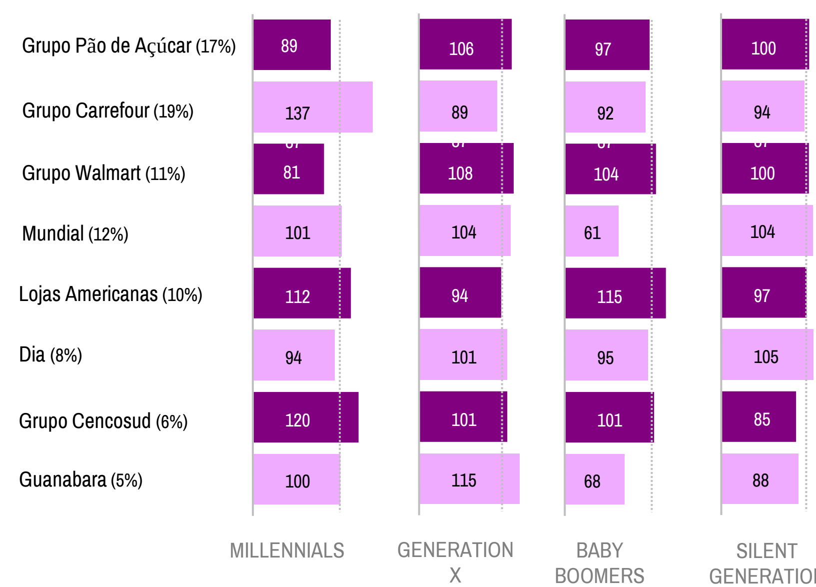
EXPENDITURE PER CHANNEL



73% of Generation X consumers take into account low prices as a whole for choosing a specific store and they are consistently looking for promotions, in fact 70% consider offers to be one of the key factors in selecting their purchase channel.

54% of Silent Generation shoppers value store friendliness and knowledgeable staff and 55% prefer short checkout lines. While 6 out of 10 look for stores with high quality fresh produce sections (vegetables, fruits and meat) and 46% also look for high quality readymade meals.

% EXPENDITURE INDEX PER RETAIL VS. PANEL



POCKETS OF GROWTH 2017

NIELSEN CONSUMERS REPORT

MEXICO

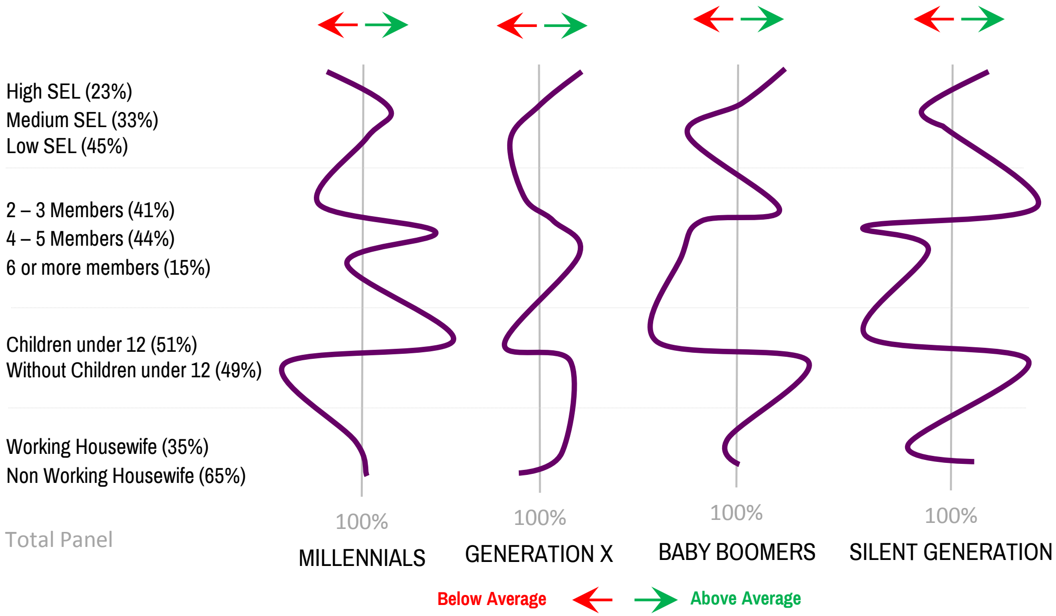
MENU

MEXICO

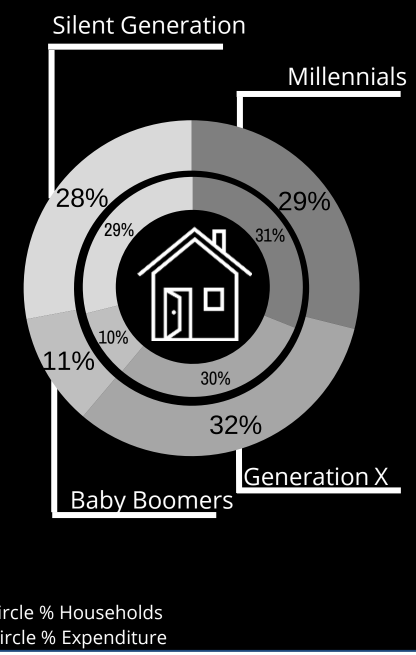
WHO ARE THEY?

Mexican housewives are currently questioning their traditional roles, which had previously encouraged them to be good mothers, always taking care and pampering their children. With the influence of fast paced lifestyles and modern technology traditional housewives are now becoming the new modern housewives with a focus on being practical, healthy, informed and cost conscious. They are the key decision makers in household purchases and activities which is why it is important to fully understand their profile, requirements and premium preferences.

BUYER INDEX VS. TOTAL PANEL



Mexican Households led by Generation X women represents 30% and in terms of consumption they are 32% of total sales.



Millennial women are leading 31% of Mexican households these are not the typical Global Millennials, they are generally from Mid to Low socioeconomic levels, do not necessarily have their own income and their priorities are focused on child care and purchase decisions based on the wellness of their families. Generation X housewives are being pushed into returning to work to help the family household budget, as children grow and family expenditures increase, pushing the family up the social scale while Baby Boomers and the Silent Generation start to live off their retirement funds and these housewives stop working, their expenses are less than in their youth, hence they have the opportunity to save money in order to invest in better products that offer extra benefits to their health and wellbeing.

MEXICO

WHAT ARE THEY LOOKING FOR?

In the face of the current economic uncertainty, Mexican housewives need to manage their budgets, therefore it maybe surprising to hear that they are willing to pay for premium products. However, they are not willing to pay for premium products for all FMCG, according to Juan Carlos Jouve "*Mexican households are motivated to spend on premium products that deliver high quality and convenience. Figures don´t lie, premium products work… every Manufacturer and Retailer needs to discover the right product attributes for the right generation".*

TOP PRODUCTS WHICH COMMAND PREMIUM PRICES

MILLENNIALS

- Sugar Substitute
- Conditioner
- Baby Formula

62% are willing to pay extra for products with **higher quality and safety standards**

GENERATION X

- Baby Cereal
- Oats
- Shampoo

50% are willing to pay extra for products with **superior function or performance**

BABY BOOMERS

- Coffee Grains
- Conditioner
- Skin Care

47% are willing to pay extra for **organic or all natural products**

SILENT GENERATION

- Coffee Creamers & Chocolate
- Tissues
- Soluble Coffee

40% are willing to pay extra for **products that offer additional benefits** (quality, performance or natural ingredients)

To win with premium products and increase profits, Manufactures and Retailers should understand the smooth nuances between the purchasing preferences of each generation in order to offer value centric products that meet their expectations and willingness to pay.

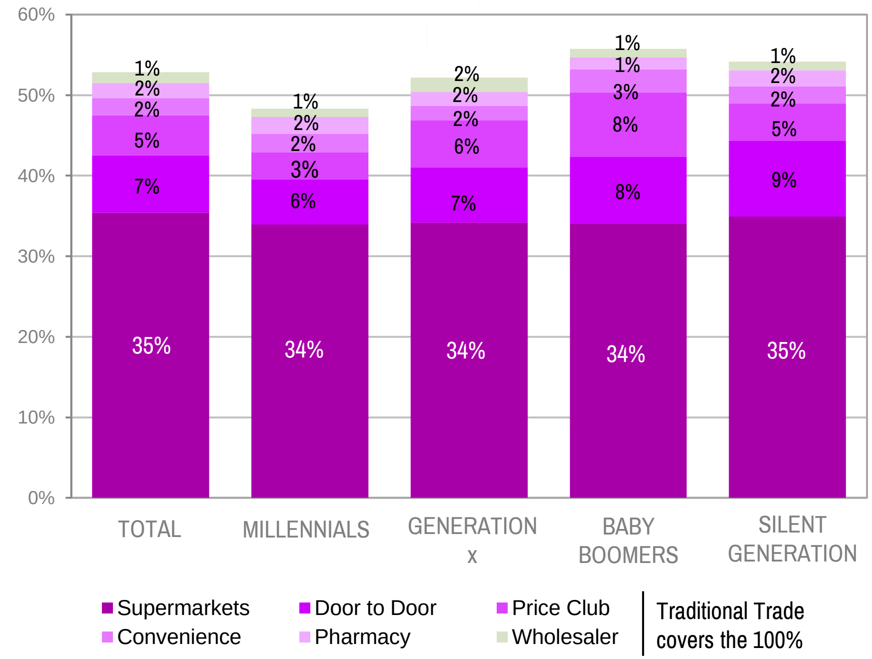
Pampering continues to be a key driver for Mexican housewives, premium products for children that provide higher quality will have better opportunities with Millennials and Generation X housewives. Working women of Generation X with 2 or more children are particularly open to convenience and practical products because of time restrictions.

MEXICO

HOW CAN WE REACH THEM?

As family lifestyles change, the preferences of purchase place and their reasons to purchase in each one changes as well, therefore if we want to reach each generation with premium products, it is not enough to understand their premium tipping points, we should put those products in the right place at the right time.

EXPENDITURE PER CHANNEL

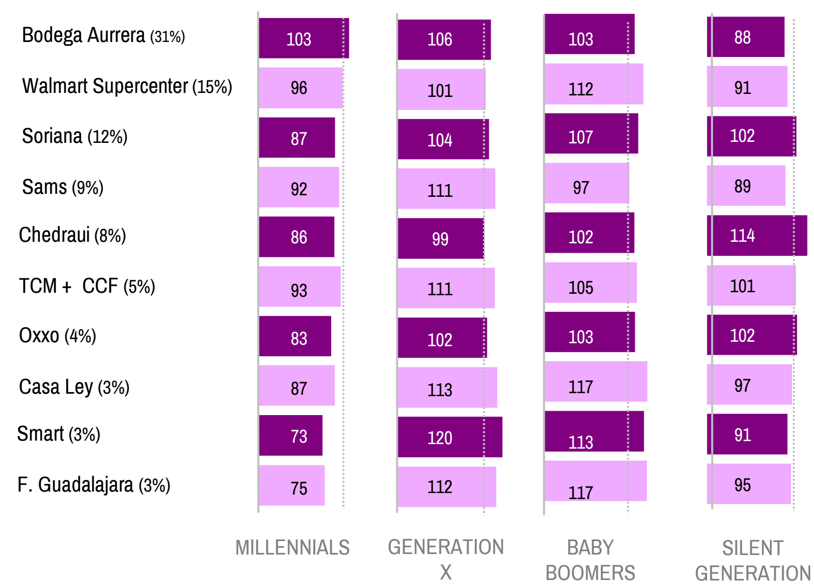


Generation X are looking for the best shopping experience, 80% of whom enjoy shopping for groceries, they look for stores which are conveniently located (65%) and 58% think that one of the most influential attributes to shop, is a store which has the lowest prices overall .

Millennials are the busiest in looking for deals, 73% really enjoy taking time to find bargains and 58% consider that one of the most influential attributes to shop in a particular retailer, is that it has great sales and promotions and are the most overdeveloped shoppers of Traditional Trade.

Older generations value convenience beyond location, more than 5 in 10 look for stores which have short/fast checkout lines and the Silent Generation is looking specifically for stores that have easy access and are able to leave quickly because for 83% of them, grocery shopping is a chore and they want to spend as little time as possible.

% EXPENDITURE INDEX PER RETAIL VS. PANEL



POCKETS OF GROWTH 2017

NIELSEN CONSUMERS REPORT

COLOMBIA

COLOMBIA

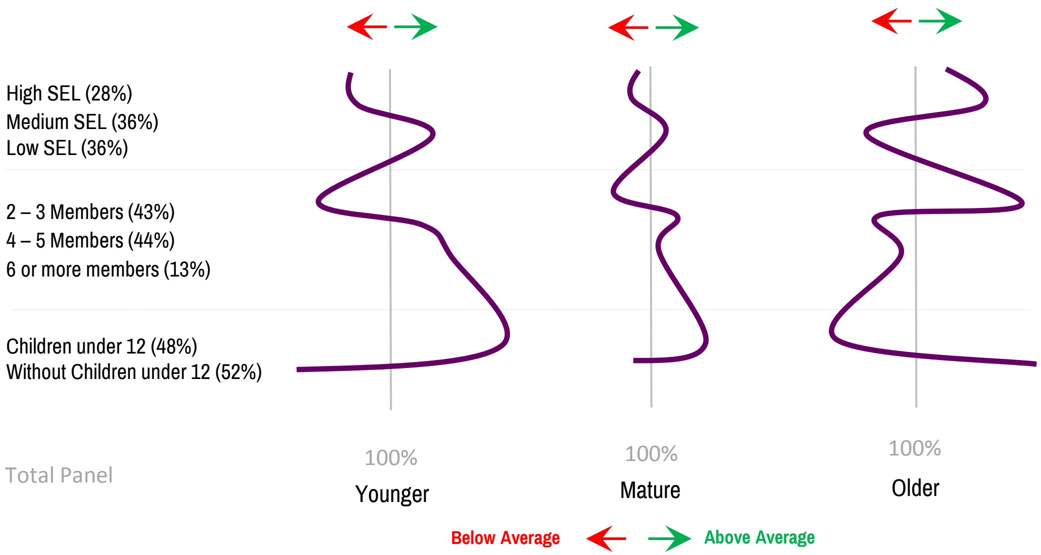
WHO ARE THEY?

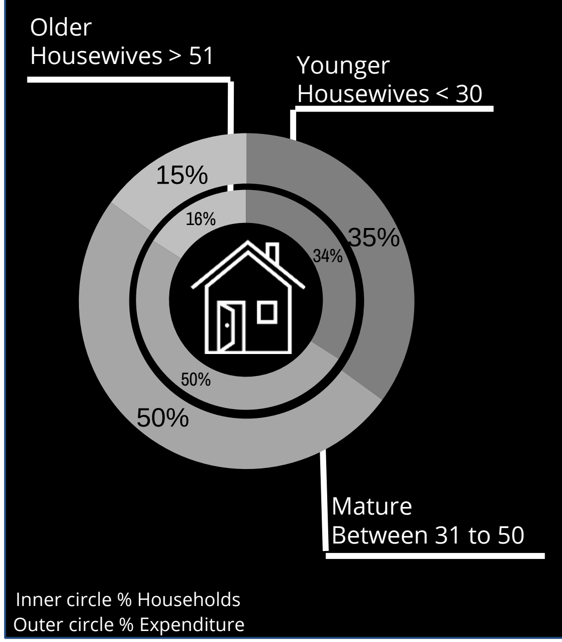
Colombian housewives who had traditionally a local bias are now opening up to more global brands and trends, therefore manufacturers and retailers have to tread carefully between the two preferences within each generation.

These increasingly connected consumers are more responsible and proactive with the choice of products that they consume and recognize the importance of offers with superior quality. Within all generations, Colombians think that premium means that the product has been made with higher quality materials or ingredients (57% of young consumers, 62% Mature consumers and 80% Elderly consumers)

Mature female population (31 to 50) is the strongest generation in Colombia and they are being transformed slowly from traditional housewives to the new well informed and connected "super housewife", who makes smarter decisions for her family.

BUYER INDEX VS. TOTAL PANEL





Younger and Mature households with children are focusing on family basic needs and household expenses related to children, they sometimes sacrifice the acquisition of premium products for adult population, the good news is that we have a tremendous opportunity to develop better products with higher quality levels for children. Other key opportunities are practical product s which offer convenience to help ease the busy lifestyles of Colombian housewives. On the other hand, older generations are more open to innovation and have more purchase power that the rest of the population (High concentration in High SEL), so we need to have a profound understanding of what they are looking for, in order to create better premium offers for generation.

COLOMBIA

WHAT ARE THEY LOOKING FOR?

The Colombian population is open to buy premium products, in fact, currently those products are growing in value sales at a faster rate (10%) more than the rest of the industry, but depending on the housewives' age the preferences, and concerns are totally different, while young housewives are willing to pay more for products that help them to take care of the world in which their kids will living in tomorrow, Mature housewives are looking for products that can help them to give the best nutrition for their family today.

TOP PRODUCTS WHICH COMMAND PREMIUM PRICES

YOUNGER HOUSEWIVES < 30

- Fermented Milk (Kumis)
- Malt
- Oats

58% are willing to pay extra for products with **environmentally friendly and sustainable materials**

MATURE HOUSEWIVES 31 TO 50

- Female Protection
- MilK Modifiers
- Instant Chocolate

60% are willing to pay extra for **organic or all natural products or superior performance**

OLDER HOUSEWIVES > 51

- Hot Chocolate Bar
- Powdered Milk
- Soluble Coffee

60% are willing to pay extra for products with **superior function or performance**

The current range of innovative products in Colombia is not enough for current needs and aspirations of each generation, Manufacturers and Retailers should start developing a more structured process to create better products that justify the higher prices.

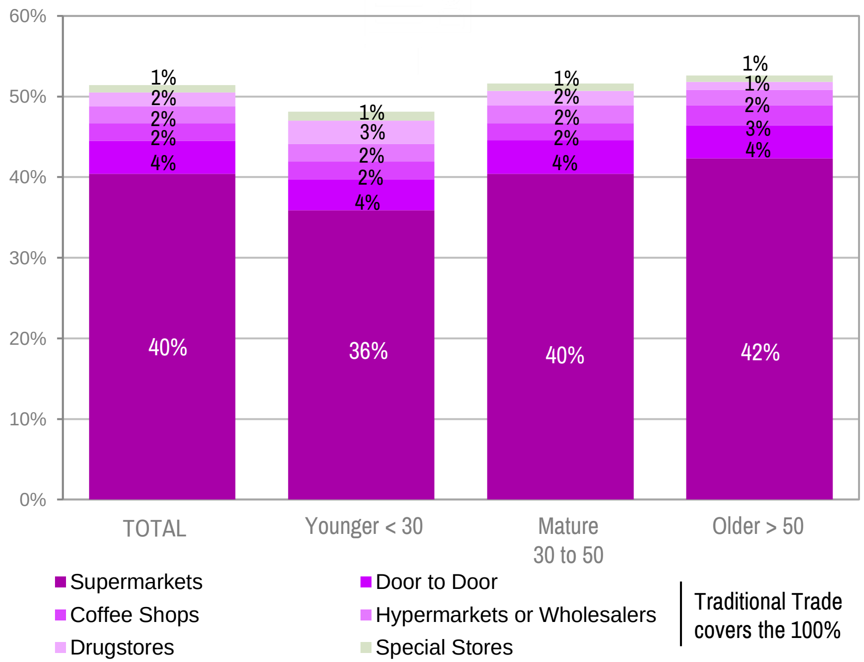
4 out of 10 Colombian consumers will consider buying a premium offer of Clothes and Personal Electronics, but within FMCG, categories of personal care such as hair, oral products and deodorants are the most taken into consideration for more than 30% of young and mature consumers, while 44% of the older population think that they would consider buying premium offers of Dairy Products (milk, cheese, yoghurt, etc.).

COLOMBIA

HOW CAN WE REACH THEM?

Traditional Trade is still the most prominent channel in Colombia but Supermarkets are gaining ground mainly via small formats which grew 38% vs. 5% of other formats.

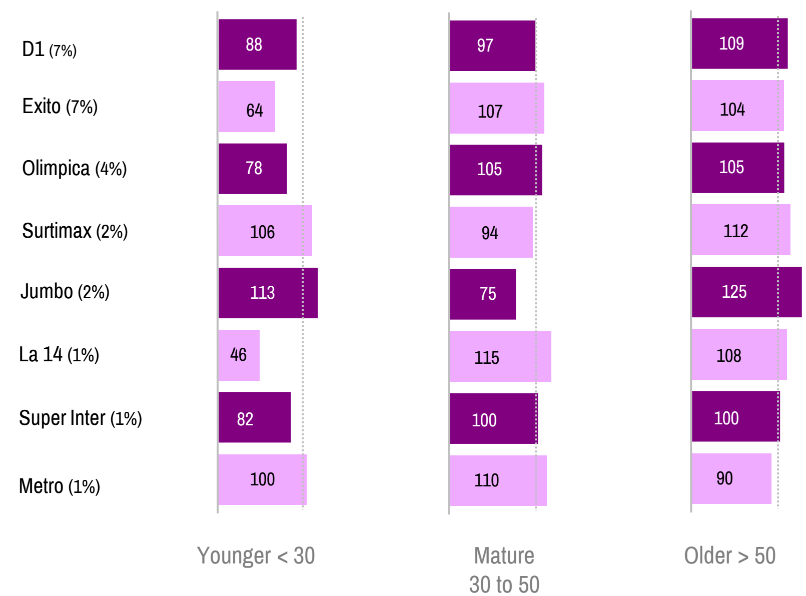
EXPENDITURE PER CHANNEL



56% of Young consumers are looking for the best offer of prepared meals, 62% consider stores given value for money as a highly influential benefit, these consumers are always trying to get the best deals and promotions.

For the Mature population (68%), quality of the meat section is one of the most influential decision drivers to select a store, followed by 42% consider a loyalty card program to be highly influential in their choice, while 64% of the older population think that a convenient location is the most important attribute to shop in a specific retailer, they are looking for the most convenient facilities (ie. 53% look for fast check out lines).

% EXPENDITURE INDEX PER RETAIL VS. PANEL



According to Ricardo Gutierrez *"Discounters are joining the best channel performance in the last years and stores such as D1 are pushing the fast growth of small formats and are changing the shopper dynamics, getting sales from Supermarkets and Traditional Trade, also, due to expansion plans Discounters will have the highest number of stores in Modern trade in 2020".*

POCKETS OF GROWTH 2017

NIELSEN CONSUMERS REPORT

CHILE

MENU

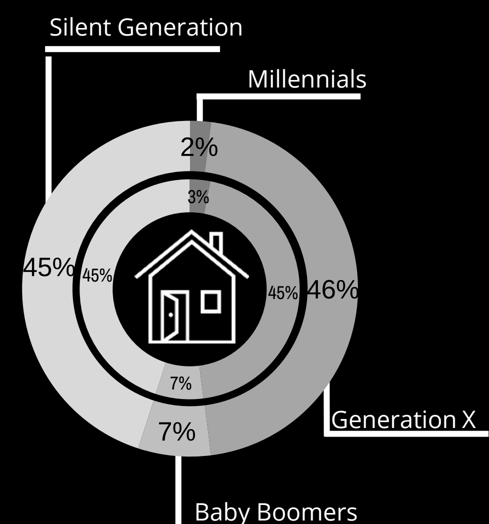
CHILE

WHO ARE THEY?

According to Claudia Escudero, *"Chilean consumers are willing to pay for premium products for household consumption because in economic constrictions, families reduce their activities out of home, increasing their purchases and 'guilty pleasures' at home, additionally, the new law of labels can also help open great opportunities to develop healthier products".*

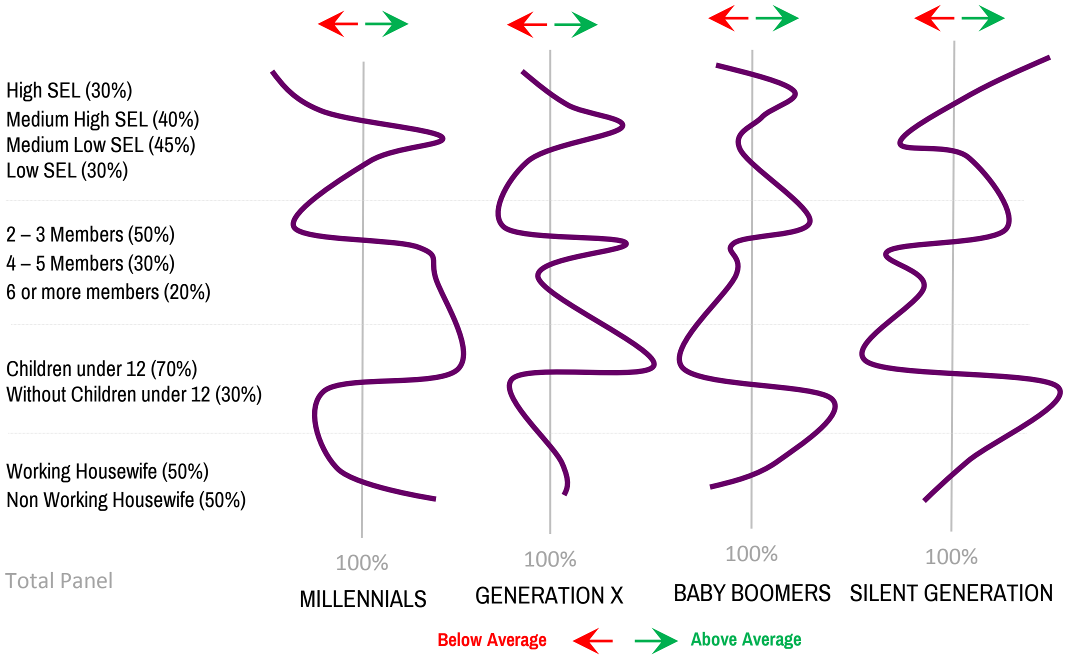
Chilean Generation X is characterized by putting their children and families first, therefore after covering their basic household needs they look specifically for premium products which will give them extra benefits which will be healthier for their family as a whole.

More than 90% of Chilean families are within Generation X or Silent Generation and despite current economic uncertainty both are willing to pay for premium products, depending on the category and the specific benefit to their current lifestyle.



Inner circle % Households
Outer circle % Expenditure

BUYER INDEX VS. TOTAL PANEL



Meanwhile, Silent Generation housewives who do not have children and belong mainly to high socioeconomic levels, make less purchases for household stock, they are always looking for innovative products and are easily carried away by likes and cravings, 6 out of 10 Chilean women in this age group, think that premium means products with superior function or performance and more than 40% thinks that premium means superior style or design, better customer experience or that they offer something that no other products can provide.

CHILE

WHAT ARE THEY LOOKING FOR?

Premium products grew 8% in value sales, Beverages is the basket that showed the fast growth rate in 2016, lead by alcoholic beverages grew 22% while non alcoholic beverages grew 13%. However 4 out of 10 Chilean consumers are willing to consider buying a premium offering of hair care products, meat or seafood.

TOP PRODUCTS WHICH COMMAND PREMIUM PRICES

MILLENNIALS

- Batteries
- Mouthwash
- Beer

51% are willing to pay extra for products with **higher quality and safety standards**

GENERATION X

- Adult Diapers
- Juices
- Milk Modifiers

46% are willing to pay extra for products with **organic or all natural ingredients**

BABY BOOMERS

- Adult Wipes
- Juices
- Snacks

51% are willing to pay extra for **environmentally friendly and sustainable products**

SILENT GENERATION

- Juices
- Cookies
- Snacks

33% are willing to pay extra for **products that provides superior function or performance**

For the general Chilean population, a recommendation of friends and family is a key driver to purchase premium products while Generation X housewives are more prone to buy premium products on impulse (28%), answering mainly to their emotional engagement with products that offer benefits for their children.

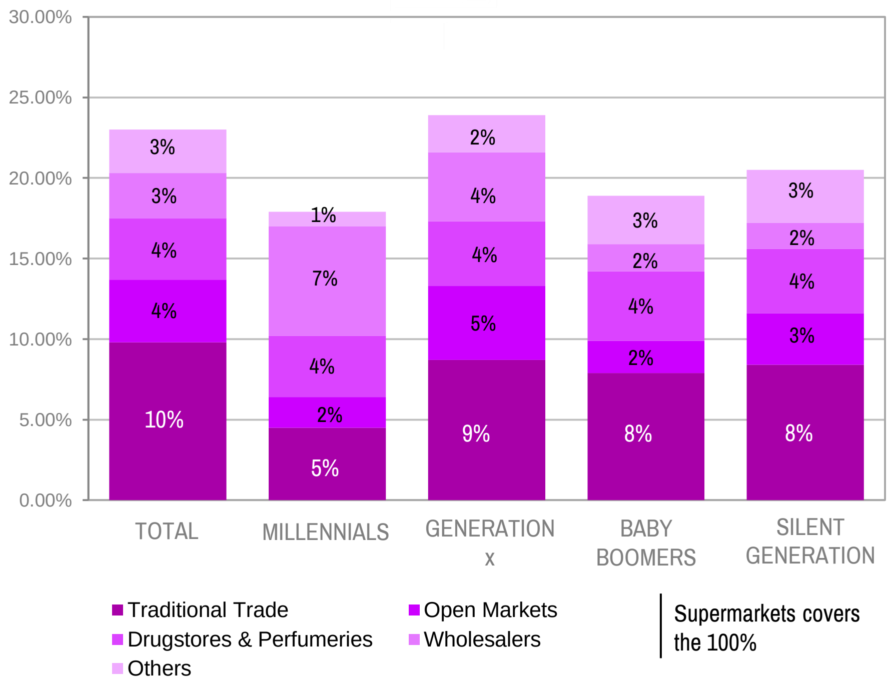
Silent Generation housewives are living in a new stage of vitality and independence and are more socially active, these households enjoy all kinds of indulgent premium products and advertising is the best way to communicate the benefits that justify the higher prices (40% try new premium products based on TV advertising and 30% In store advertising).

CHILE

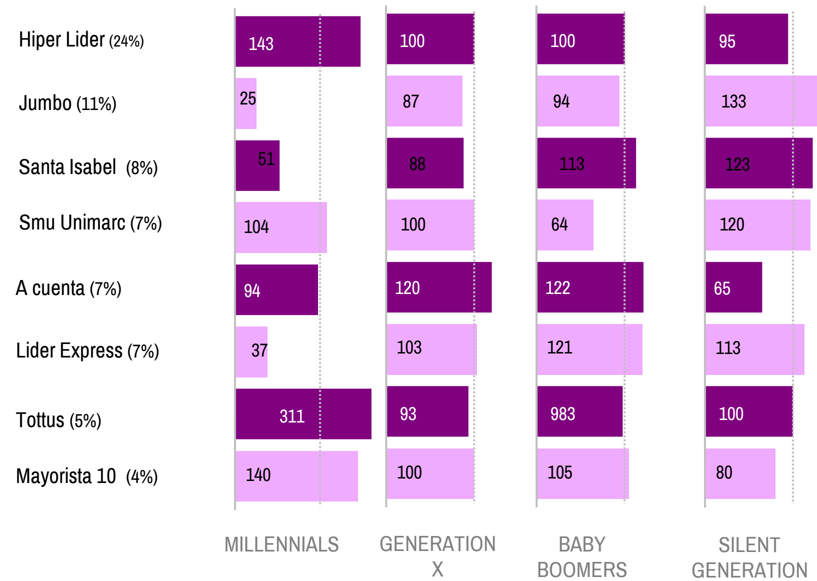
HOW CAN WE REACH THEM?

Despite Supermarkets being the most prominent places of purchase, Generation X housewives are the most open to other kinds of formats mainly those which offer better value for money, 88% have been influenced to shop in stores that have the lowest prices overall, however 56% currently think that are not enough healthy options available, therefore this is a huge potential opportunity area to offer premium proposals.

EXPENDITURE PER CHANNEL

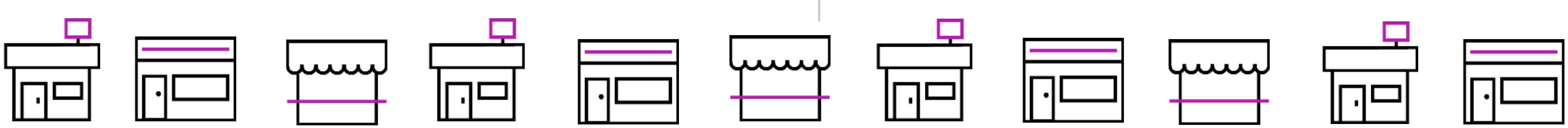


% EXPENDITURE INDEX PER RETAIL VS. PANEL



Hiper Líder is key destination for Millennials housewives while Generation X housewives prefer A cuenta supermarket over the rest of the population, 55% really enjoy taking time to find bargains and researching best prices, which is why 60% are looking for Loyalty Programs and benefits.

Jumbo, Santa Isabel and Smu Unimarc have a stronger presence for Silent Generation housewives than the rest of the population, because 48% enjoy shopping for groceries therefore the retail experience is an attribute that they really value from their stores.



ANNEX

NIELSEN LATIN AMERICA

CONSUMER EXPERTS

BRAZIL

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DATA SOURCES

Value Sales Performance
Nielsen Retail Index 2016 vs. 2015

Buyer Index vs. Total Panel
Homescan data 2016

Top Products which command Premium Prices
Average Price per Unit - Homescan data 2016

On Line Global Survey:
Retail Growth Strategies 2016
Premiumization 2016

Generation age range

	Millennials	Generacion X	Baby Boomers	Silent Generation
Mexico	25 to 35	36 to 50	51 to 55	> 56
Brazil	< 30	31 to 50	51 to 55	> 56
Chile	25 to 30	31 to 50	51 to 55	> 56
Colombia	< 30	31 to 50	>51	