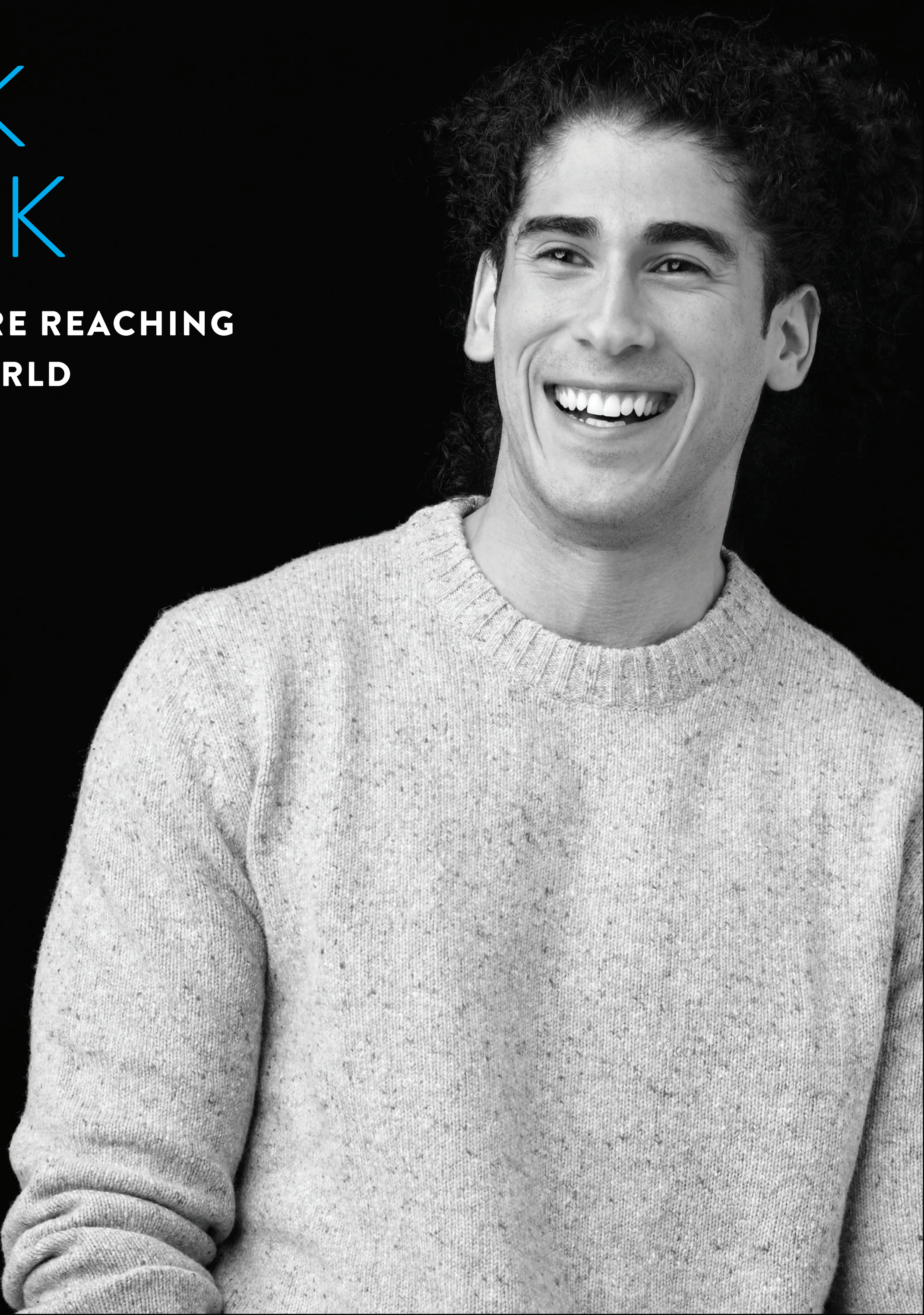
SNACK ATTACK

WHAT CONSUMERS ARE REACHING FOR AROUND THE WORLD

SEPTEMBER 2014



nielsen

AN UNCOMMON SENSE
OF THE CONSUMER™

UNDERSTAND THE WHY BEFORE THE BUY OF SNACKING

AROUND THE WORLD

Snack sales totaled $374 billion annually ending March 2014—an increase of 2%* year-over-year

Annual snack sales grew more than two times faster in developing regions

Snacks as meal replacements are a growing opportunity

Women consume more snacks than men

Consumers want snacks to stick with the basics; the absence of ingredients is more important than the addition of them

WHO DOESN'T LOVE A GOOD SNACK?

Always at the ready, those crispy, crunchy, chewy provisions are our comfort food when we are down, meal replacement when we are in a hurry, companion when we are relaxing and party staple when we are celebrating. These indulgent products, however, often get a bad rap as they shoulder some of the blame for eating habits that can contribute to health issues.

As snack manufacturers look to tailor offerings to deliver snacks that appeal to both the palate and the psyche, knowing what drives a consumer to pick one snack rather than another is vital to stay competitive in the $374 billion worldwide snacking industry.

*Adjusted for inflation.

So what's the go-to nosh for consumers craving a snack—salty, savory, sweet or spicy? How much are health considerations taken into account when selecting a snack? As the size of category sales and consumer need-states across the worldwide snacking industry vary widely from region to region and country to country, finding growth opportunities requires both a global and local understanding of what consumers say and do—which are not always the same.

"The competitive landscape in the snacking industry is fierce," said Susan Dunn, executive vice president, Global Professional Services, Nielsen. "Demand is driven primarily by taste and health considerations and consumers are not willing to compromise on either. The right balance is ultimately decided by the consumer at the point of purchase. Understanding the why before the buy provides the foresight necessary to deliver the right product to the right consumer at the right time."

The Nielsen Global Snacking Survey polled 30,000 online consumers in 60 countries to identify which snacks are most popular around the world and which health, taste and texture attributes are most important in the selection criteria. We take an in-depth look at the reasons why we consume snacks, and we offer insights and recommendations for expansion opportunities that will help manufacturers better align offerings to consumer needs and desires.

ABOUT THE GLOBAL SURVEY METHODOLOGY

The findings in this survey are based on respondents with online access in 60 countries. While an online survey methodology allows for tremendous scale and global reach, it provides a perspective only on the habits of existing Internet users, not total populations. In developing markets where online penetration is still growing, audiences may be younger and more affluent than the general population of that country. In addition, survey responses are based on claimed behavior rather than actual metered data.

Where noted, the survey research is supplemented with actual behavior using Nielsen's retail and consumer purchase data.

SIZE OF THE OPPORTUNITY

SNACKS ARE MORE THAN JUST TASTY TREATS; THEY'RE ALSO BIG BUSINESS.

Global snack sales totaled $374 billion annually ending March 2014—an increase of 2%* year-over-year, according to Nielsen retail sales data. Europe ($167 billion) and North America ($124 billion) make up the majority of worldwide snack sales, with sales flat in Europe, and growing at a rate of 2% in North America, compared to the previous year. While annual snack sales in Asia-Pacific ($46 billion), Latin America ($30 billion) and the Middle East/Africa ($7 billion) are significantly lower than in the other two regions, annual growth in these largely developing regions increased more over the past year—4% in Asia-Pacific, 9% in Latin America and 5% in the Middle East/Africa.

So what types of snacks are driving sales around the world? It depends on where you live.

Confections—which include sugary sweets, such as chocolate, hard candy and gum—comprise the biggest sales contribution to the overall snack category in Europe ($46.5 billion) and the Middle East/Africa ($1.9 billion). Salty snacks contribute more than one-fifth of snack sales in North America ($27.7 billion), refrigerated snacks comprise almost one-third of snacks in Asia-Pacific ($13.7 billion) and cookies and snack cakes make up more than one-fourth of total snacks in Latin America ($8.6 billion).

Smaller in size but big in potential: the fastest-growing snack categories are ones to watch. Sales of savory snacks, which include crackers, rice cakes and pita chips, increased 21% in the last year in Latin America. Meat snacks, which include jerky and dried meat, grew 25% in the Middle East/Africa and 15% in North America. Refrigerated snacks, which include yogurt, cheese snacks and pudding, jumped 6.4% in Asia-Pacific, while dips and spreads, which include salsa and hummus, rose 6.8% in Europe.

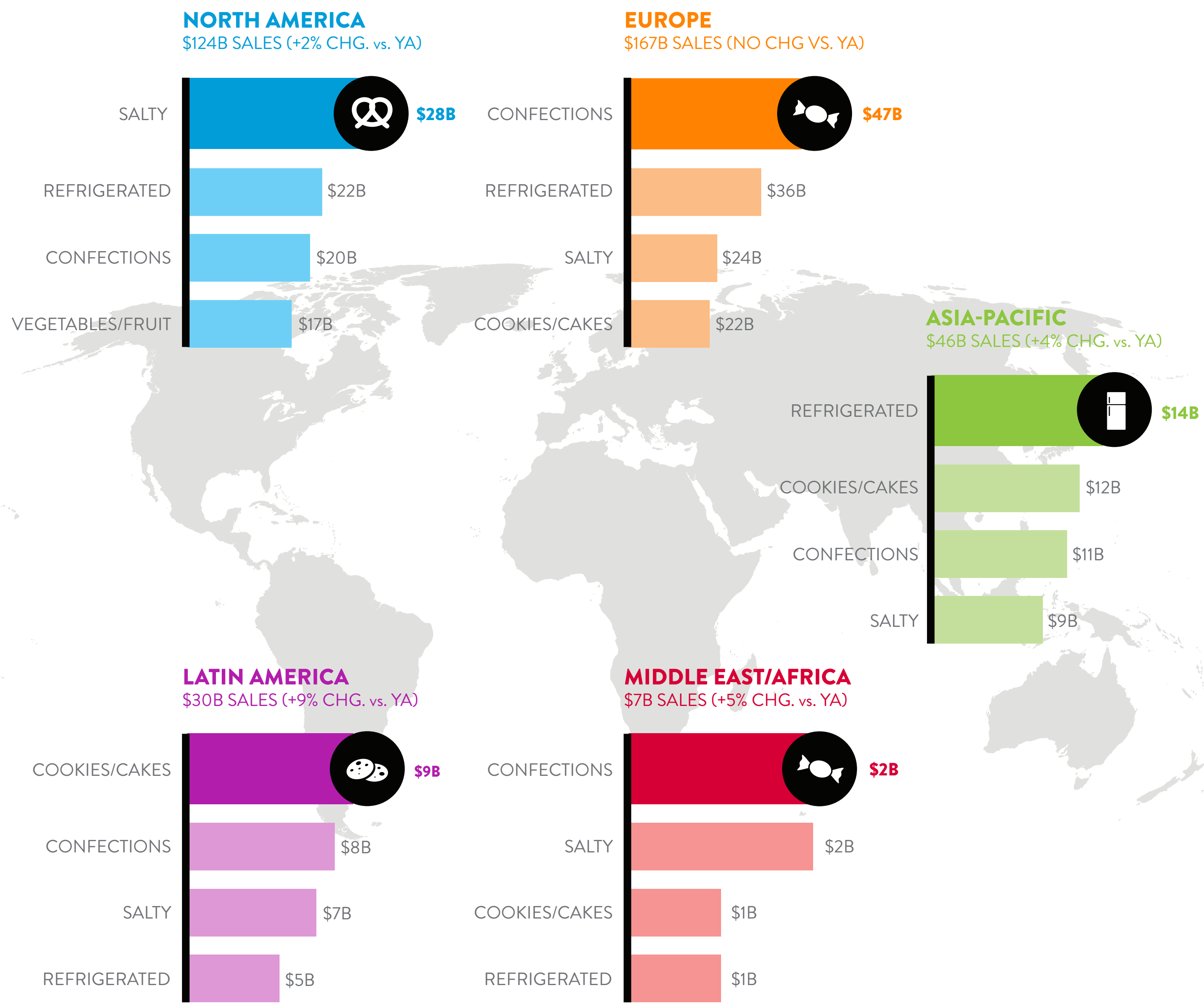
"Non-sugary snacks closely aligned with meal-replacement foods are showing strong growth, which signals a shift in a consumer mindset to one focused on health," said Dunn. "While conventional cookies, cakes and confections categories still hold the majority share of snack sales, more innovation in the healthy snacking and portable food space is necessary to adjust to this changing dynamic."

*Adjusted for inflation.

NON-SUGARY SNACKS ARE SHOWING STRONG GROWTH

THE BIGGEST SNACK CATEGORIES WORLDWIDE

RETAIL ANNUAL DOLLAR SALES ENDING MARCH 2014



Source: Nielsen Retail Sales, 52 weeks ending March 2014, adjusted for inflation

FRESH FRUIT IS BEST, BUT CHOCOLATE IS SWEET

We asked consumers around the world what one snack they would choose above all others. The overwhelming answer: Fresh fruit. But chocolate is a close second.

Across the regions, and by large margins, global respondents say that fresh fruit (18%) is the snack of choice selected from a list of 47 different snacking options, followed by chocolate (15%). Both snack categories scored more than double or triple the responses for yogurt (6%), bread/sandwiches (6%), cheese (5%), potato chips/tortilla chips/crisps (5%), vegetables (5%) and ice cream/gelato (4%). Still, as the low percentages suggest, consumers' preferences vary widely when it comes to picking a favorite.

Choosing just one snack is hard, which is why consumers don't. They want variety.

In the span of 30 days, at least half of global respondents say they ate chocolate (64%), fresh fruit (62%), vegetables (52%), cookies/biscuits (51%), bread/sandwich (50%) and yogurt (50%). More than four in 10 respondents consumed cheese (46%), potato chips/tortilla chips/crisps (44%) and nuts/seeds (41%). One-third chewed gum (33%) and devoured ice cream/gelato (33%), while about one-fourth munched on popcorn (29%), crackers/crisp breads (28%) and cereal (27%). Softer offerings like dumplings (26%) and instant noodles (26%) were also popular with a quarter of respondents.

Taste preferences for snack options are noticeably different around the world. Besides fresh fruit and chocolate, large percentages of respondents also snack on vegetables in Asia-Pacific (57%), cheese in Europe (58%), bread/sandwiches in the Middle East/Africa (47%), ice cream/gelato in Latin America (63%) and potato chips/tortilla chips in North America (63%).

“In the dichotomy of snacking, consumers want healthy, but yet indulgent options are still going strong,” said Dunn. “A better understanding of consumer demand and the need states that drive demographic profile preferences will help manufacturers crack the code on the right portfolio balance between indulgence and healthy. It will also increase the odds of success in this ultra-competitive landscape.”

Snacking differences between the sexes is also prevalent. Globally, women drive snacking consumption more than men. More women consume chocolate (68% women vs. 61% men), fresh fruit (68% vs. 57%), vegetables (56% vs. 49%), cookies/biscuits (55% vs. 48%), bread/sandwiches (51% vs. 49%), yogurt (57% vs. 44%), cheese (51% vs. 41%), potato chips/tortilla chips (45% vs. 42%), nuts/seeds (44% vs. 39%) and gum (34% vs. 32%).

TOP 10 FAVORITE SNACKS BY REGION

PERCENTAGE OF CONSUMERS WHO SAID THEY ATE THESE SNACKS IN THE LAST 30 DAYS

GLOBAL AVERAGE

1.	CHOCOLATE	64%
2.	FRESH FRUIT	62%
3.	VEGETABLES	52%
4.	COOKIES/ BISCUITS	51%
5.	BREAD/ SANDWICH	50%
6.	YOGURT	50%
7.	CHEESE	46%
8.	CHIPS/CRISPS	44%
9.	NUTS/ SEEDS	41%
10.	GUM/ICE CREAM	33%

ASIA-PACIFIC

CHOCOLATE	69%
FRESH FRUIT	65%
VEGETABLES	57%
COOKIES/BISCUITS	55%
BREAD/SANDWICH	54%
NUTS/SEEDS	49%
YOGURT	48%
CHIPS/CRISPS	43%
DUMPLINGS	43%
GUM	38%

EUROPE

FRESH FRUIT	62%
CHOCOLATE	61%
CHEESE	58%
YOGURT	54%
VEGETABLES	49%
COOKIES/BISCUITS	45%
BREAD/SANDWICH	42%
CHIPS/CRISPS	38%
NUTS/SEEDS	34%
GUM	31%

MIDDLE EAST/AFRICA

FRESH FRUIT	52%
CHOCOLATE	51%
BREAD/SANDWICH	47%
CHIPS/CRISPS	43%
CHEESE	42%
YOGURT	41%
COOKIES/BISCUITS	41%
VEGETABLES	39%
ICE CREAM/GELATO	33%
POPCORN	26%

LATIN AMERICA

YOGURT	66%
CHOCOLATE	64%
CHEESE	64%
ICE CREAM/GELATO	63%
FRESH FRUIT	57%
BREAD/ SANDWICH	55%
VEGETABLES	50%
POPCORN	49%
CRACKERS/CRISPBREADS	45%
COOKIES/BISCUITS	44%

NORTH AMERICA

CHIPS/CRISPS	63%
CHOCOLATE	59%
CHEESE	58%
COOKIES/BISCUITS	56%
FRESH FRUIT	55%
BREAD/ SANDWICH	48%
CRACKERS/CRISPBREADS	48%
VEGETABLES	44%
PEANUT BUTTER	44%
POPCORN	43%

Source: Nielsen Global Snacking Survey, Q1 2014

SNACKING WITH A CONSCIENCE

When reaching for a snack, how much do you think about the ingredients inside? Are attributes such as artificial coloring, natural flavors and high fructose corn syrup important criteria in the decision-making process? What about snacks that contain whole grain, protein and fiber?

It turns out that more respondents around the world care about the absence of ingredients than the addition of them. "Consumers want snacks to stick to the basics," said Dunn.

Snacks with all natural ingredients are rated very important by 45% of global respondents and moderately important by 32%—the highest percentages out of the 20 health attributes included in the study. The absence of artificial colors (44%), genetically modified organisms (43%) and artificial flavors (42%) are also rated very important when it comes to the snacks we eat. Caffeine-free (23%) and gluten-free (19%) snacks are very important for about one-fourth and one-fifth of global respondents, respectively.

Less is more for roughly one-third of global respondents who think it's very important that snacks be low in sugar (34%), salt (34%), fat (32%) and calories (30%). One-fourth of those surveyed want snacks that have either low or no carbohydrates. Conversely, roughly one-third are looking for beneficial ingredients, rating fiber (37%), protein (31%) and whole grains (29%) as very important attributes in the snacks they eat.

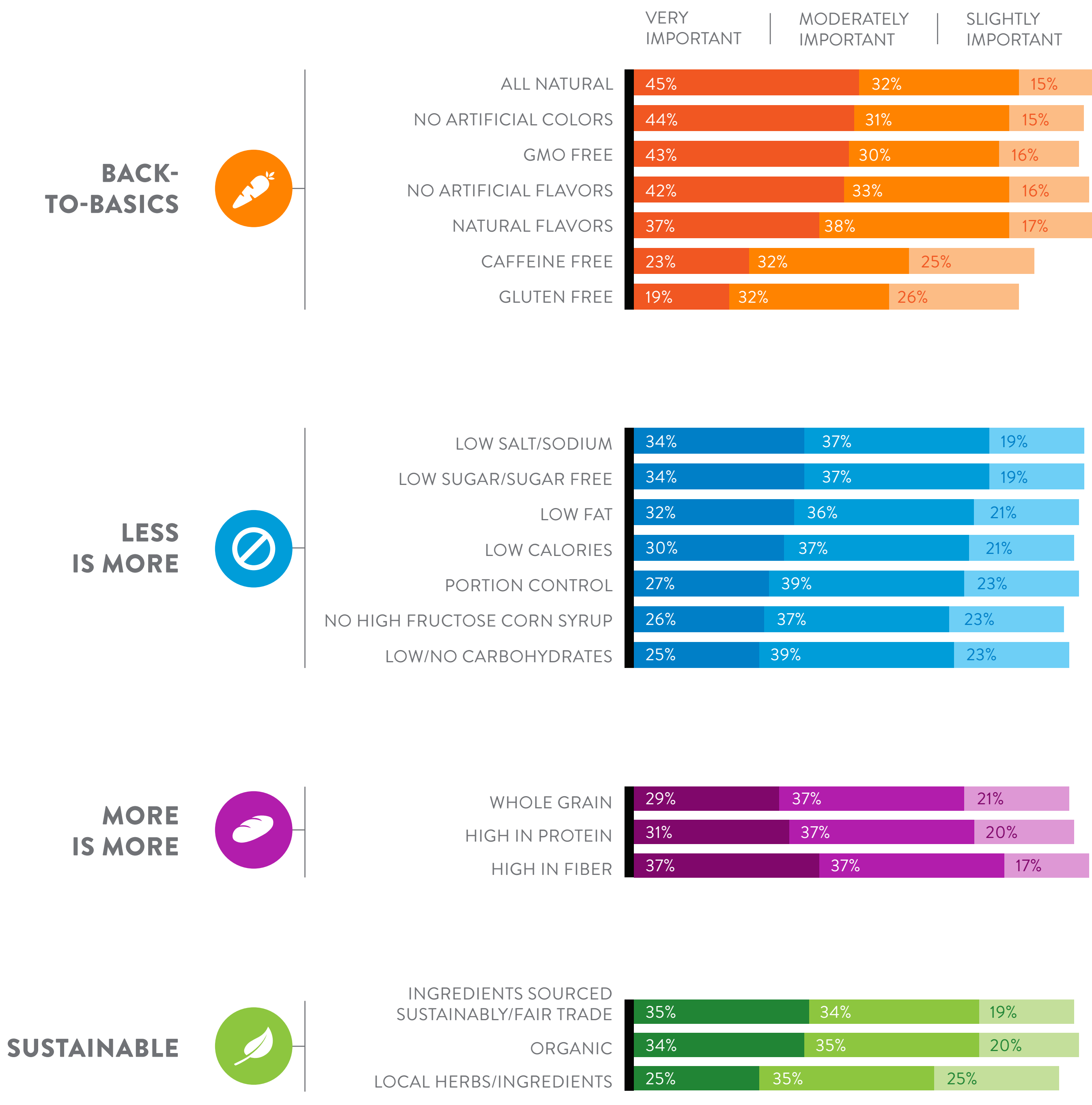
Environmentally conscious consumers believe it is very important that snacks include ingredients that are sourced sustainably (35%), are organic (34%) and use local herbs (25%).

Meanwhile, portion control is very important for just over one-fourth of global respondents (27%).

CONSUMERS WANT SNACKS TO STICK TO THE BASICS

BACK-TO-BASICS SNACK ATTRIBUTES MATTER MOST

PERCENTAGE THAT RATE HEALTH ATTRIBUTES VERY, MODERATELY OR SLIGHTLY IMPORTANT



Source: Nielsen Global Snacking Survey, Q1 2014

WHY WE SNACK

Just as no two people are alike, the reasons why we snack are diverse and varied. But there are some common themes.

The obvious reason we snack is for pure enjoyment. We snack because it tastes good and the experience is pleasurable. But snacks that are focused on just enjoyment are missing some key opportunities—today's consumers expect snacks to serve many needs.

For instance, more than three-quarters of global respondents (76%) eat snacks often or sometimes to satisfy their hunger between meals or to satisfy a craving, but fewer (45%) global respondents consume snacks as a meal alternative—52% for breakfast, 43% for lunch and 40% for dinner. Middle East/Africa (58%) and Latin America (55%) respondents exceed the global average for eating snacks as a replacement meal.

"There is a perception that snacks are intended more for in-between meals than for actual meal replacements," said Dunn. "But busy, on-the-go lifestyles often dictate a need for quick meals, and many opt for fast food options that can be high in calories and low in health benefits. There is a massive untapped opportunity to gain market share in the nutritious, portable and easy-to-eat meal alternative market that snack manufacturers could fill."

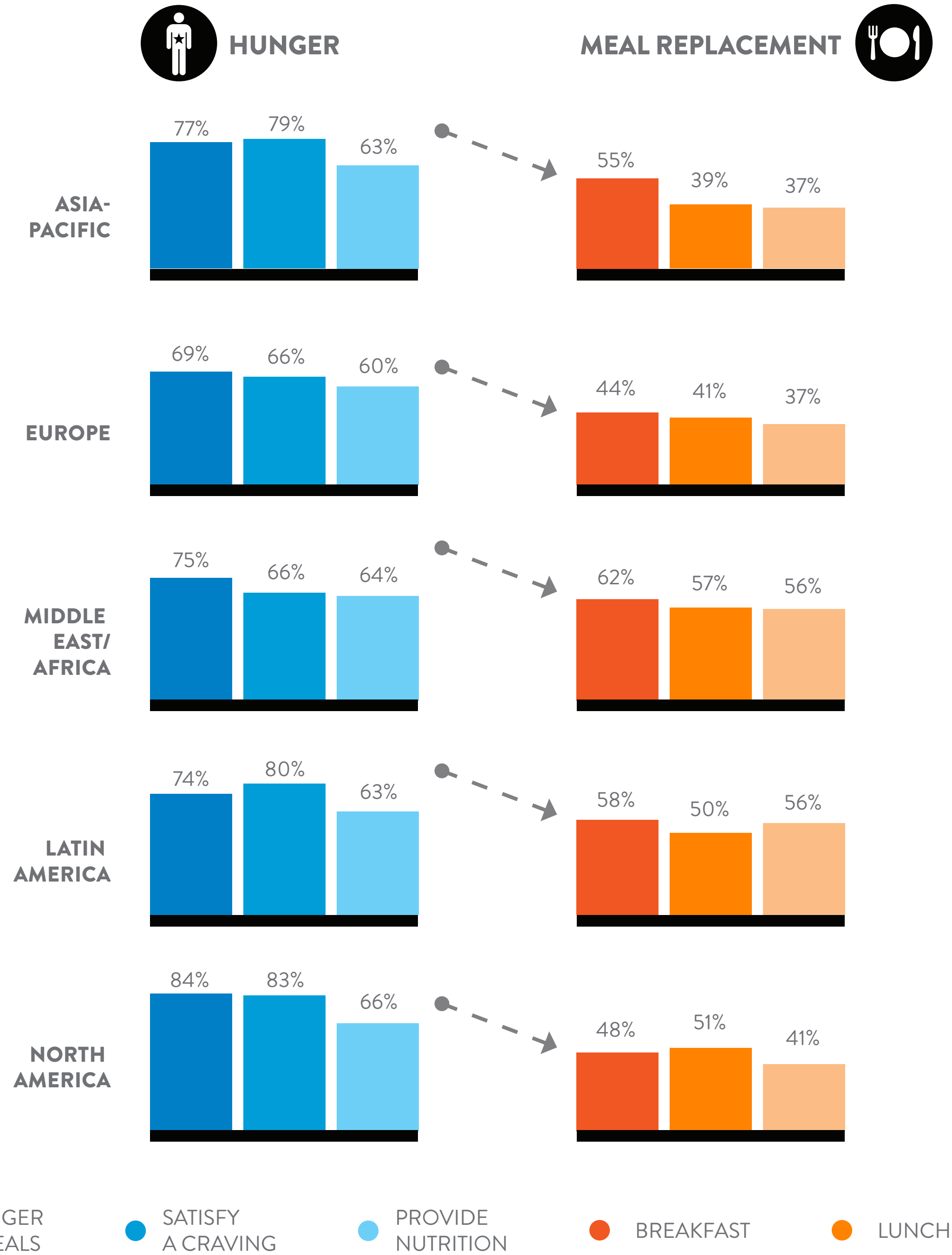
Nutrition is the reason why 63% of global respondents eat snacks, and 61% snack to get an energy boost. Many also consume snacks when taking a break (60%) and when passing the time (53%). Therefore, it's reasonable to believe that given a snack option that fills a need for nourishment, many consumers will pick an option that is both convenient and nutritious.

Other reasons for snacking are purely emotional. Sixty-four percent of global respondents eat snacks to improve their mood, 53% as a reward and 44% because they are stressed. Only 38% consume snacks often or sometimes to manage their weight.

THERE IS AN OPPORTUNITY TO GAIN MARKET SHARE IN THE NUTRITIOUS, PORTABLE MEAL ALTERNATIVE MARKET

OPPORTUNITY GAP BETWEEN SNACKING FOR HUNGER AND FOR MEAL REPLACEMENT

THINKING ABOUT THE SNACKS YOU ATE IN THE LAST 30 DAYS, WHY DID YOU CONSUME THESE SNACKS?



Source: Nielsen Global Snacking Survey, Q1 2014

PLANNER, PURPOSEFUL OR SPONTANEOUS—WHAT KIND OF SNACKER ARE YOU?

Do you plan all your snack purchases or do you like to try new snacks on a whim? The majority of global respondents do a bit of both.

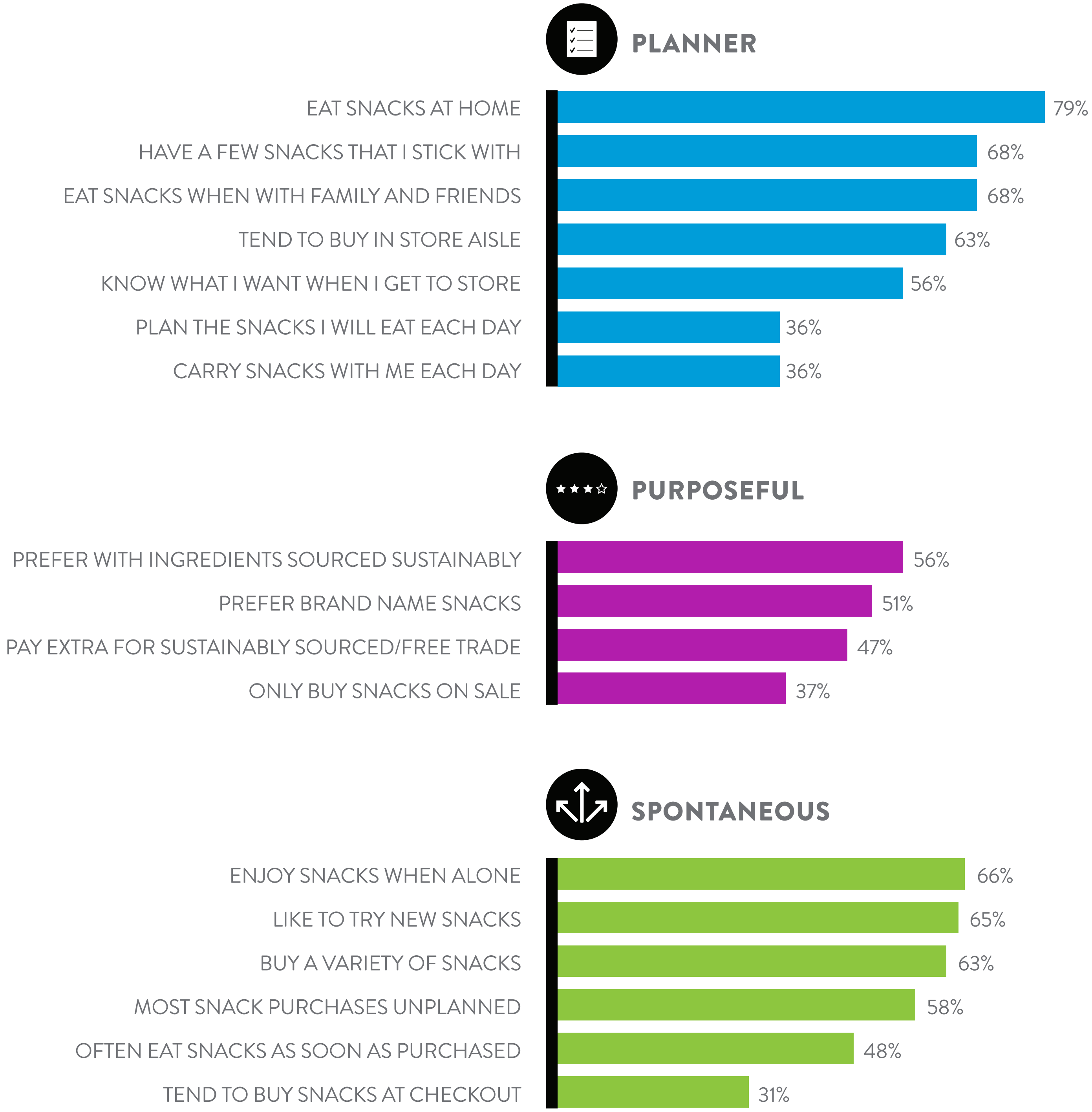
Large percentages of global respondents are snack planners. They eat snacks at home (79%), with family and friends (68%), and they have a few snacks they keep in rotation (68%). These consumers tend to buy snacks in the store aisle (63%) and know exactly what they want when they get to the store (56%). A smaller percentage plans and carries the snacks they eat each day (36%). Asia-Pacific respondents exceed the global averages for snack planning.

Nevertheless, many of us are spontaneous snackers. These global respondents like to try new snacks (65%), buy a variety of snacks (63%), and do not plan their snack purchases (58%). These consumers often eat snacks as soon as they buy them (48%) and tend to buy snacks at the check-out counter (31%). The largely developing regions of Asia-Pacific, Middle East/Africa and Latin America exceed the global averages for such spontaneous snacker characteristics. North American respondents lead the way for buying a variety of different snacks (70%).

Purposeful snackers know what they want in a snack and are very selective about what they choose. These global respondents prefer snacks with ingredients that are sourced sustainably (56%) and will pay extra for fair-trade snacks (47%). Confectionery such as fair trade chocolate and premium varieties of chocolate are good examples. Purposeful snackers prefer to buy name-brand snacks (51%), and many will only buy snacks that are on sale (37%). North Americans have the highest percentage of respondents that buy snacks on sale (43%). For sustainably sourced snack ingredients, the highest percentages of respondents live in Asia-Pacific (68%); for brand-name snacks, it's the Middle East (63%).

WHAT KIND OF SNACKER ARE YOU?

PERCENT OF GLOBAL RESPONDENTS WHO STRONGLY OR SOMEWHAT AGREE



Source: Nielsen Global Snacking Survey, Q1 2014

THE GO-TO DESTINATIONS FOR SNACKS

Snacks seem to be available almost everywhere we shop. Grocery stores, convenience stores, warehouse club stores and roadside vendors are just some of the retail outlets that tempt and tantalize our taste buds. Since many snack purchases are unplanned, it makes good business sense to have snacks always at the ready and within arm's reach.

But with many retail options available, ensuring the right distribution outlets are well-stocked with snack options can be a challenge, especially in a global marketplace where retail channel options and shopping habits can vary widely.

In **Asia-Pacific,** the online respondents in our survey are most likely to shop evenly across three different retail outlets compared to other regions, which aligns with the variety of different regional snack favorites, such as chocolate, fresh fruit, vegetables and cookies/biscuits. The top three go-to snack retailers in the region for these online respondents are: mass merchandisers/hypermarkets (47%), grocery stores (44%) and convenience stores (36%). Almost one-fourth of respondents (24%) shop most often for snacks in small neighborhood stores and 18% shop in specialty stores. On a less frequent, "sometimes" basis, however, small neighborhood stores are the destination pick for 45% of respondents.

In **Europe,** snacking favorites include fresh fruit, cheese, yogurt and vegetables so it's no surprise that more than half of respondents (53%) shop most often for snacks in grocery stores, followed by mass merchandiser/hypermarkets (41%). About one-fifth (22%) buy snacks most often in convenience stores, 15% in small neighborhood stores and 14% in discount dollar stores. About one-third of respondents shop some of the time in small neighborhood stores (36%), grocery stores (34%), mass merchandiser/hypermarkets (34%) and convenience stores (32%).

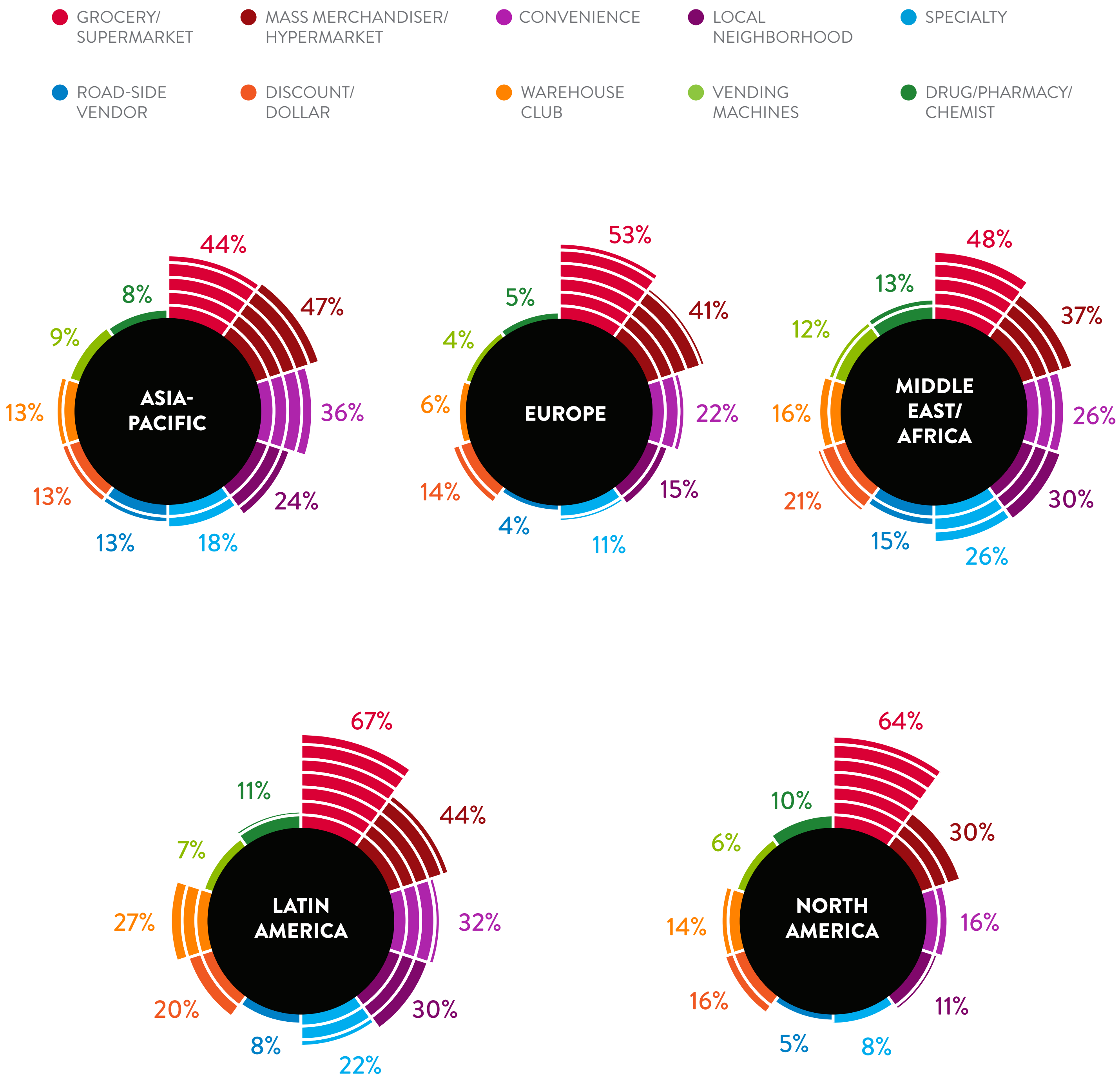
In the **Middle East/Africa,** grocery stores are the source for snacks among the largest number of online respondents in our survey (48%) in the region, followed by 37% who shop in mass merchandiser/hypermarkets. Top snacking picks include fresh fruit, chocolate, bread/sandwich and potato chips/tortilla chips/crisps. Three in 10 online respondents shop in small neighborhood stores and 26% opt most often for both convenience and specialty stores. About four in 10 respondents shop some of the time in small neighborhood stores (43%), mass merchandiser/hypermarkets (40%) and specialty stores (40%).

In **Latin America,** refrigerated items, such as yogurt, cheese and ice cream are top regional snack preferences making grocery stores the resounding favorite retail store for snacks among 67% of online respondents. Mass merchandiser/hypermarkets (44%), convenience stores (32%), small neighborhood stores (30%) and warehouse club stores (27%) are shopped most often by fewer respondents. On a less regular basis, small neighborhood stores are "sometimes" frequented by 44% of respondents, followed by mass merchandiser/hypermarkets (38%), specialty stores (37%), convenience stores (36%) and discount/dollar stores (35%).

In **North America,** it's common for shoppers to stock up on one-stop shopping trips, which may account for why respondents say they shop grocery stores most often for snacks by the widest margin of any region—64% compared with 30% who shop at mass merchandiser/hypermarkets. Top regional snack favorites include potato chips/tortilla chips/crisps, chocolate, cheese and cookies/biscuits. While convenience stores (16%), discount/dollar stores (16%) and warehouse club stores (14%) are less frequented for snacks on a "most-often" basis, about one-third of respondents frequent convenience stores (34%), mass merchandiser/hypermarkets (33%), discount/dollar stores (31%), warehouse club stores (30%) and drug stores (30%) some of the time.

RETAIL CHANNEL PREFERENCES FOR SNACKS

PERCENT WHO BUY SNACKS "OFTEN" BY OUTLET



Source: Nielsen Global Snacking Survey, Q1 2014

SUCCESS IN THE SNACKING INDUSTRY

With close to $400 billion dollars of annual worldwide sales, the snacking industry is robust and thriving. To keep it growing, snack manufacturers need to adjust and align strategies to changing demographic trends, an emerging worldwide middle class, evolving taste preferences and new retail channel alternatives.

FUTURE GROWTH POTENTIAL

So where will growth come from in the upcoming years? While North America and Europe are the biggest snack consumption regions from a sales perspective, growth is lower than in the largely developing regions. The biggest future growth will come from the Asia-Pacific region for two key reasons: increased consumption per capita and an increasing population. With a growing middle class, there are more mouths to feed and more money to spend on snacking. The same is true in Africa, although the growth trajectory for snacks is still lower than Asia-Pacific at this time.

GLOBAL VS. LOCAL OPPORTUNITIES

As consumers continue to aspire to better health and healthier eating, snack products that bridge the gap between nutrition and indulgence with tasty, portable options will break through the clutter both globally and locally. But there is more to it than that. Regional and local taste preferences need to be considered when developing a successful growth strategy. For example, local snack favorites like instant noodles or dumplings in China will leave less space for a global player to compete, but there are growth opportunities to be found within each snacking category if you look closely at the underlying consumer dynamics that are driving behavior.

INGREDIENTS FOR SUCCESS: ASSORTMENT AND DISTRIBUTION

The two biggest challenges facing snack manufacturers are assortment and distribution. Finding whitespace opportunities that fit the market dynamic, culture and taste preferences takes a critical and in-depth view of the retail landscape and the consumer trends driving purchase habits. More than half of global respondents are spontaneous snackers, therefore, meal-replacement options represent an untapped opportunity. Broad distribution strategies that get snacks in the right places and that fill an at-the-moment snacking occasion will be best poised for success.

SNACK PRODUCTS THAT BRIDGE THE GAP BETWEEN NUTRITION AND INDULGENCE WILL BREAK THROUGH THE CLUTTER

COUNTRIES INCLUDED IN THIS STUDY

EUROPE

MARKET	INTERNET PENETRATION
Austria	80%
Belgium	81%
Bulgaria	51%
Croatia	71%
Czech Republic	73%
Denmark	90%
Estonia	78%
Finland	89%
France	80%
Germany	83%
Greece	53%
Hungary	65%
Ireland	77%
Israel	70%
Italy	58%
Latvia	72%
Lithuania	65%
Netherlands	93%
Norway	97%
Poland	65%
Portugal	55%
Romania	44%
Russia	48%
Serbia	56%
Slovakia	79%
Slovenia	72%
Spain	67%
Sweden	93%
Switzerland	82%
Turkey	46%
United Kingdom	84%
Ukraine	34%

ASIA-PACIFIC

MARKET	INTERNET PENETRATION
Australia	89%
China	40%
Hong Kong	75%
India	11%
Indonesia	22%
Japan	80%
Malaysia	61%
New Zealand	88%
Philippines	32%
Singapore	75%
South Korea	83%
Taiwan	75%
Thailand	30%
Vietnam	34%

LATIN AMERICA

MARKET	INTERNET PENETRATION
Argentina	66%
Brazil	46%
Chile	59%
Colombia	60%
Mexico	37%
Peru	37%
Venezuela	41%

MIDDLE EAST / AFRICA

MARKET	INTERNET PENETRATION
Egypt	36%
Pakistan	15%
Saudi Arabia	49%
South Africa	17%
United Arab Emirates	71%

NORTH AMERICA

MARKET	INTERNET PENETRATION
Canada	83%
United States	78%

Source: Internet World Stats, June 30, 2012

ABOUT THE NIELSEN GLOBAL SURVEY

The Nielsen Global Survey of Snacking was conducted between Feb. 17 and March 7, 2014, and polled more than 30,000 consumers in 60 countries throughout Asia-Pacific, Europe, Latin America, the Middle East, Africa and North America. The sample has quotas based on age and sex for each country based on its Internet users and is weighted to be representative of Internet consumers. It has a margin of error of ±0.6%. This Nielsen survey is based only on the behavior of respondents with online access. Internet penetration rates vary by country. Nielsen uses a minimum reporting standard of 60% Internet penetration or an online population of 10 million for survey inclusion. The Nielsen Global Survey, which includes the Global Consumer Confidence Index, was established in 2005.

ABOUT NIELSEN

Nielsen N.V. (NYSE: NLSN) is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence and mobile measurement. Nielsen has a presence in approximately 100 countries, with headquarters in New York, USA and Diemen, the Netherlands.

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