A FRESH LOOK INTO MULTICULTURAL CONSUMERS:

REFRESHING THE RETAIL LANDSCAPE

SUMMARY REPORT
FEBRUARY 2017

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AN UNCOMMON SENSE OF THE CONSUMER™

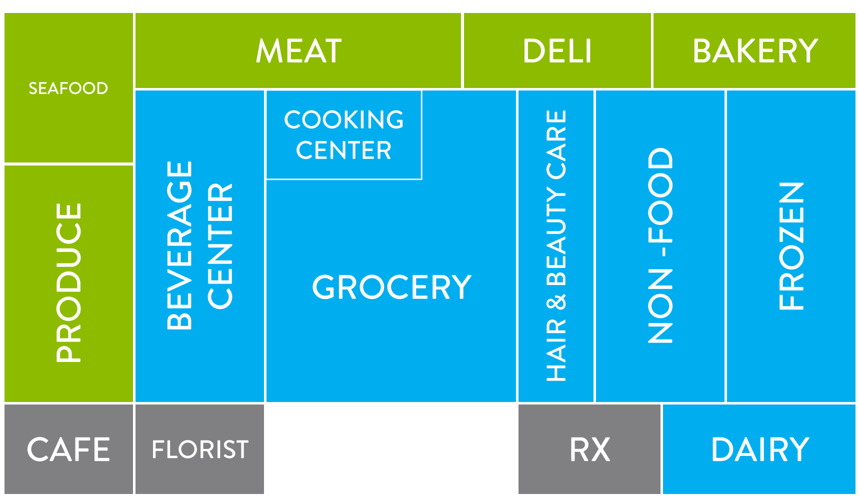
A FRESH LOOK AT MULTICULTURAL CONSUMERS

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



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

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 can 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 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.

[6]Bureau of Labor Statistics

% OF MULTICULTURAL SHOPPERS PURCHASING FRESH

DRUG	CONVENIENCE & GAS	WAREHOUSE & CLUB	MASS & SUPERCENTER	GROCERY
18%	26%	57%	81%	99%

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

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]

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

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.

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.

[12] Nielsen Scarborough

SECTION 2

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.

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.

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.

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