2020 VISION
TRENDS IMPACTING FMCG AND TISSUE GROWTH

NIELSEN
Carman Allison
VP of Consumer Insights
TRENDS DEFINING A NEW MARKETPLACE

- Improving Consumer Confidence
- Spending Power on the Rise
- FMCG Sales Growth Slowing
- Distruption in Retail Continues
CONSUMER CONFIDENCE RISING

- Source: Nielsen Global Online Consumer Confidence Surveys – Q2 2017- Chg VYA
CONSUMER OPTIMISM INCREASES

% Positive

<table>
<thead>
<tr>
<th>CHG VYA</th>
<th>JOB PROSPECTS</th>
<th>PERSONAL FINANCES</th>
<th>GOOD TIME TO BUY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>54%</td>
<td>65%</td>
<td>63%</td>
</tr>
<tr>
<td>+7</td>
<td>+9</td>
<td>+8</td>
<td>+10</td>
</tr>
<tr>
<td>+2</td>
<td>+2</td>
<td>+5</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Nielsen Global Online Consumer Confidence and Opinion Survey - Q2 2017 - % Agree: Good and Excellent
## TOP 5 CONCERNS AMONG CONSUMERS

### U.S.
- 30% Terrorism (↑)
- 28% Economy (↓)
- 17% Political Stability (↑)
- 14% Health (↓)
- 14% Job Security

### CANADA
- 23% Economy (↓)
- 20% Health
- 19% Debt
- 19% Rising Utilities (↑)
- 17% Food Prices (↓)

Source: Nielsen Global Omnibus Consumer Confidence Survey Q2 2017 – Top 2 Combined – trend vs year ago
FEWER U.S. CONSUMERS ARE TRYING TO REDUCE OVERALL SPENDING

% of consumers trying to reduce household expenses

But still the majority

Source: Nielsen Global Omnibus Consumer Confidence Survey Q2 Periods
IT’S NOT JUST ASPIRATIONAL, CONSUMERS ARE REDUCING THEIR ANNUAL SPENDING

Average FMCG Spend Per Household

<table>
<thead>
<tr>
<th></th>
<th>U.S.</th>
<th>CANADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>$7,054</td>
<td>$7,167</td>
</tr>
<tr>
<td>Change</td>
<td>-1%</td>
<td>-2%</td>
</tr>
</tbody>
</table>

Nielsen Homescan Cross Outlet Facts: 52 weeks: Canada April 1, 2017; U.S. July 1, 2017
Despite economic and consumer sentiment improvements, FMCG sales growth is slowing
CANADIAN FMCG OUTPACING THE U.S. ON BOTH DOLLARS AND TONNAGE

United States

Dollars: -0.1
Tonnage: -0.3

Canada

Dollars: +2.1
Tonnage: +1.3

Nielsen: AOD - Total Departments, 52 wks ending July 01, 2017
Nielsen: MarketTrack - Total Tracked Sales, 52 wks ending June 24, 2017
THE SLOWING RATE OF GROWTH IS A COMMON THEME ACROSS NORTH AMERICA

Source: Nielsen - Total Tracked Sales excluding Fresh Random Weight  Canada YTD: 24 wks to Jun 24/17 – US YTD 30 wks to Jul 29/17
RECENTLY THE RATE OF FMCG INFLATION IS TRENDING UP IN DEVELOPED MARKETS

Source: Nielsen MarketTrack – All Channels, Total Tracked Sales excluding Fresh Random Weight - 52 weeks ending June 24, 2017
## PAPER CATEGORIES ARE PERFORMING STRONGER IN CANADA

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th></th>
<th>Canada</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'s MM</td>
<td>% Chg</td>
<td>$'s MM</td>
<td>% Chg</td>
</tr>
<tr>
<td>Bathroom Tissue</td>
<td>$8,771.1 -1</td>
<td></td>
<td>$953.3</td>
<td>+5</td>
</tr>
<tr>
<td>Paper Towels</td>
<td>$5,109.8 +0</td>
<td></td>
<td>$398.5</td>
<td>+8</td>
</tr>
<tr>
<td>Facial Tissue</td>
<td>$1,534.6 +0</td>
<td></td>
<td>$304.1</td>
<td>+5</td>
</tr>
<tr>
<td>Paper Napkins</td>
<td>$597.2 -2</td>
<td></td>
<td>$45.1</td>
<td>-10</td>
</tr>
</tbody>
</table>

Nielsen: ScanTrack - Total Tracked Sale  
52 wks ending July 29, 2017

Nielsen: MarketTrack - Total Tracked Sale  
52 wks ending June 24, 2017
DESPITE INFLATION SLOWING FOR CPG, PAPER PRODUCTS CONTINUE TO RISE

Inflations ($ % Chg – Vol % Chg)

Source: Nielsen POS Tracking, National All Channels – Period Ending June/July 2017 - Total Tracked Sales excluding Fresh Random Weight
REGIONAL SHIFTS IN GROWTH
ONTARIO AND B.C. LEAD REGIONAL GROWTH – SIMILAR TREND FOR PAPER PRODUCTS

Annual FMCG Performance = $ % Chg

<table>
<thead>
<tr>
<th>Region</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>+5.2</td>
</tr>
<tr>
<td>Maritimes</td>
<td>+6.0</td>
</tr>
<tr>
<td>Quebec</td>
<td>+4.9</td>
</tr>
<tr>
<td>Ontario</td>
<td>+7.2</td>
</tr>
<tr>
<td>Man/Sask</td>
<td>+2.6</td>
</tr>
<tr>
<td>Alberta</td>
<td>+1.5</td>
</tr>
<tr>
<td>B.C.</td>
<td>+4.6</td>
</tr>
</tbody>
</table>

Source: Nielsen MarketTrack, National All Channels – 52 weeks Ending June 24, 2017 - Total Tracked Sales excluding Fresh Random Weight
ALBERTA NO LONGER LEADS REGIONAL GROWTH

Source: Nielsen MarketTrack, National All Channels – Annual Years, YTD 24 weeks Ending June 24, 2017 - Total Tracked Sales excluding Fresh Random Weight
DESpite growth slowing, Albertans still spend 11% more per household

Households are spending less across the majority of regions

Source: Nielsen Homescan, National All Channels – 52 weeks Ending April 1, 2017 - Total Expenditures
THE SOUTHERN U.S. IS THE ONLY REGION TO REPORT GROWTH

Annual FMCG Performance = $ % Chg

<table>
<thead>
<tr>
<th>Region</th>
<th>Total US</th>
<th>Mid-West</th>
<th>Northeast</th>
<th>South</th>
<th>West</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper Products</td>
<td>-0.3</td>
<td>-0.5</td>
<td>-0.7</td>
<td>+0.1</td>
<td>-0.6</td>
</tr>
</tbody>
</table>

Source: Nielsen Answers, National All Channels – 52 weeks Ending July 29, 2017 - Total Tracked Sales excluding Fresh Random Weigh
OVER THE PAST 5 YEARS AMERICAN FMCG SALES HAVE SHIFTED SOUTH AND WEST

Regional FMCG Performance
5 Year Point Change

<table>
<thead>
<tr>
<th>Region</th>
<th>5 Year Point Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-West</td>
<td>-0.6</td>
</tr>
<tr>
<td>Northeast</td>
<td>-0.5</td>
</tr>
<tr>
<td>South</td>
<td>+0.3</td>
</tr>
<tr>
<td>West</td>
<td>+0.7</td>
</tr>
</tbody>
</table>

Source: Nielsen Answers, National All Channels – 52 weeks Ending July 29, 2017 - Total Tracked Sales excluding Fresh Random Weight
FINDING GROW IN A STATIC MARKET
2020 VISION: TRENDS IMPACTING GROWTH

Consumer share of wallet is expanding
### RETAIL CHANNEL DEVELOPMENT VARIES

Canadians spend more in Grocery, Warehouse, General Merchandise and Drug Stores

<table>
<thead>
<tr>
<th></th>
<th>CA</th>
<th>US</th>
<th>CA Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grocery</td>
<td>43.5%</td>
<td>33.0%</td>
<td>132</td>
</tr>
<tr>
<td>Warehouse</td>
<td>12.8%</td>
<td>10.5%</td>
<td>122</td>
</tr>
<tr>
<td>Mass Merch.</td>
<td>10.9%</td>
<td>25.2%</td>
<td>43</td>
</tr>
<tr>
<td>Drug</td>
<td>5.8%</td>
<td>3.2%</td>
<td>181</td>
</tr>
<tr>
<td>Gen Merch/Depart</td>
<td>5.3%</td>
<td>3.4%</td>
<td>156</td>
</tr>
<tr>
<td>Online</td>
<td>1.9%</td>
<td>3.7%</td>
<td>51</td>
</tr>
<tr>
<td>Dollar Stores</td>
<td>1.4%</td>
<td>2.4%</td>
<td>58</td>
</tr>
</tbody>
</table>

Source: Homescan Cross Outlet Facts - 52 weeks to April 1, 2017
GROCERY AND MASS ARE LOSING PAPER PRODUCTS SHARE TO WAREHOUSE CLUBS

5 Year Channel Share Trend

<table>
<thead>
<tr>
<th>Retail Channel</th>
<th>$ Share</th>
<th>PT Chg</th>
<th>Paper Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grocery</td>
<td>43.5%</td>
<td>+0.3</td>
<td>43.9%</td>
</tr>
<tr>
<td>Warehouse Clubs</td>
<td>12.8%</td>
<td>+3.1</td>
<td>24.1%</td>
</tr>
<tr>
<td>Mass Merchandiser</td>
<td>10.9%</td>
<td>-1.9</td>
<td>13.6%</td>
</tr>
<tr>
<td>Drug Stores</td>
<td>5.8%</td>
<td>-0.4</td>
<td>10.6%</td>
</tr>
<tr>
<td>General Merchandise</td>
<td>5.3%</td>
<td>-0.5</td>
<td>3.8%</td>
</tr>
<tr>
<td>Online</td>
<td>1.9%</td>
<td>+0.7</td>
<td>0.9</td>
</tr>
<tr>
<td>Dollar Stores</td>
<td>1.4%</td>
<td>+0.3</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

Source: Nielsen, Homescan Cross Outlet Facts – scanned UPC – 52 weeks to April 1, 2017 vs 2013
GROCERY AND DRUG STORES ARE LOSING PAPER PRODUCTS SHARE TO WAREHOUSE CLUBS AND ONLINE

5 Year Channel Share Trend

<table>
<thead>
<tr>
<th>Retail Channel</th>
<th>$ Share</th>
<th>PT Chg</th>
<th>$ Share</th>
<th>Pt Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grocery</td>
<td>33.0%</td>
<td>+1.3</td>
<td>34.1%</td>
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</tr>
<tr>
<td>Mass Merchandiser</td>
<td>25.2%</td>
<td>+1.1</td>
<td>27.0%</td>
<td>+0.4</td>
</tr>
<tr>
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<td>+4.0</td>
</tr>
<tr>
<td>Online</td>
<td>3.7%</td>
<td>+0.4</td>
<td>1.4%</td>
<td>+0.6</td>
</tr>
<tr>
<td>Department Stores</td>
<td>3.4%</td>
<td>-1.0</td>
<td>0.0%</td>
<td>+0.0</td>
</tr>
<tr>
<td>Drug Stores</td>
<td>3.2%</td>
<td>-0.7</td>
<td>4.2%</td>
<td>-1.0</td>
</tr>
<tr>
<td>Dollar Stores</td>
<td>2.4%</td>
<td>+0.2</td>
<td>5.9%</td>
<td>+0.1</td>
</tr>
</tbody>
</table>

Source: Nielsen, Homescan Cross Outlet Facts – scanned UPC – 52 weeks to April 1, 2017 vs 2013
LARGER SIZES: A VALUE PLAY WITHOUT THE NEED TO AGRESSIVELY DISCOUNT

Is BIGGER better?

84% of consumers view stocking-up as a #1 savings strategy

If you need to take a price increase, 69% of consumers prefer larger sizes to reduce cost per use

54% of consumers buy larger sizes in order to save money

Source: Nielsen – April 2016 Panel Views Survey
FOLLOW SHIFTS IN CONSUMER SPENDING

**Evolving Retail:** More consumers are shifting away from traditional CPG retail channels. Make sure you align your focus to emerging channels.

**Merchandising:** Retailers, especially grocers, are putting more focus on the perimeter of the store. Look to merchandise on the perimeter with complementary categories. Meat, Deli, Seafood, Home Meal Replacements etc.
2020 VISION: TRENDS IMPACTING GROWTH

Consumer share of wallet is expanding

Shift from traditional to digital
STORE TRAFFIC IS IN DECLINE
Fewer opportunities to engage with the consumers in store

ANNUAL TRIPS PER HOUSEHOLD

Total Shopping Trips

In 2017

U.S.: 21.5 Billion

-3%

628 million fewer trips

CANADA: 2.2 Billion

-9%

211 million fewer trips

Since 2013

Nielsen Homescan Cross Outlet Facts: 52 weeks to April 1, 2017
THE FRAGMENTED PATH TO PURCHASE

DEMAND  PRE-STORE  DIGITAL  IN-STORE  PURCHASE
CANADA SLOWER TO MOVE ONLINE

5 Year Online Dollar Share of FMCG

CANADA

- 2013: 1.2%
- 2017: 1.9%

U.S.

- 2013: 3.4%
- 2017: 3.7%

Penetration
- CANADA: 33% in 2013, 37% in 2017
- U.S.: 42% in 2013, 44% in 2017

$ Per Shopper
- CANADA: $279 in 2013, $376 in 2017
- U.S.: $445 in 2013, $462 in 2017

Nielsen Homescan Cross Outlet Facts: 52 weeks to April 1, 2017
PAPER PRODUCTS SLOW TO MOVE ONLINE BUT CONSUMER INTENT IS THERE

<table>
<thead>
<tr>
<th></th>
<th>CANADA</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ Share</td>
<td>1.0%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Penetration</td>
<td>3.7%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Conversion</td>
<td>10%</td>
<td>14%</td>
</tr>
<tr>
<td>$ Per Household</td>
<td>$34 (+92%)</td>
<td>$36 (+22%)</td>
</tr>
</tbody>
</table>

Source: Nielsen, Homescan Cross Outlet Facts – scanned UPC – 52 weeks to April 1, 2017 vs 2013
HOME DELIVERY IS THE PREFERRED METHOD ONLINE FMCG SHOPPING

% already using / % definitely willing to use

- **Delivery to home**: Canada 8/16, US 12/20
- **Pick up inside the store**: Canada 3/15, US 8/20
- **Use drive-thru pick-up**: Canada 2/14, US 3/21
- **Pick-up curb side outside the store**: Canada 2/13, US 3/20
- **Use online subscription-based grocery shopping**: Canada 2/11, US 5/12

Source: 
Nielsen PanelViews, Canada Digital Shopping survey, 2016
BARRIERS TO ONLINE FMCG SHOPPING

IN-PERSON EXPERIENCE
CA 75%
US 80%
Prefer to examine the products before purchasing

QUALITY AND FRESHNESS
CA 63%
US 64%
Concerned over freshness and expiration dates

FULFILLMENT AND DELIVERY
CA 48%
US 50%
Concerned deliveries happen when not at home

EASE OF SITE USAGE
CA 48%
US 57%
Browsing to find products too time consuming

% who agree

Source: Nielsen Global Connected Commerce Survey, Q3 2015
THERE IS NO SINGLE ONLINE FMCG SHOPPER

<table>
<thead>
<tr>
<th>Segment</th>
<th>Canada (%)</th>
<th>U.S. (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Dodgers</td>
<td>38</td>
<td>35</td>
</tr>
<tr>
<td>Indifferent &amp; Impulsive</td>
<td>22</td>
<td>17</td>
</tr>
<tr>
<td>Digital Deal Diggers</td>
<td>30</td>
<td>29</td>
</tr>
<tr>
<td>Clicking Connoisseurs</td>
<td>10</td>
<td>15</td>
</tr>
</tbody>
</table>

ONLINE SHARE OF FMCG IS PROJECTED TO TRIPLE IN THE NEXT 3 YEARS

Today | By 2020
---|---
CANADA | 1.9% | 5.3%
U.S. | 3.7% | 12.8%

Source: Nielsen, Homescan Cross Outlet Facts – scanned UPC – 52 weeks to April 1, 2017 - 2020 estimates
STRATEGIES FOR OMNI-CHANNEL SUCCESS

BE SHOPPER-CENTRIC
Take the time to understand what happens along the path to purchase. Prioritize initiatives around the tools and features consumers use and desire most.

THINK DIGITAL. BUT DON’T NEGLECT IN-STORE
Physical stores maintain many key advantages over online-only channels, and retailers and manufacturers should look for ways to optimize the in-store experience by leveraging digital tools.

DEVELOP PARTNERSHIPS
Partner with retailers to build an online presence, targeting consumers with products they will like (personalization)
2020 VISION: TRENDS IMPACTING GROWTH

- Consumer share of wallet is expanding
- Shift from traditional to digital
- Generational shift in spending power
THE 2 CONSUMER POWERHOUSES; MILLENNIALS AND BOOMERS

Source: Statistics Canada – Census 2011
CURRENTLY MILLENNIALS ARE UNDER REPRESENTED IN PURCHASING POWER

Millennials’ Importance

- US 24% CA 27% (% of Population)
- US 16% CA 14% (% Household Heads)
- US 13% CA 12% (% of FMCG $’s)

Source: Source Nielsen Homescan – 52 weeks to March 29, 2014
THE FMCG GROWTH ENGINE WILL SWITCH GEARS

By 2020…

In the U.S. Millennials will outnumber Boomers by 10 million - with 81 million strong

For Canada, Millennials will outnumber Boomers by .6 million – 9.4 million in total
OLDER EQUALS MORE TRIPS; WHILE YOUNGER HAVE BIGGER BASKETS

<table>
<thead>
<tr>
<th>Total Retail Channels US (Canada)</th>
<th>Shopping Trips per Household</th>
<th>Basket Ring $ per Trip</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millennials</td>
<td>104 (117)</td>
<td>$54 ($61)</td>
</tr>
<tr>
<td>Gen X</td>
<td>129 (147)</td>
<td>$54 ($60)</td>
</tr>
<tr>
<td>Boomers</td>
<td>153 (186)</td>
<td>$46 ($50)</td>
</tr>
<tr>
<td>Greatest Gen</td>
<td>164 (193)</td>
<td>$37 ($40)</td>
</tr>
</tbody>
</table>

Source: Nielsen Homescan, Total U.S. 52 weeks ending 12/28/2013, excludes gas only or Rx only trips; *UPC-coded products
RESULTING IN A SHIFT IN FUTURE SHOPPER TRAFFIC FLOW

Day of Week:

<table>
<thead>
<tr>
<th></th>
<th>Millennials</th>
<th>Older Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sat-Sun</td>
<td>45%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Time of Day:

<table>
<thead>
<tr>
<th></th>
<th>Millennials</th>
<th>Older Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 3 pm</td>
<td>45%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Source: Nielsen Panel Views Survey 2013 - Canada
CONSUMPTION OF PAPER PRODUCTS INCREASES WITH AGE BUT LEVELS OFF IN SENIOR YEARS

Source: Nielsen Homescan – 52 weeks to July 1, 2017 – US age based on female only
CONNECTING WITH MILLENNIALS

GET CLOSER to the consumer focused on local market needs: Smaller stores & less assortment

PERSONALIZE your marketing programs through digital to build the one-to-one relationship as traditional media reach declines.

BE READY AND PREPARED for the disruption in retail. Online and digital will continue to grow and you need to partner with leading retailer programs.
DRIVING GROWTH IN DYNAMIC TIMES

Staying connected with winning retail channels and formats

Engaging in digital retailing & digital shopping

Winning the trip through marketing & sales focused against shoppers that matter
Thank you

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