



POLARIZATION & PREMIUMIZATION @ FOOD

GROWTH OPPORTUNITY FOR PASTA

Stefano Galli
Dubai October 25th, 2018

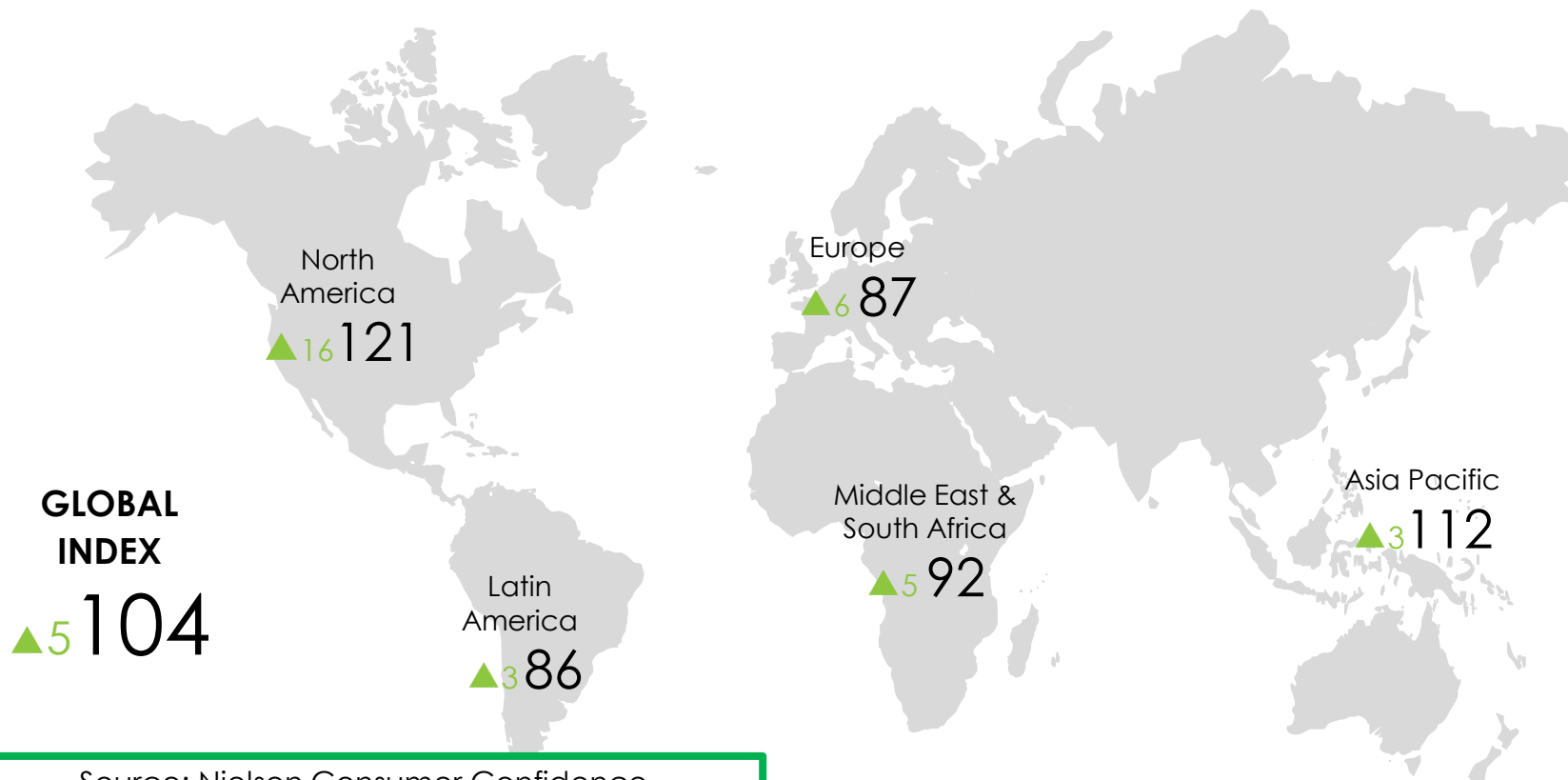
This artwork was created using Nielsen data.

Copyright © 2018 The Nielsen Company (US), LLC. Confidential and proprietary. Do not distribute.



GLOBAL CONSUMER CONFIDENCE IS STILL IMPROVING (2018 VS 2016)

with North America and Asia Pacific showing highest optimism, NA & EU strong improvement after crisis

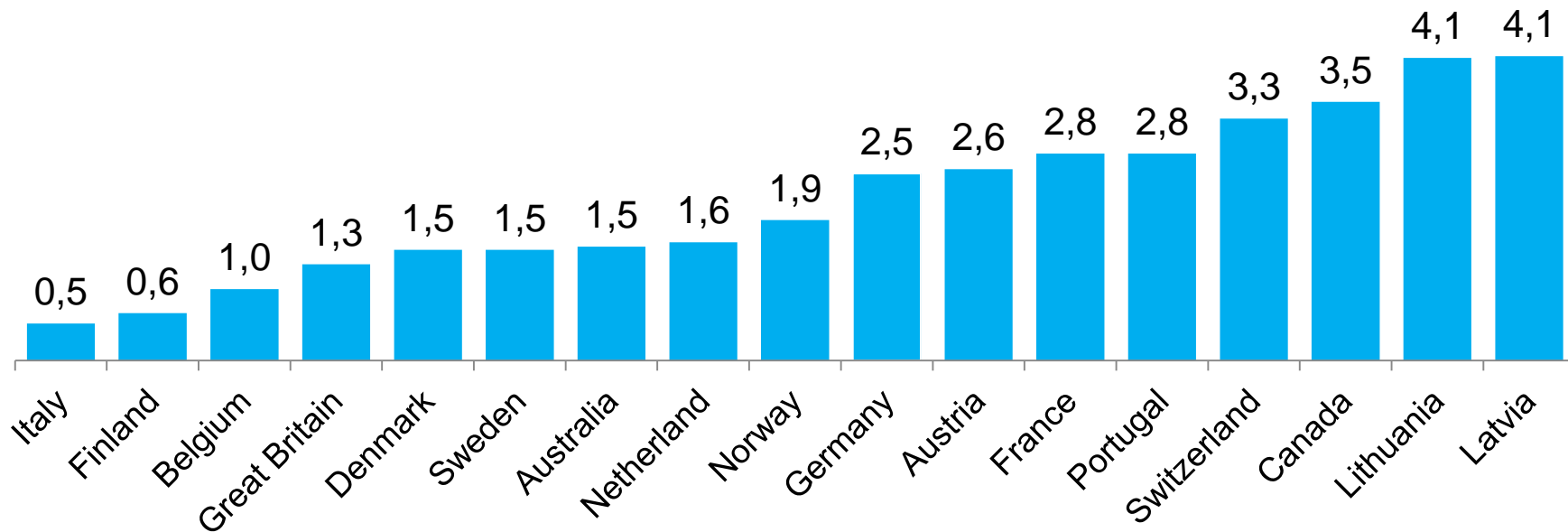


Source: Nielsen Consumer Confidence

▲▼ - index change Q2 2018 vs. Q3 2016

HOUSEHOLD DISPOSABLE INCOME GROWING....

Household disposable income Net, Annual growth rate (%),



Source: OECD (2018), Household disposable income (indicator).

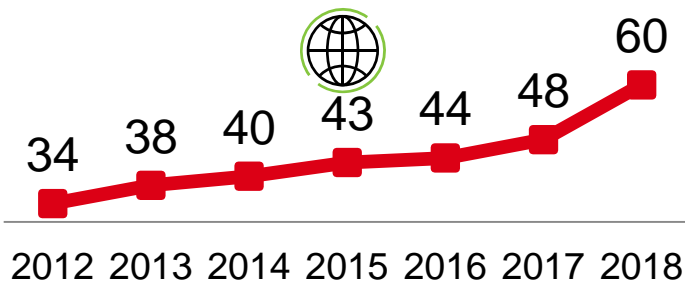
Organisation for Economic Co-operation and Development

* 2017 vs 2016 : Canada, Denmark, France, Italy, Netherlands , Norway, Portugal , Sweden ...the rest 2016 vs 2015

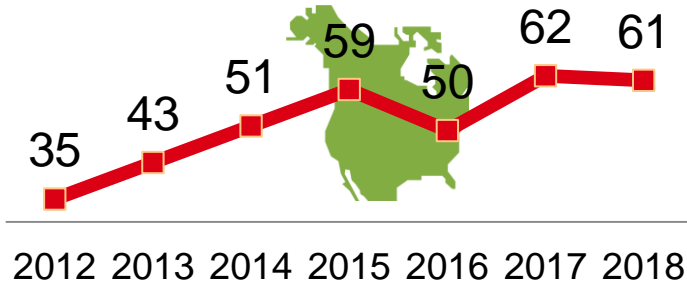
... SPENDING INTENTIONS INCREASING BACK YEAR BY YEAR

Good or excellent time for people to buy the things they want and need over the next 12 months

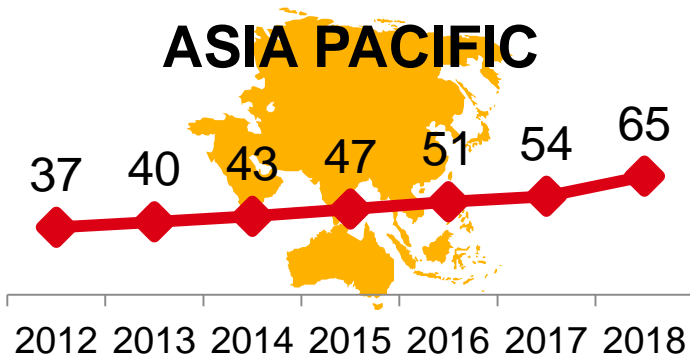
GLOBAL



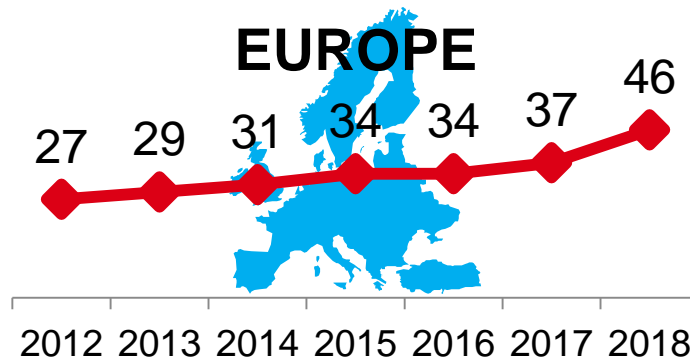
NORTH AMERICA



ASIA PACIFIC



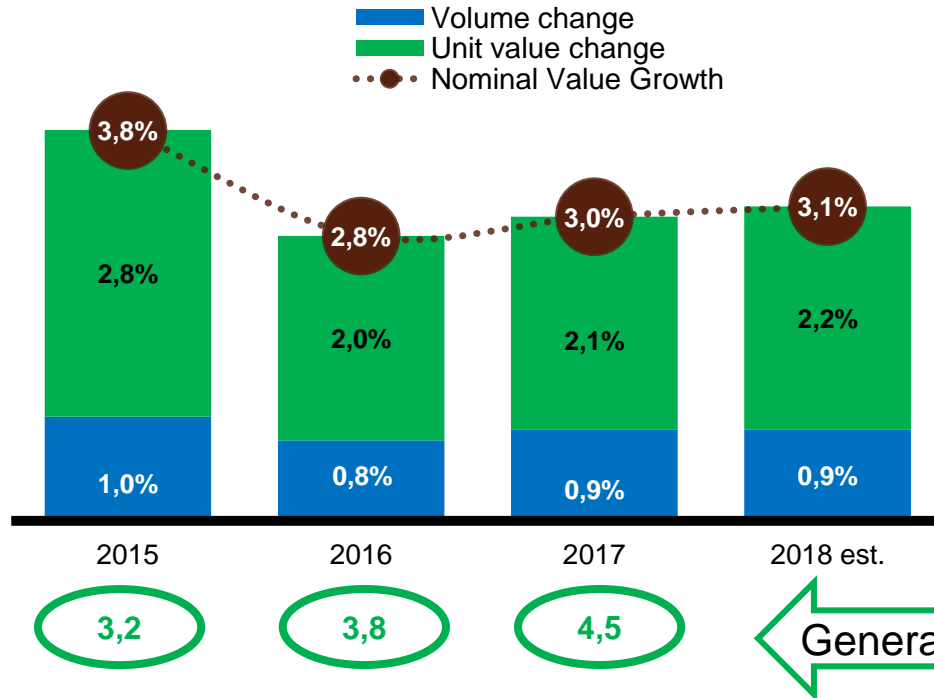
EUROPE



Source: Nielsen Consumer Confidence Q2 2018

IN THIS CONTEXT CONSUMERS HAVE RE-CALIBRATED THEIR FMGC SPENDING LOOKING FOR BOTH VALUE AND SAVING

Global FMCG Trend



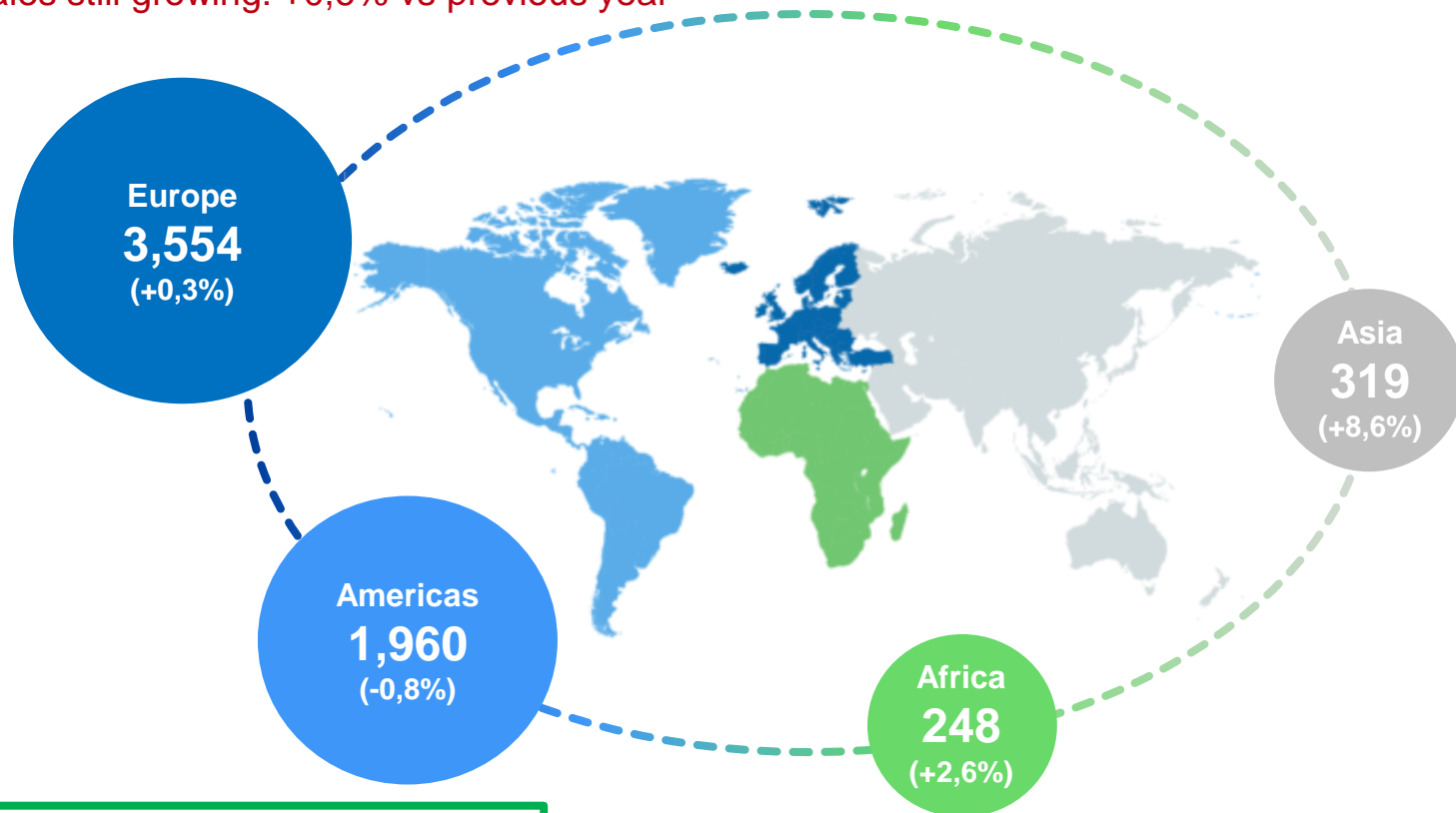
1. FMCG growth appears to be slowing over last years in term of volume.
2. FMCG inflation (unit value change) was lower than general inflation (looking for saving, value offer)
3. On the opposite side Trends are mainly driven by Value change (premium offer)

Source: Nielsen Growth Reporter Q2 2018

PASTA CATEGORY... SIMILAR TRENDS

Global Volumes slightly growing: 6,081 Mio Kg (+0,3%)

Global Value sales still growing: +0,6% vs previous year



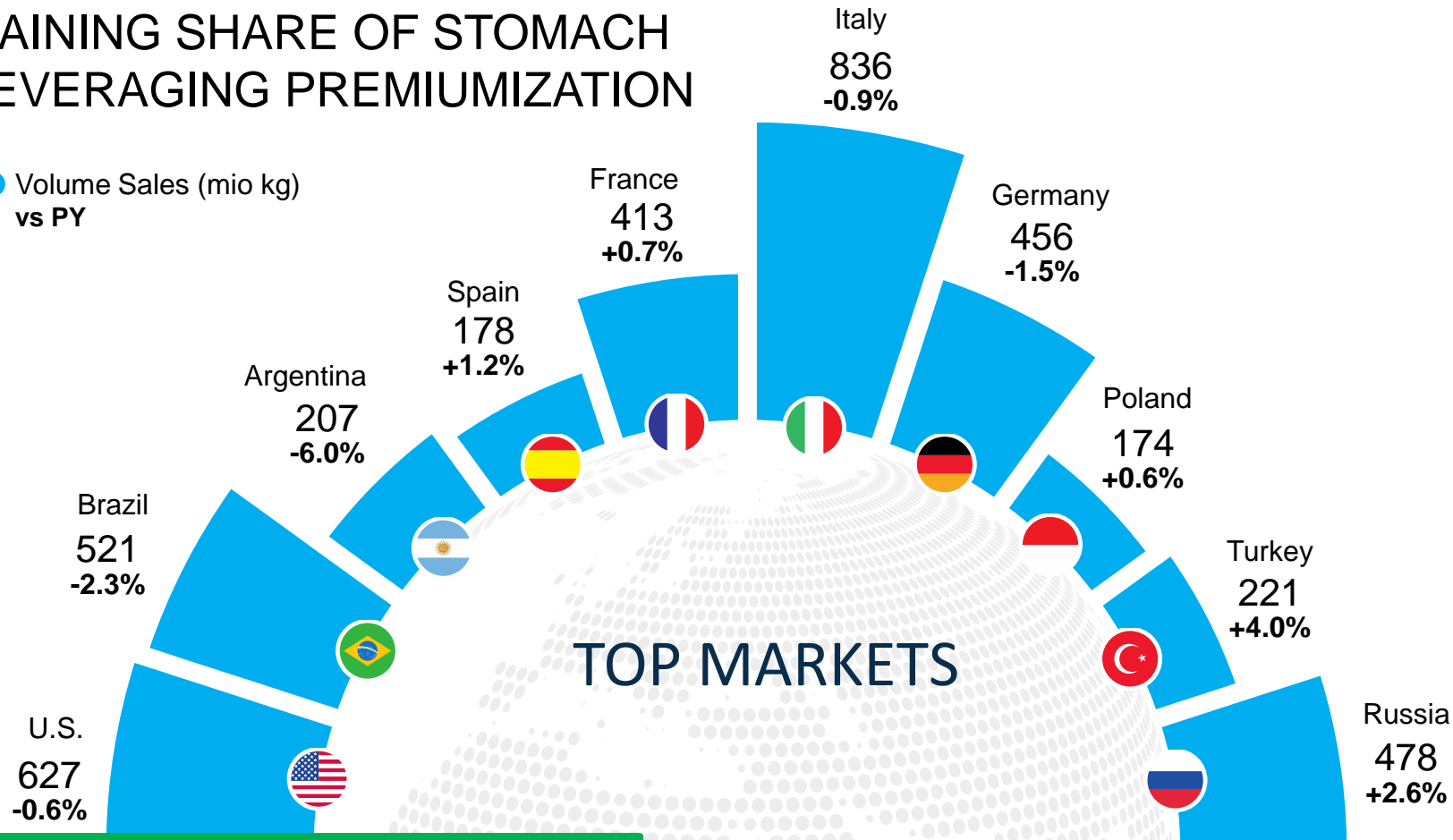
Source: Nielsen Global Pasta View 2018

Sell-out data mio KG on Dry Pasta within 70+ Countries – Year 2017 vs 2016 6

DRY PASTA: 5 OUT OF 10 BACK TO GROWTH THANKS TO

- GAINING SHARE OF STOMACH
- LEVERAGING PREMIUMIZATION

● Volume Sales (mio kg)
vs PY



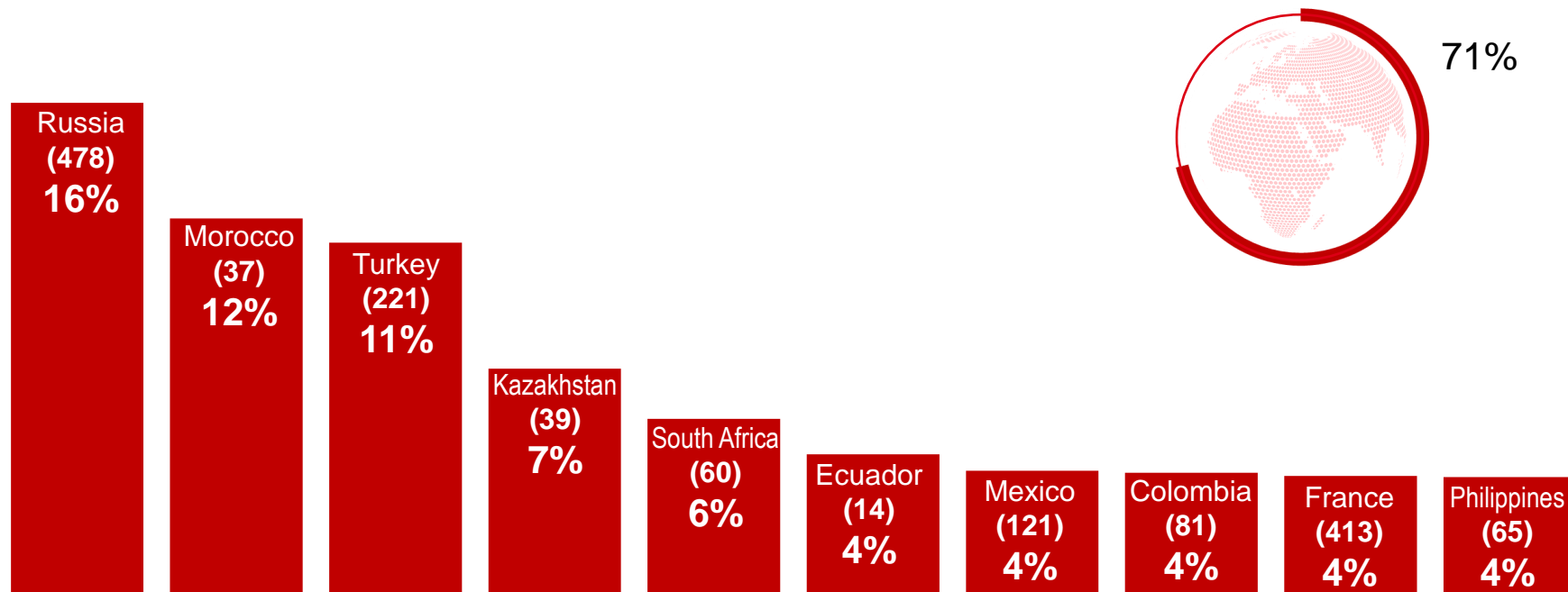
Source: Nielsen Global Pasta View 2018

Sell-out data mio KG on Dry Pasta within 70+ Countries – Year 2017 vs 2016

DRY PASTA: TOP CONTRIBUTORS TO GROWTH THANKS TO:

- PENETRATION...NEW CONSUMERS
- FREQUENCY...NEW CONSUMPTION OCCASIONS

● Volume Sales (mio kg)
Growth Vol contrib



Source: Nielsen Global Pasta View 2018

Sell-out data mio KG on Dry Pasta within 70+ Countries – Year 2017 vs 2016

BEHIND THE AVERAGE GROWTH, IT'S ABOUT POLARIZATION

Wealth is getting more polarized

The Washington Post
Democracy Dies in Darkness

The richest 1 percent now owns more of the country's wealth than at any time in the past 50 years

The wealthiest 1 percent of American households own 40 percent of the country's wealth, according to a new paper by economist Edward N. Wolff. That share is higher than it has been at any point since at least 1962, according to Wolff's data, which comes from the federal Survey of Consumer Finances.

From 2013, the share of wealth owned by the 1 percent shot up by nearly three percentage points. Wealth owned by the bottom 90 percent, meanwhile, fell over the same period. Today, the top 1 percent of households own more wealth than the bottom 90 percent combined. That gap, between the ultrawealthy and everyone else, has only become wider in the past several decades.

Source: The Washington Post – Il Sole 24 Ore Italia

Il Sole **24 ORE**

In Italy, income ratio richest 20%/poorest 20% grew from 5,8 to 6,3 in 2016

—di Nicola Barone | 06 dicembre 2017

Nel 2016 c'è stata «una significativa e diffusa crescita del reddito disponibile e del potere d'acquisto delle famiglie (riferito al 2015), ma anche un aumento della disuguaglianza economica e del rischio di povertà o esclusione sociale». È quanto rileva oggi l'Istat presentando i dati sulle condizioni di vita e di reddito nel 2016.

L'Istat rileva un aumento del reddito medio per nucleo familiare e una crescita del reddito più intensa per il quinto più ricco della popolazione, trainata dal sensibile incremento della fascia alta dei redditi da lavoro autonomo, in ripresa ciclica dopo diversi anni di flessione pronunciata. Quindi, esclusi gli affitti figurativi, si stima che il rapporto tra il reddito equivalente totale del 20% più ricco e quello del 20% più povero sia aumentato da 5,8 a 6,3.

nielsen
.....

POLARIZATION @ FMCG TOO: WHERE/HOW TO PLAY?



Everyday **low price**, high promotional effort, Discounters and PL growth...



Profitability reduction – Established Brands under pressure

New offer for a more **demanding consumer with premium offer**



New perspectives for the Category & Brands able to surf winning trends

THERE ARE FORCES PUSHING DOWN

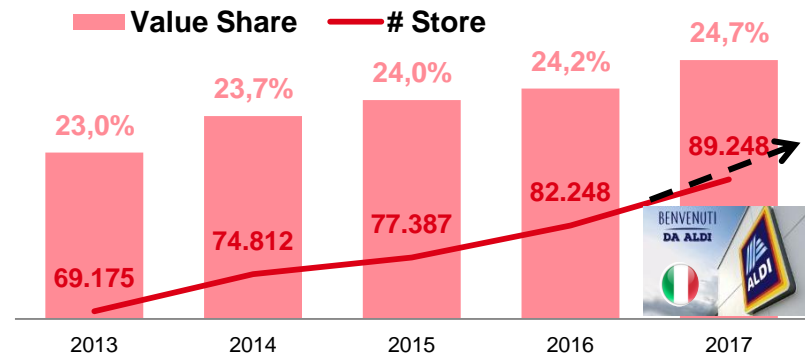
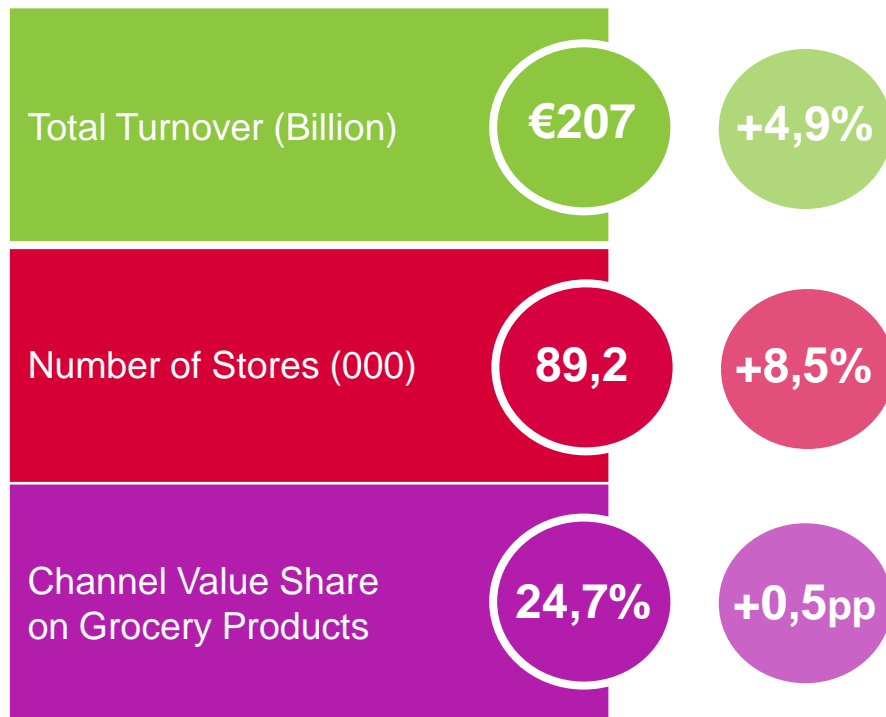
Everyday **low price/ BASIC offer**



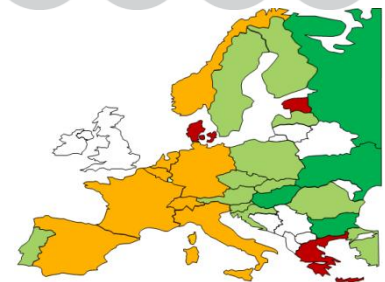
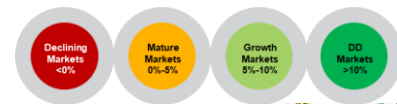
Profitability reduction – Established Brands under pressure

- **Wealth** is more and more **polarized**: the distance between richest and poorest is growing
- **Value offer** gained room in consumer wallet thanks to
 - Value channels development (discounters in Europe, Value chains in US...)
 - Private Label share growth
 - High level of promotional intensity

EVEN WHERE DISCOUNT IS MORE DEVELOPED, LIKE IN EUROPE, IT IS STILL GROWING...AND EXPECTED TO CONTINUE TO GROW

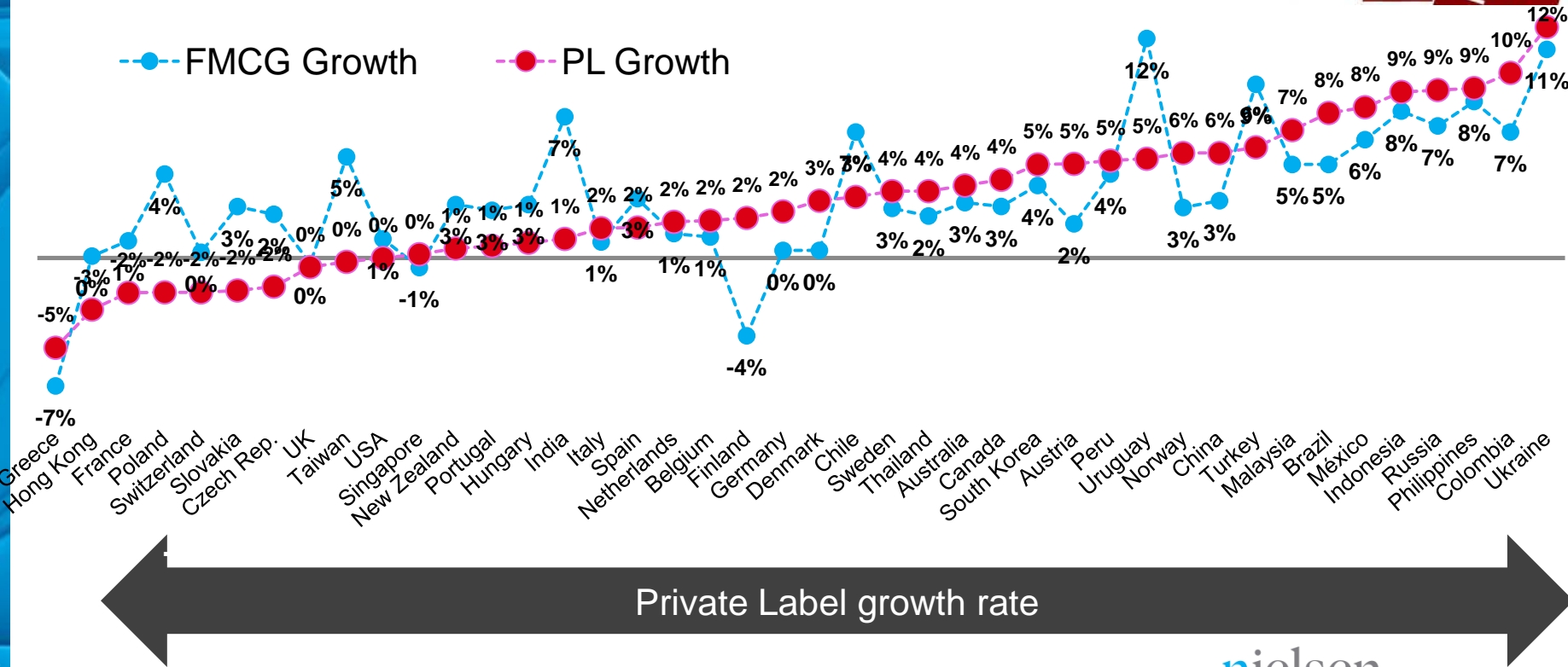


Turnover growth rate by Country



Source: Nielsen European Discount Book 2018

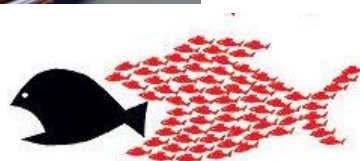
IN MOST OF THE COUNTRIES PRIVATE LABEL OUTPACED FMCG GROWTH



THERE ARE FORCES PUSHING UP...



New offer for a more **demanding consumer with premium offer**

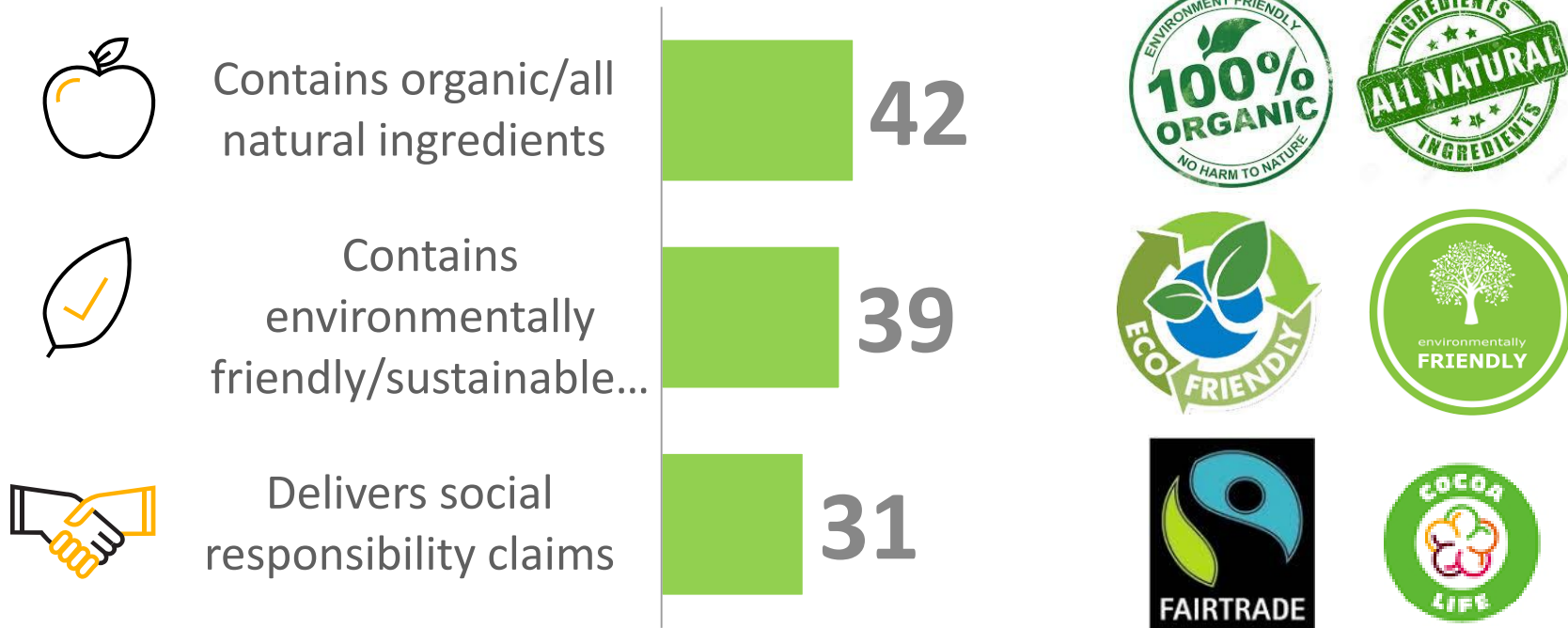


**New perspectives for the
Category & Brands able to surf
winning trends**

- **60+%** of categories **growth** come from Premium products
- **Pocket of growth driven by winning trends** (emerging consumer needs and wider offer)
- **Middle class** is expected to **grow**, more in Far East
- **Emerging small brands** “better” intercepting consumer’s evolution
- **Digital** shopping experience to get more value

"GREEN" ATTRIBUTES HAVE PREMIUM POTENTIAL

Global consumers are willing to pay a Premium price for them



Source: The Nielsen Global Premiumization Survey

Global average percentage who are highly willing to pay a premium for attribute

SUSTAINABILITY SELLS: US 2018

OVERALL CATEGORY
SALES GROWTH

SUSTAINABLE PRODUCTS
SALES GROWTH

WEIGHTED AVERAGE
OF 3 CATEGORIES

+2%

+5%



CHOCOLATE

+5%

+16%



COFFEE

-1%

+1%

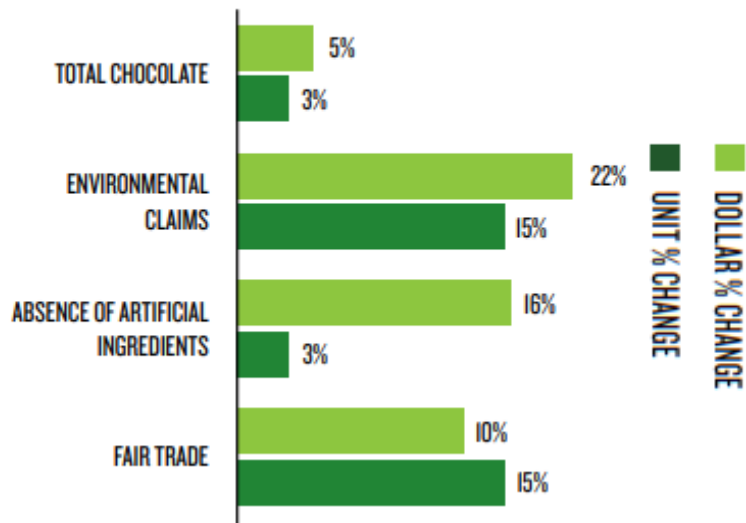


BATH PRODUCTS

+1%

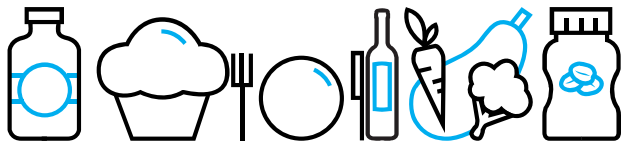
+14%

SUSTAINABLE CHOCOLATE OUTPERFORMS COMPETITION



FROM INTENTION TO REAL BEHAVIOUR HEALTH AND WELLNESS ARE GROWTH KEY DRIVERS

In US but not only...



TOP TRENDING US CATEGORIES CLAIMS

Organic claims grew by **14%** over the last 4 years

Beverage with Stevia grew by **20%** vs last year

Grain free, Amarant, Grass fed, Chia & Quinoa
grew by **40 to 70%** over the last 4 years)

THE POWER OF SUPERFOODS

72%

Would buy foods that include superfood ingredients

65%

Superfoods provide a natural way to treat and prevent ailments

61%

Would like to learn about ways to include superfoods in their diet

Source: Nielsen retail measurement, Total U.S., 52 weeks ending September 30th 2017 vs. Year-Ago; 'Fresh Perishables' sourced via Nielsen FreshFacts, UPC-coded + random-weight PLU; All other groups sourced via Nielsen Answers, UPC-coded data. Ranked by dollar sales growth. - Nielsen Answers, Wellness Track, Total U.S.

ORGANIC IN FRANCE CONTINUES ITS STRONG PROGRESSION DRIVEN MAINLY BY INCREASING FREQUENCY OF PURCHASE

On the wave of bio development specialist stores are increasing their coverage

20%

Organic yearly growth



Penetration
93%
(+2 %)



Frequency
20 visites
(+14 %)



Basket
5€60
(+3 %)

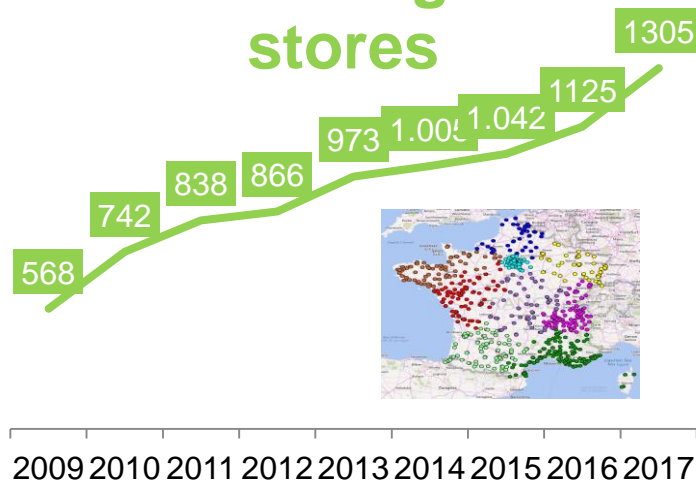


Nb articles
2.5
(+2.5%)



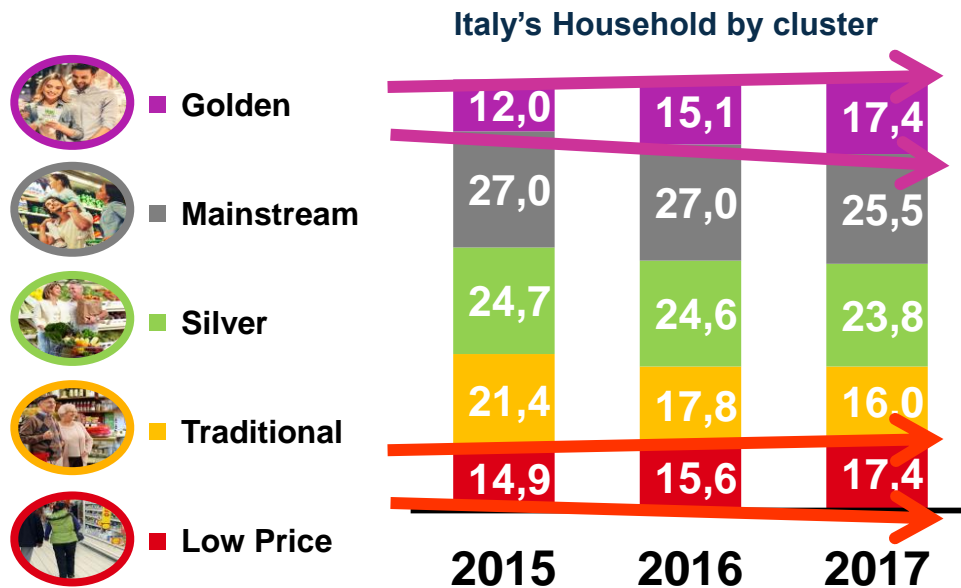
Average Value
2€30
(+0.5 %)

Number of **organic stores**



CONSUMERS ARE POLARIZING TOO...

In Italy, growth comes from both Golden shoppers and Low price



Golden+ Low price

+2 Mio Households

+€6,6 Bn vs 2015



Source: Italy CPS&Panel view

GOLDEN SHOPPERS & FOOD: MORE CAREFUL AND AWARE



Pay close attention to the relationship among **nutrition**, **health** and **enviroment**



«I try to be always **informed** about the **relationship** between **nutrition** and **health**»

78% (+9)



«I try to buy **products** made in a way **ethical** and **eco-sustainable**»

60% (+9)

Satisfied through "**specialized**" information sources



Specialized Website

38% (+5)



Nutritionists

35% (+5)

And a careful reading of the information «**On pack**»



I pay close attention to:

The **origin** of the **ingredients**

84% (+10)

The list of **ingredients**

70% (+12)

Nutritional information

67% (+12)

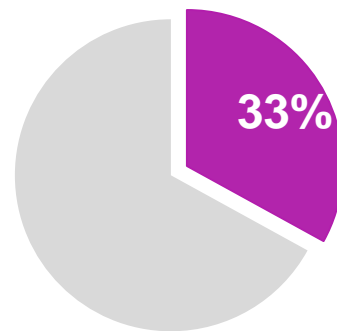
GOLDEN / LOW PRICE HAVE SIGNIFICANT DIFFERENCE IN FOOD SPENDING AND... WILLINGNESS TO PURCHASE PREMIUM PRODUCT

Average Spend per shopper



Average spend per shopper of Golden is
32% higher than Low price

Value share of Premium products* in Golden Shopper food



Golden shopper spends +
40% on Premium products

Source: Italy CPS&Panel view

*Premium products = price index >150

IN A NUTSHELL, PREMIUM FOOD PRODUCTS GREW FASTER...



Premium grew **5x** faster
than average

+5,0% vs category 1,1%



63% of categories **growth**
come from Premium
products (€346 M)

Selected basket/countries



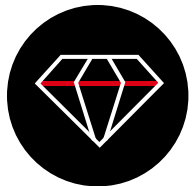
Premium: Subbrand Price index > 150

Source: Nielsen RMS – FR, IT, DE, UK, USA, Beer+Chocolate tablets+Olive oil+Coffee R&G (excl Instant and capsules)

Beer Private labels not included but GB and US

THE NEW PARAGDIM OF PREMIUM: LESSON LEARNED!

Consumers have re-calibrated spending and redefined the traditional norms of value



Premium is no more only high price

- Having a higher-than-average price tag is no more enough to trigger a Premium product purchase



Premium = valuable proposition

- During the recession, value was about consumers trading down and making sacrifices. Today, it is increasingly about consumers weighing not only the costs of goods, but the multitude of benefits they offer as well



WHICH ARE FOOD WINNING TRENDS?

IS PASTA RIDING THESE TRENDS?

*DOES PASTA DNA INCLUDE SUCCESS
INGREDIENTS?*

*Let's do a reality check within
developed countries*

WINNING TRENDS IDENTIFIED ACROSS FOOD CATEGORIES AND COUNTRIES TO DRIVE GROWTH & PREMIUMIZATION



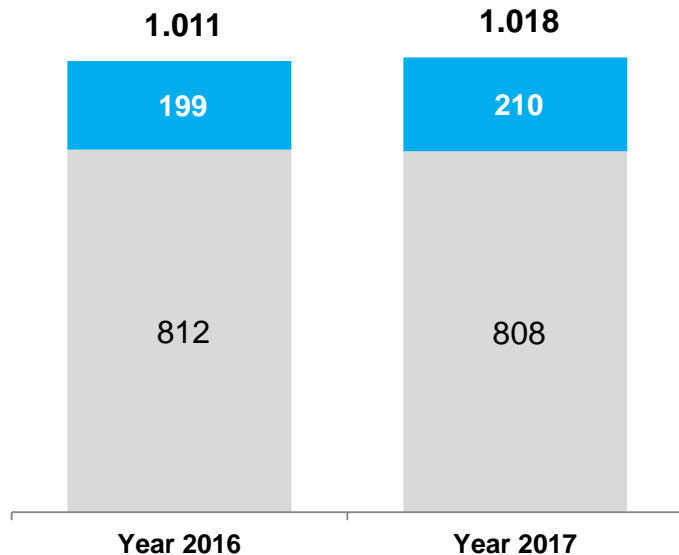
5 WINNING TRENDS: RIGHT INGREDIENTS @ PASTA?

* Innovative is about packaging, flavour, technology, convenience

PREMIUM FOOD PRODUCTS GREW FASTER... @ PASTA TOO!

Mature markets (IT+FR+DE) have further space for Premium Products

Volume Sales in Mio Kg



Volume Trend
vs 2016

Tot Dry Pasta
+0,8%

**Premium
+5,7%**

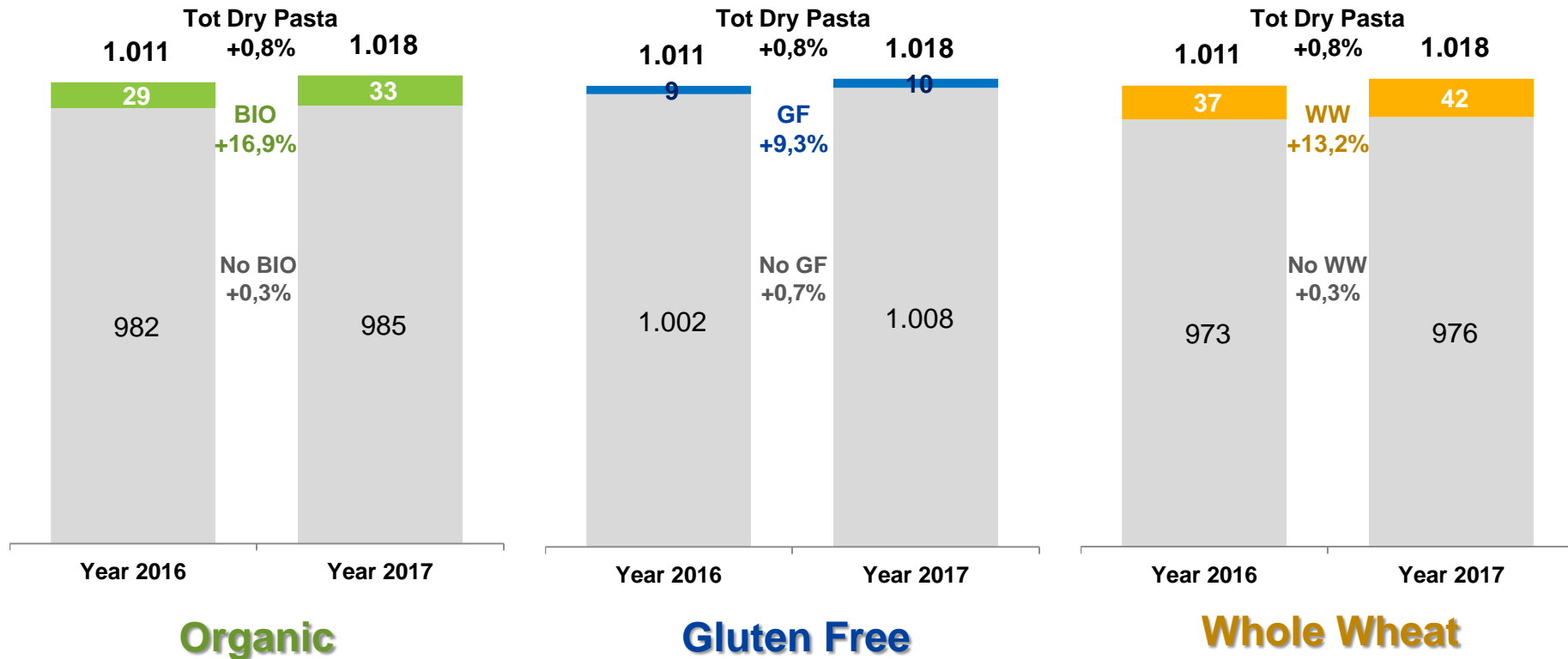
No Premium
-0,5%



PREMIUM PASTA SEGMENTS GROWING FASTER... @ DDG!

Mature markets (IT+FR+DE – Channel: Super+Iper)

Volume Sales in Mio Kg - Trend vs 2016



IS PASTA RIDING WINNING TRENDS...?

PASTA: SUSTAINABLE BY DEFINITION... + HEALTH BENEFITS



HEALTHY & SUSTAINABLE



MADE IN



La Molisana Integrale

IT Volume trend

+164%



Panzani BIO

FR Volume trend

+1176%



Granoro Integrale

100% Biologico Italiano

IT Volume trend

+44%

IS PASTA RIDING WINNING TRENDS...?

SPECIFIC PLACE/SPECIFIC INGREDIENTS/STORY TELLING



SELECTED ORIGIN

CRAFTSMANSHIP



Voiello 100% grano auro

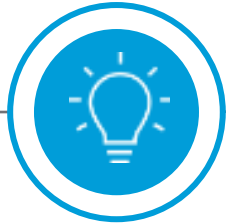
IT Volume trend +11%



Garofalo Standard

IT Volume trend +2%

IS PASTA RIDING WINNING TRENDS...? NEW INGREDIENTS & CONVENIENCE



INNOVATIVE*



Birkel Nudel-Inspiration

DE Volume trend +125%



Barilla 3 minuti

FR New launch



Barilla 5 cereali

IT Volume trend +1576%



IS PASTA RIDING THESE TRENDS?

YES!

*DOES PASTA DNA INCLUDE SUCCESS
INGREDIENTS?*

YES!

*LET'S RIDE THE GROWTH!!!
THANK YOU!*

STEFANO.GALLI@NIELSEN.COM