Natural by the Numbers

The Market today and the Consumer of tomorrow

NATURAL PRODUCTS NZ

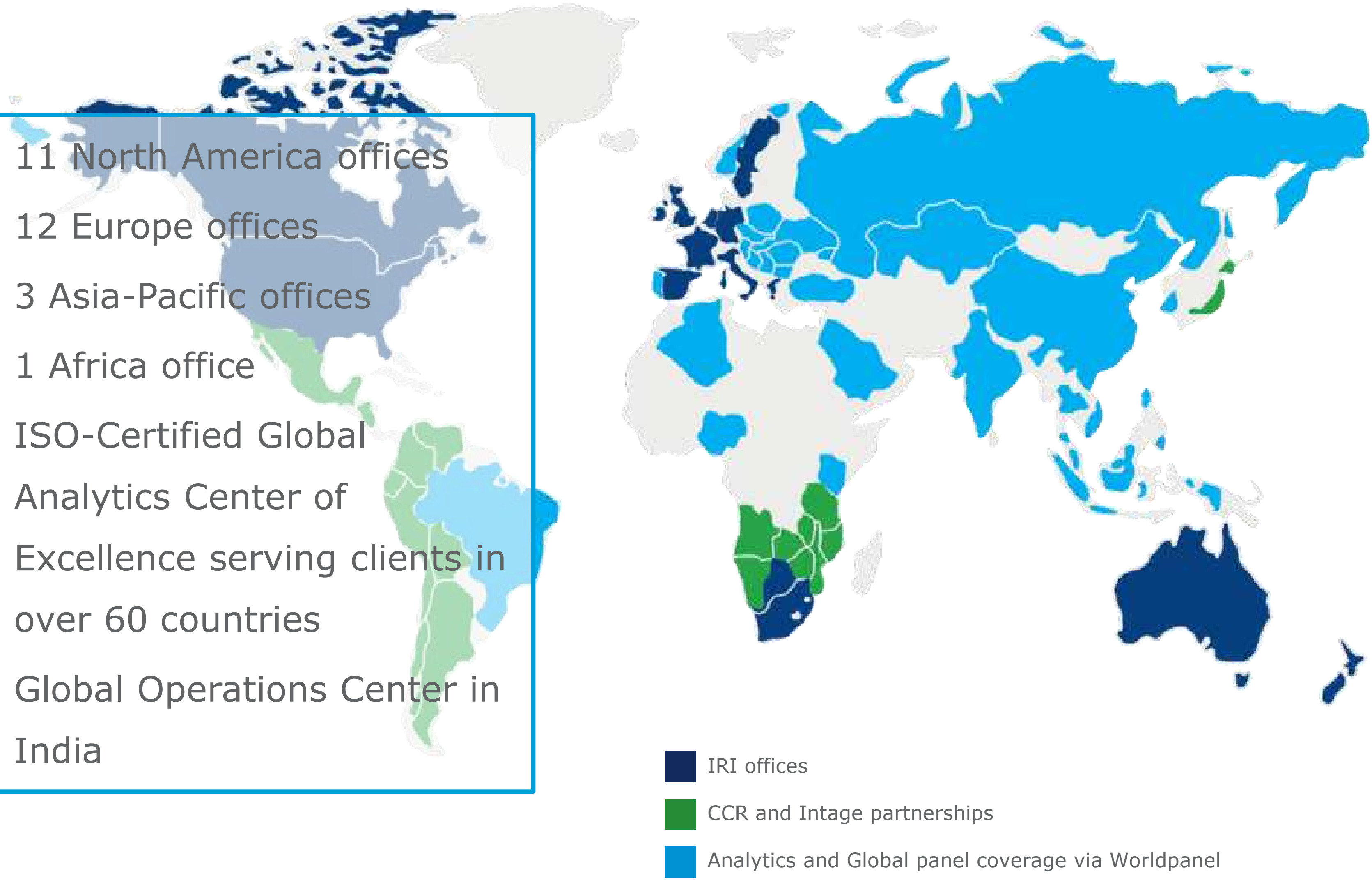
Royce Sharplin
Account Director / Team Leader - IRI NZ

Natural Products NZ Summit
March 2016

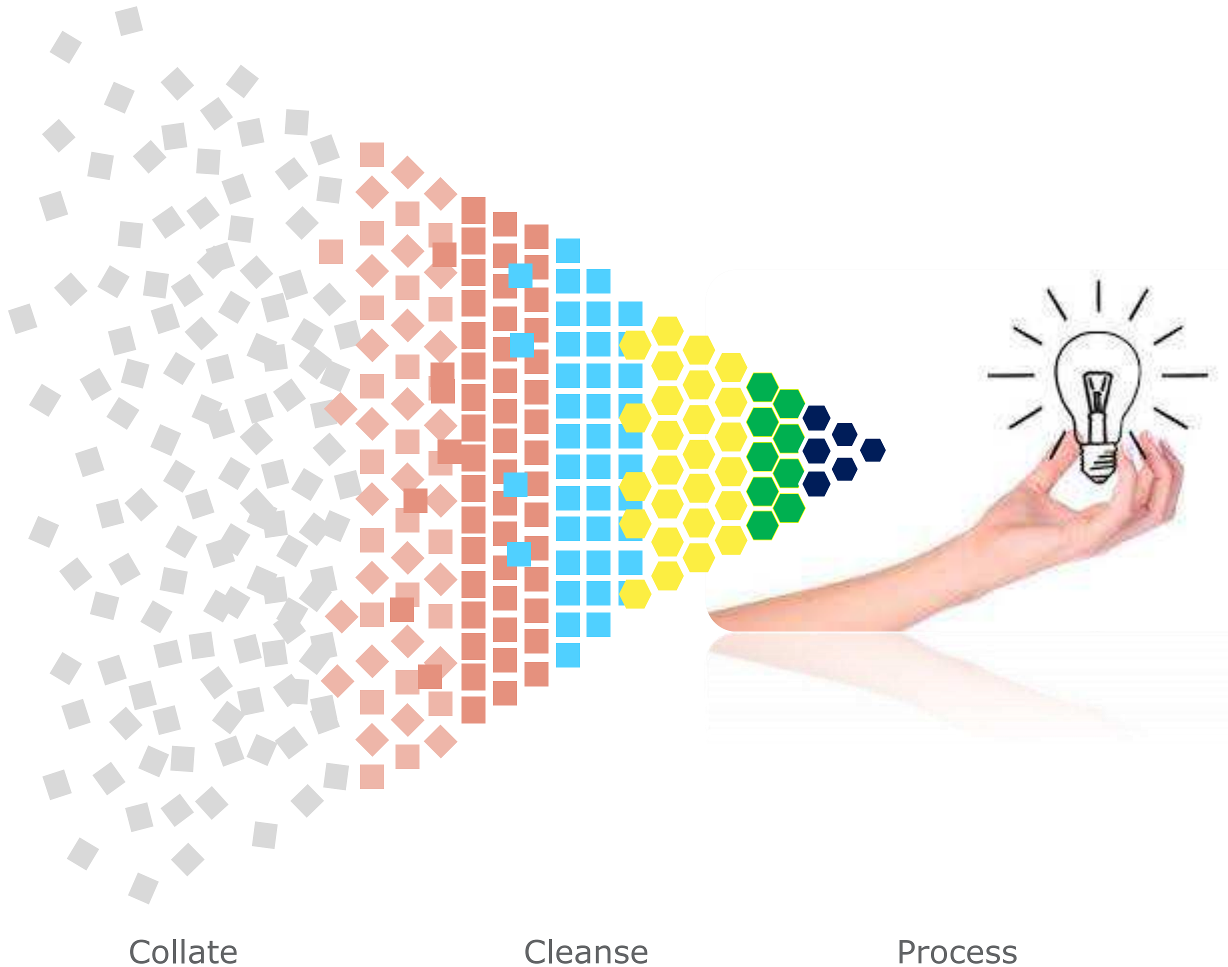
IRi Growth delivered.

Who are IRI?

- 11 North America offices
- 12 Europe offices
- 3 Asia-Pacific offices
- 1 Africa office
- ISO-Certified Global Analytics Center of Excellence serving clients in over 60 countries
- Global Operations Center in India



What do we do?



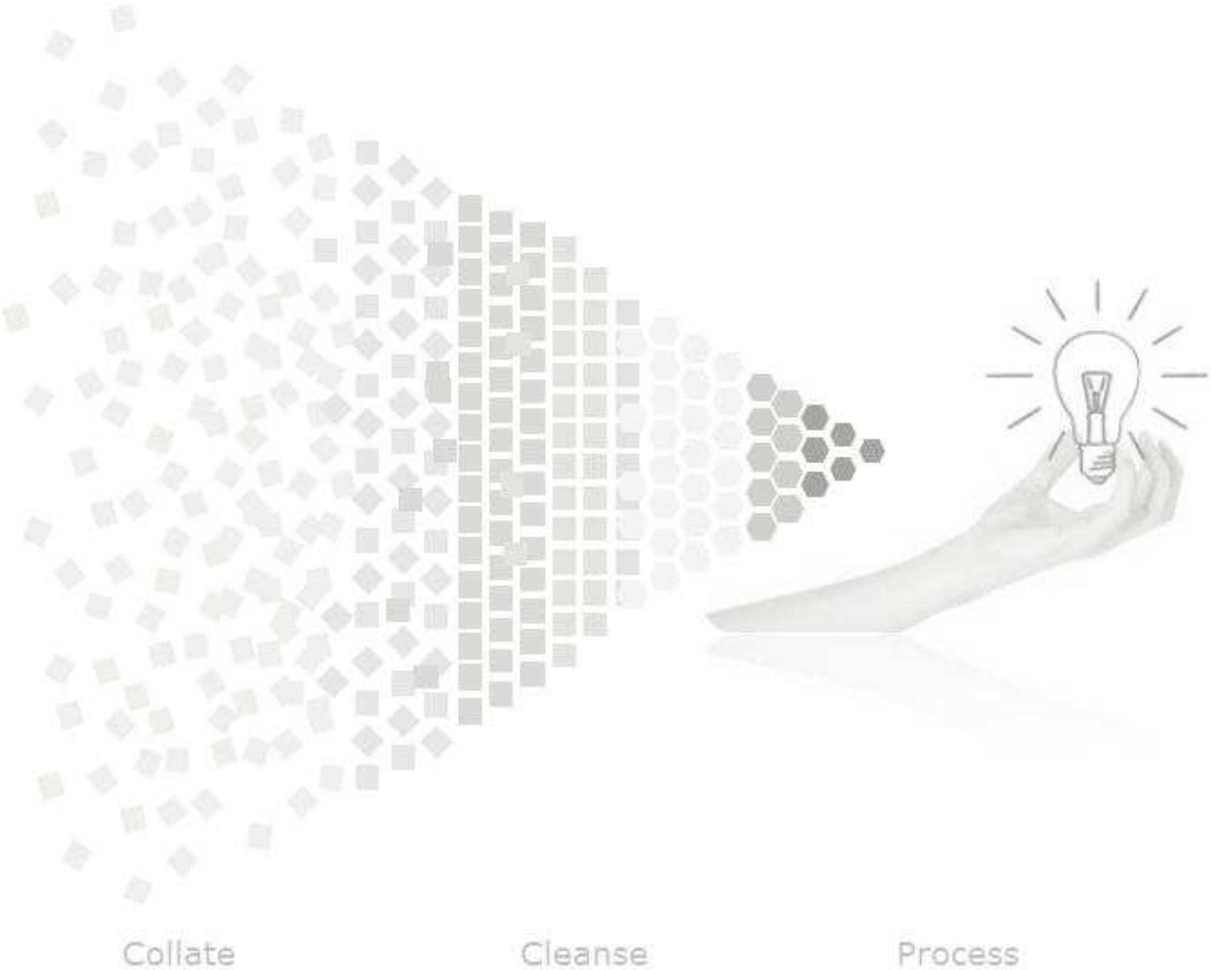
SOFTWARE & REPORTING

DATA PROCESSING

CONSULTING

ADVANCED ANALYTICS

What do we do?



SOFTWARE & REPORTING

DATA PROCESSING

CONSULTING

ADVANCED ANALYTICS

Today

Today

“Consumer sentiment continues to **retreat**, though from highs. Consumers are **less upbeat about the economy** over the year ahead. They are not downbeat, simply more **cautious**. House price expectations **remain elevated**, with little sign of a shift in sentiment following recently announced targeted measures”

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

How is the retail industry performing? **2015**

$79.1b

+4.6%

$3b

+19%

$12.5b

+3.8%

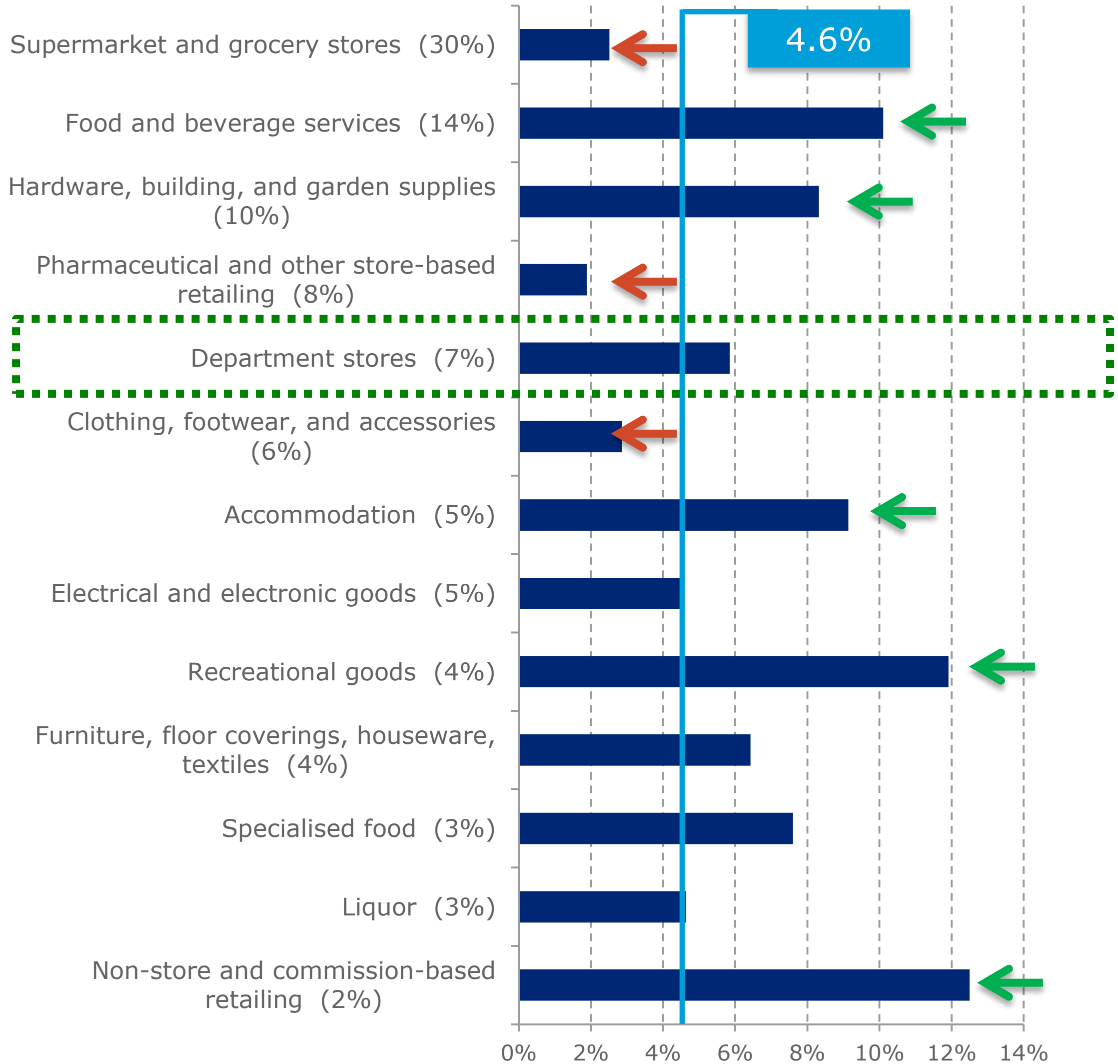
$1.1b

+10.5%

$570m

+4.7%

Retail Total Sales by Industry, Growth vs YA




Christmas cheer: How December's retail sales fared

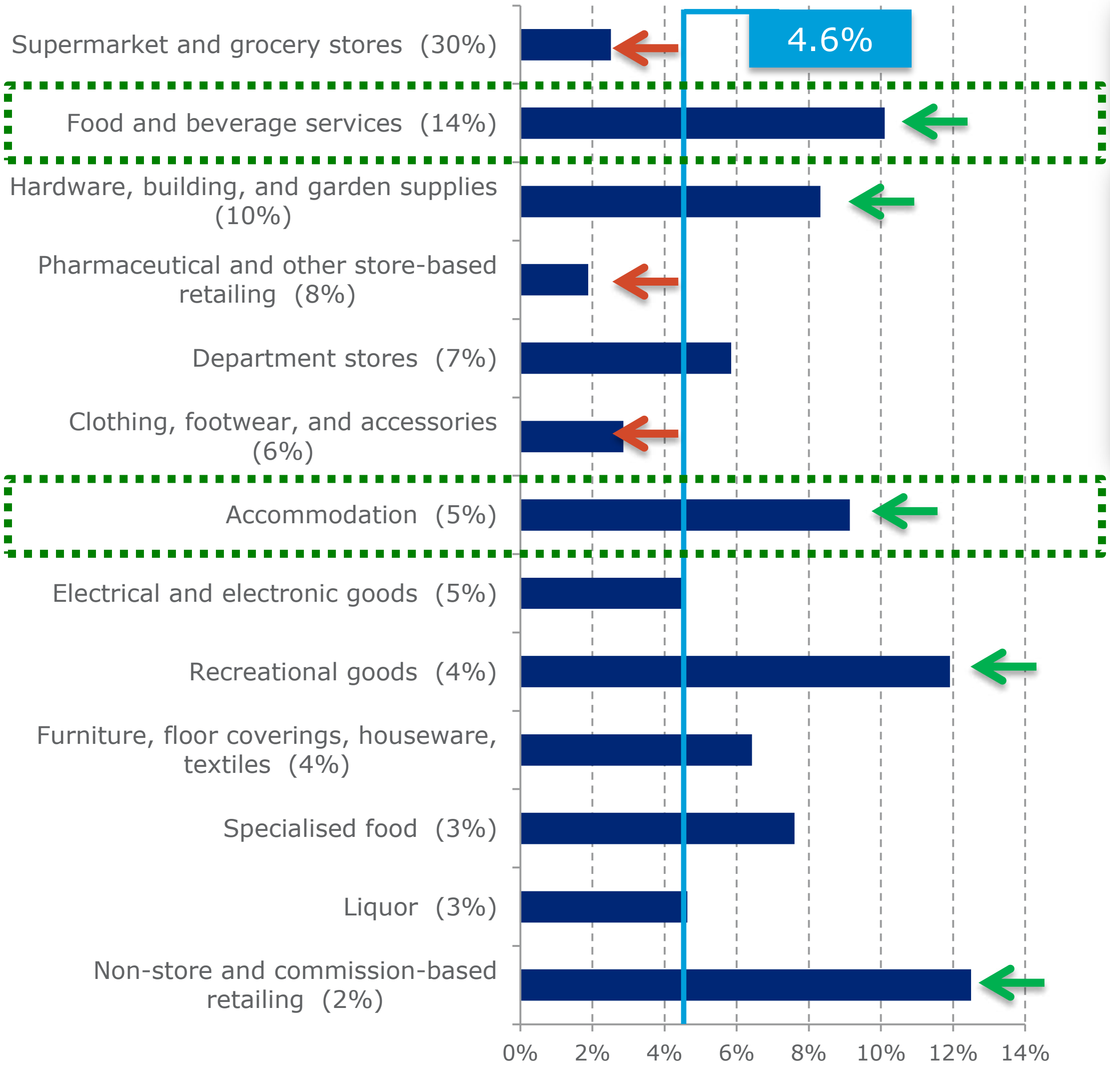
News January 14, 2016 Elly Strang 3 Comments

$5.49b was spent across the country in December. **7.8%** up vs last year

December 2015 **"Same Card"** data revealed an increase of **$304M**

Retail Total Sales by Industry, Growth vs YA

Paymark Media Room



Scoop Business
INDEPENDENT NEWS

Foreign credit cards help drive spending increase

Wednesday, 9 March 2016, 1:30 pm
Press Release: Paymark

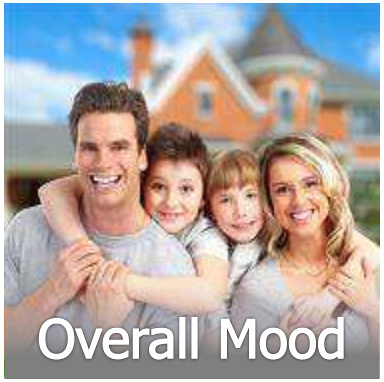
Foreign credit cards help drive spending increase

Auckland, Thursday 9 March 2016:
Paymark figures confirm that foreign tourists are contributing significantly to local spending. A total of $278.8 million was transacted through the Paymark network in February by holders of credit cards that have been issued overseas, an increase of $35.6 million or 14.6% since February 2015.

The spending growth was very noticeable in regions such as Otago (27.1% increase year on year) and Southland (29.7% increase), showing the continued appeal of Queenstown and Milford Sound. Conversely, annual spending growth with the foreign-issued cards was more modest in Gisborne (3.8%), Hawkes Bay (4.7%) and Wellington (3.5%).

Foreign CC's spend UP
+$35.6M (Feb'16 vs YA)
+14.6%

Mood of the Nation | UMR



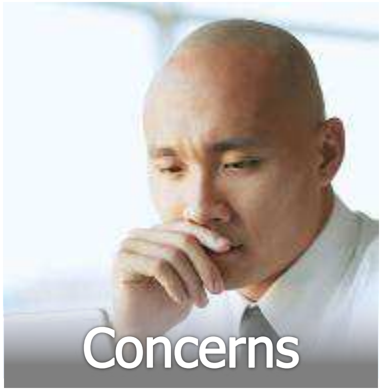
49% think that this year will be better than the last

62% think the country is heading in the right direction

55% Expect the economy to be better in the year ahead

38% expect their living standards to improve

72% Expect interest rates to rise



32% think unemployment will go up

When asked what our highest concern is, **15%** said the Economy and **12%** Unemployment

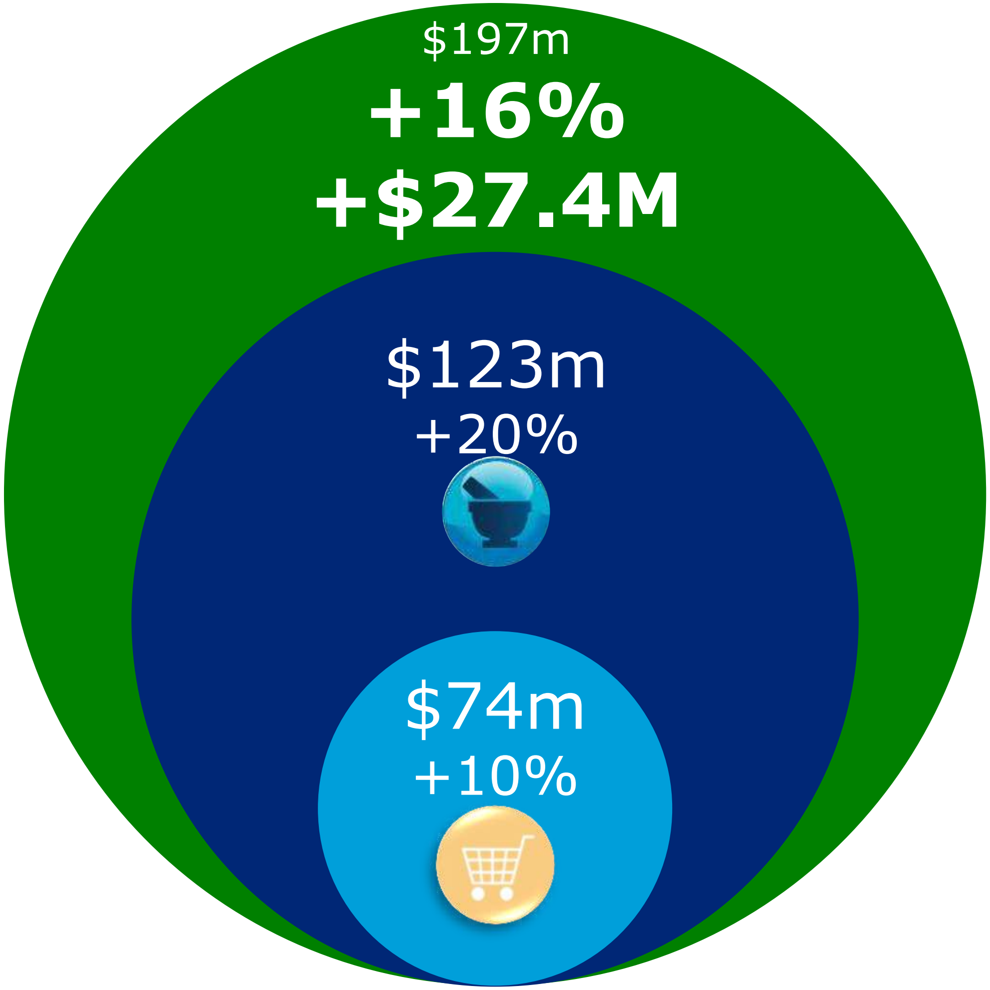
23% feel Inequality / Poverty is now NZ's biggest issue

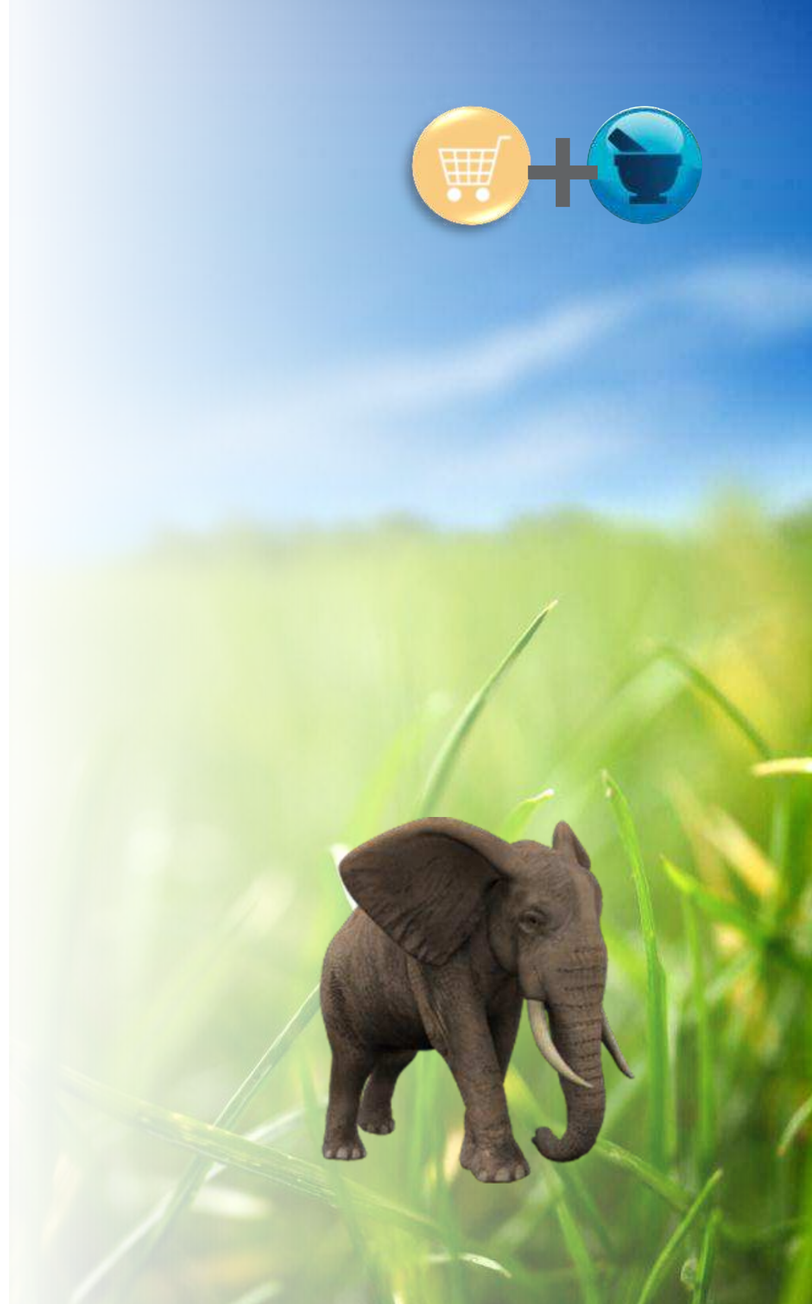
Today

Total **Defined Scanned** 2015

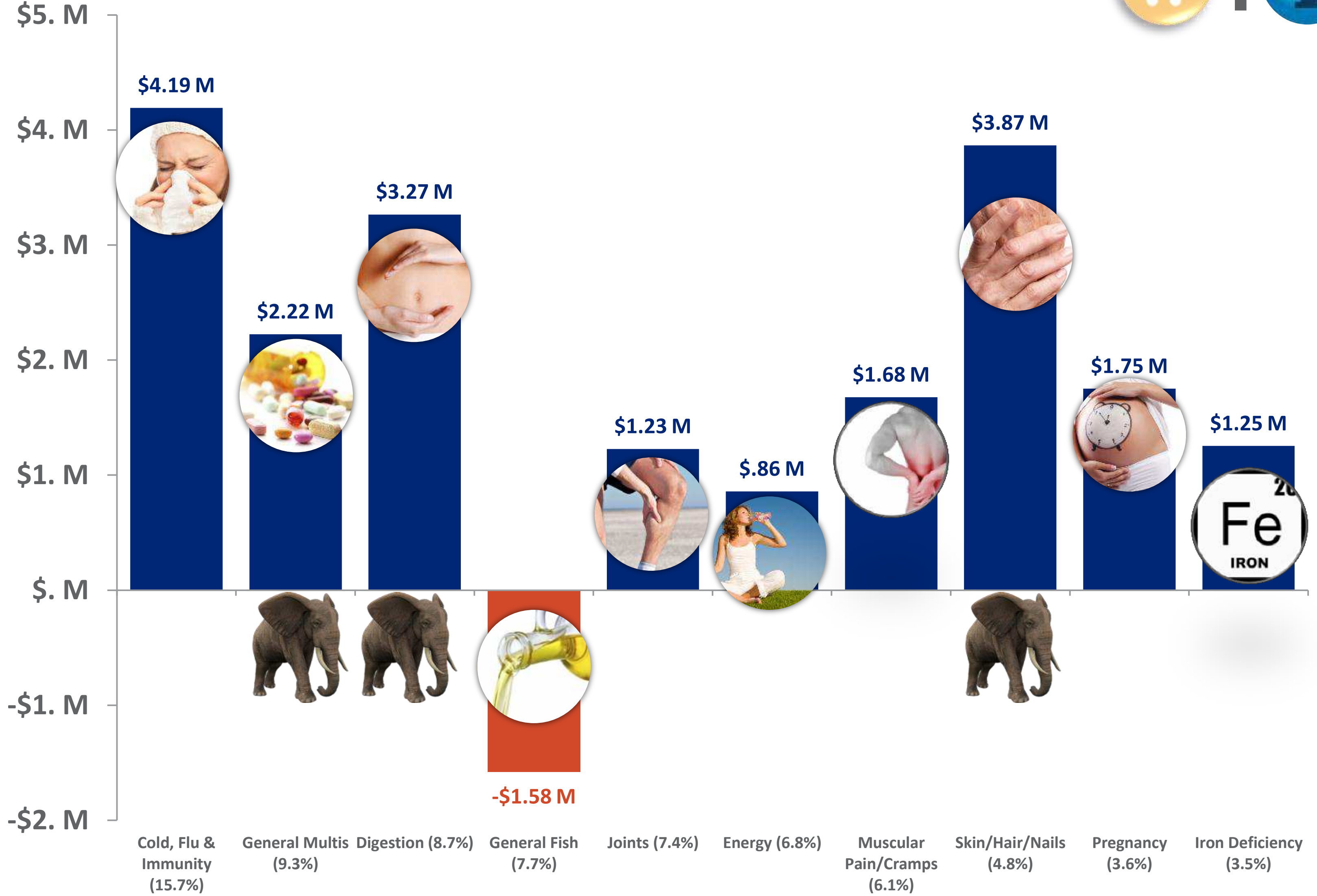
Natural Health

Combined Grocery + Pharmacy

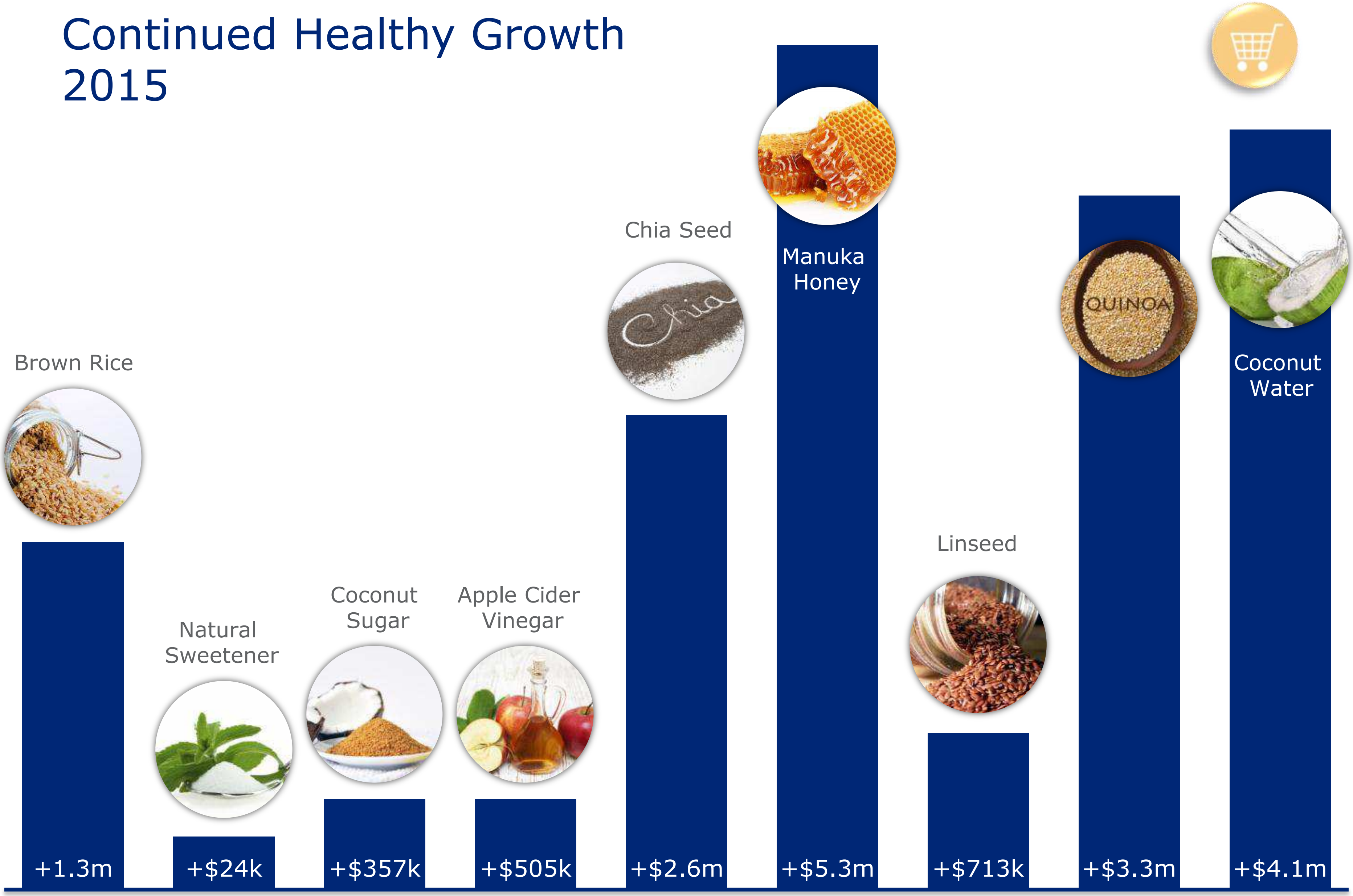




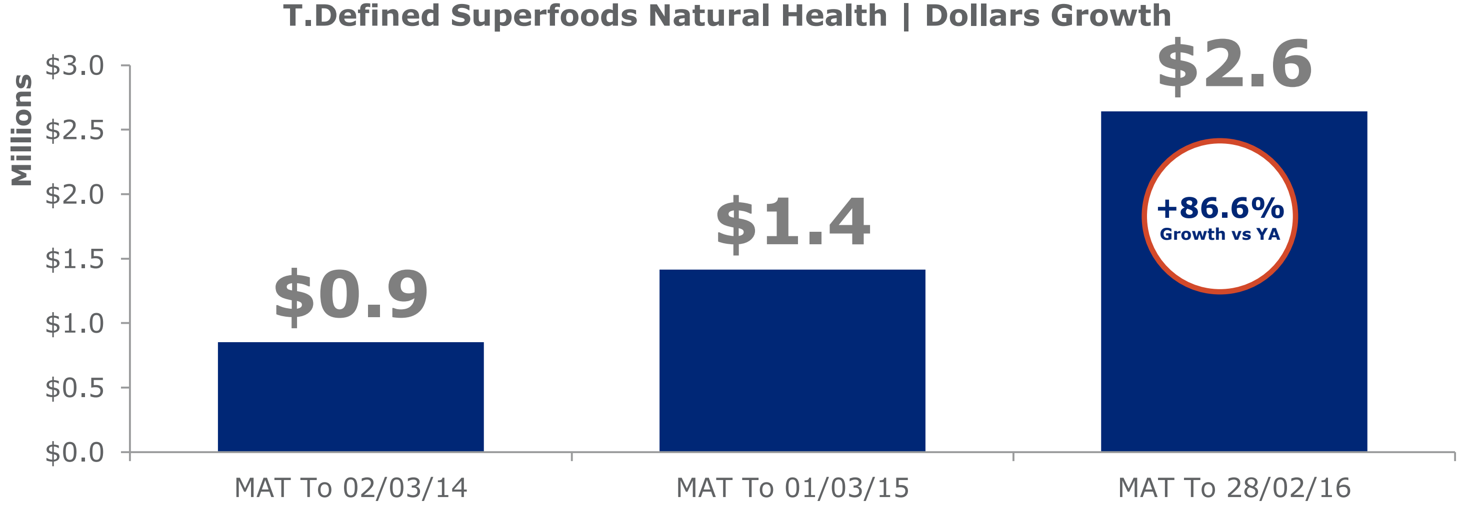
2015 Category Performance
Top 10 by Growth

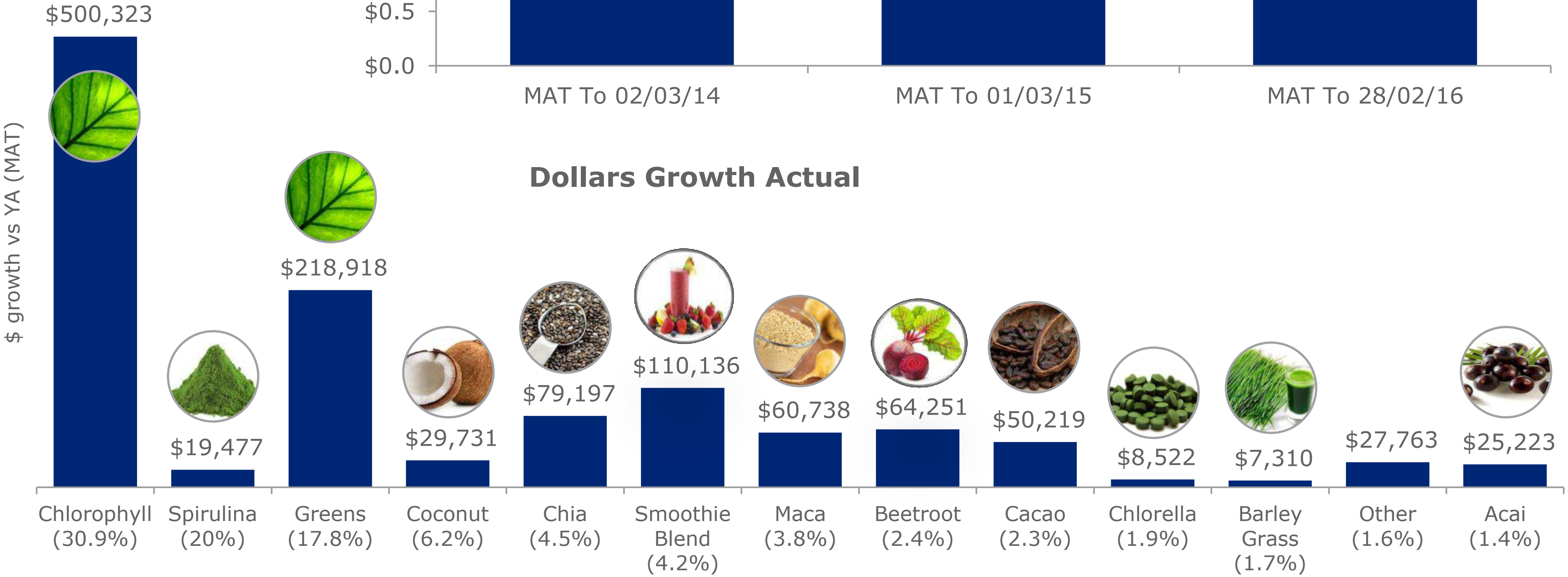


Continued Healthy Growth 2015



Appetite for Superfoods moving into Natural Health

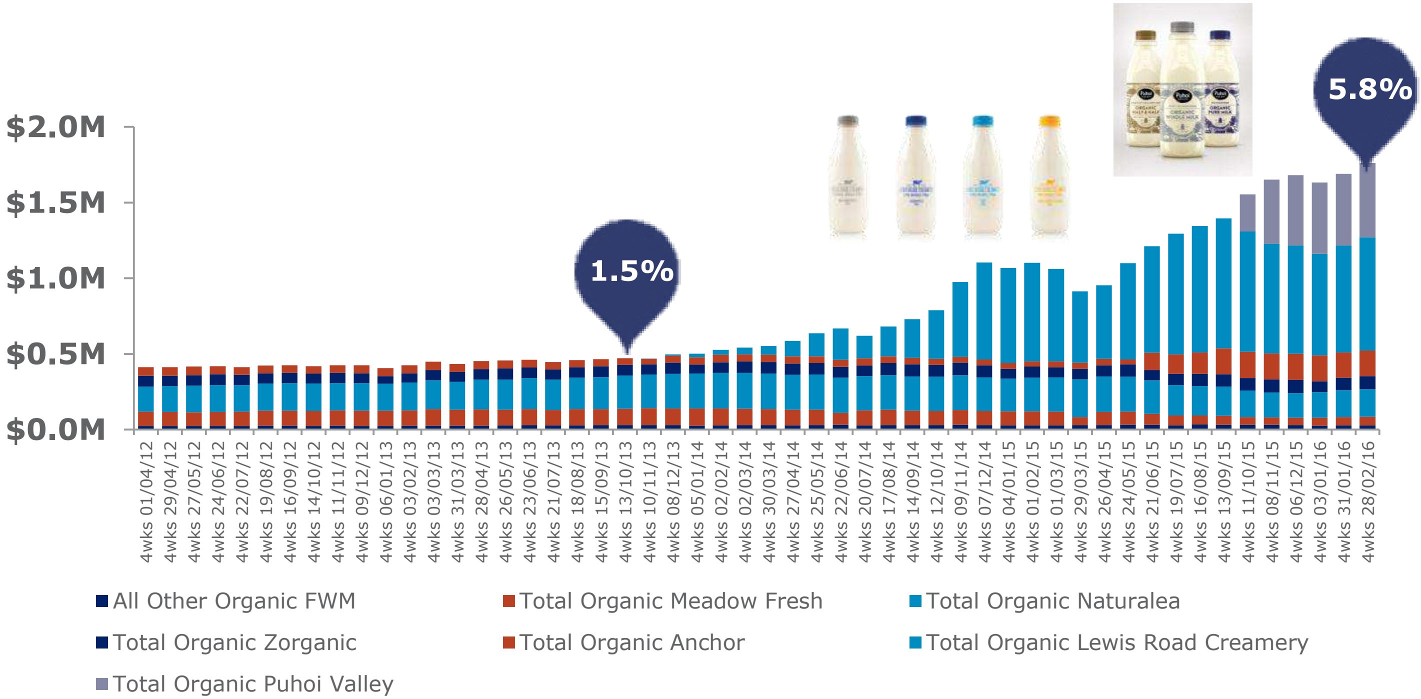




Organic Milk

Growth
+$7.5m

Growth Contribution
44.1%



*price $/litre

Baking and Cooking

+$4.5m

- Pam's
- Macro
- Freshlife
- Almonds
- Walnuts

+$3.2m

- Mrs Rogers **Naturals**
- Himalayan Salt

+$2.8m

- Lock Down
- **Coconut Oil**
- EVOO

+$1.9m

- Dried Coconut
- Cranberries
- Dates

- Baking Yeast

-$308k

- Baking Chocolate
- Cocoa Powder

-$1.3m

- Champion Baking Flour
- 1.5 ↓ 5kg ↑

-$1.3m

- Kilos (Usage) ↓
- Dollars (Value) ↓

-$3.4m

Organic* | Growth Continues…

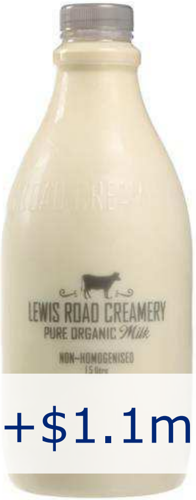
$97M* |+21%

+$6.4m

+$1.6M

+$1.2m

#1



+$1.1m

Organic* | Growth Continues…

+$6.4m

+$1.6M

+$1.2m

+$1.2m

+$885k

+$735k

* Defined where text descriptor contains determined flags


Landscape

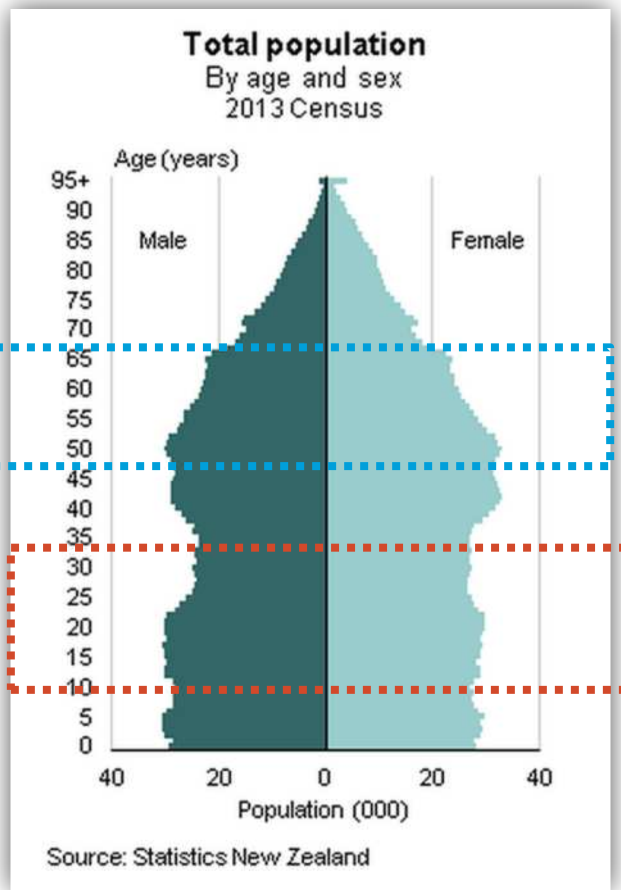

The Market


The Consumer
of Tomorrow

The **Two** Ages in NZ

Baby Boomers

- Healthier
- Wealthier
- More active
- Living longer
- **Spending** longer



- Buy locally, confident, comfortable with considering new concepts.
- Communicate informally, electronically and via hallway conversations.
- Access the most up-to-date technology.

Generation Y

Millennials / The Internet generation / iGen

"Generation Y" Disclaimer - NZ

Are there standard definitions of 'baby boomers', 'generation X', and 'generation Y'?

Baby boomers are usually regarded as those born in the years 1946–65, although the definition of the baby boom period varies between sources and between countries. The baby boom was associated with high fertility rates and high numbers of births. New Zealand's annual total fertility rate was at least 3.5 births per woman during 1946–65, and at least 3.0 births per woman during 1945–72.

Generation X and generation Y are essentially marketing terms, common in the United States, and are less obviously tied to an observable demographic phenomenon unlike the baby boomers. Statistics NZ has no official or standard definition of generation X and generation Y.

If one subscribes to the 1946–65 baby boom working definition, then generation X could be the 15-year period after the baby boom (1966–80) and generation Y could be the 20-year period after generation X (1981–2000).

IRI US White Paper

Navigating the New Realities of Millennials

Understanding What Differentiates and Drives the Millennial Generation

Robert I. Tomei
Donna Wydra
Consumer & Shopper Marketing

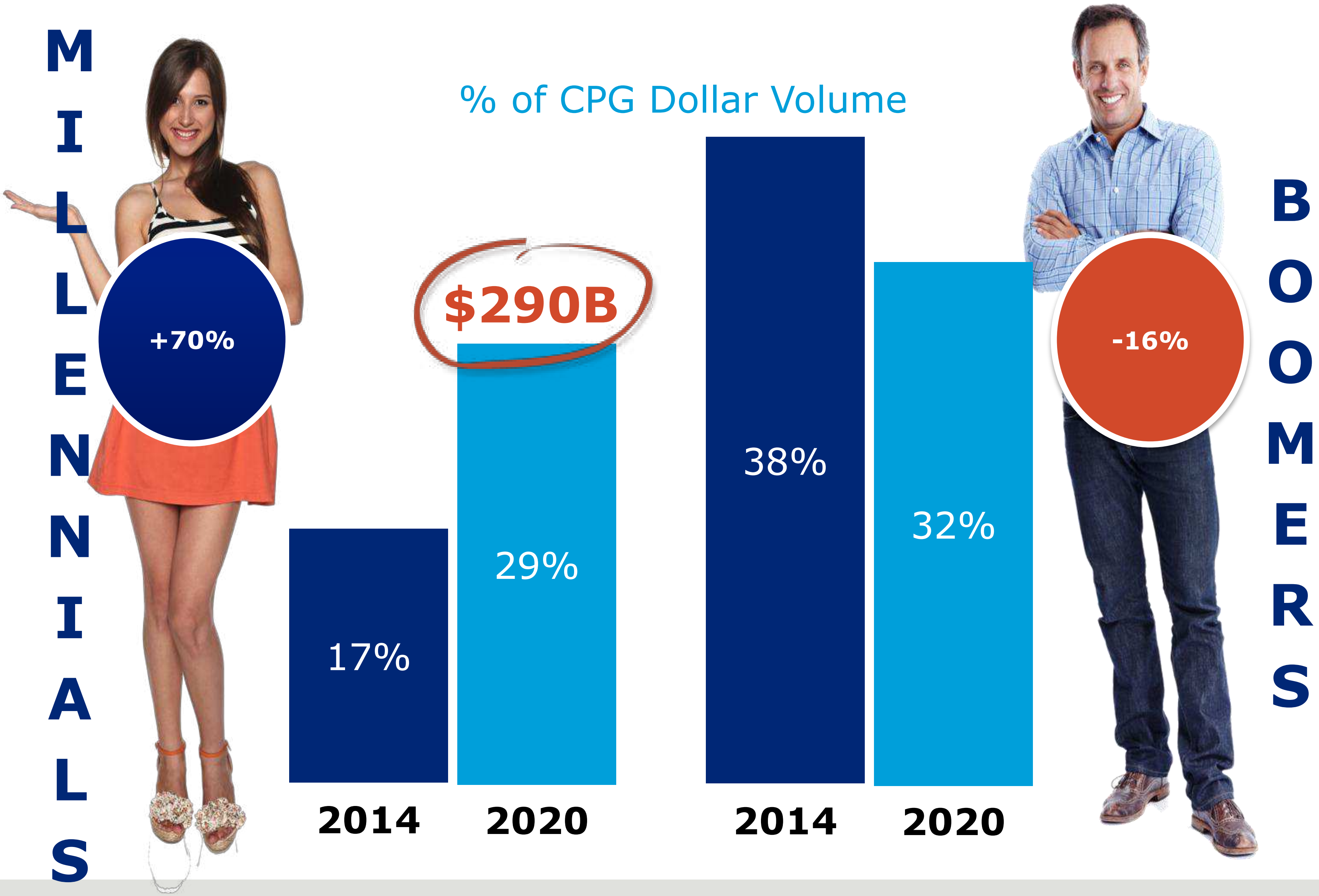
ARF Chicago Shopper Insights Forum
August 4, 2015

IRi
Growth delivered.

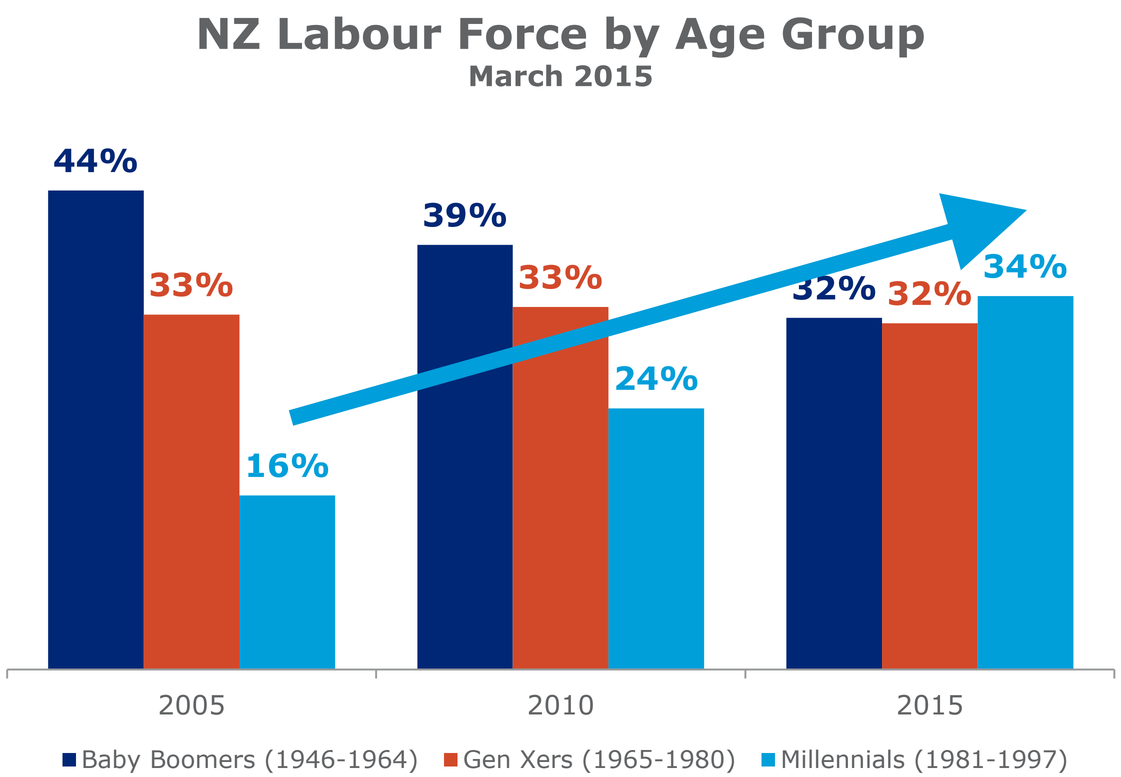
Millennials…

Millennials… by the Numbers

Growing CPG Purchasing Power of US Millennials



NZ Millennial Purchasing Power



Millennials in the work force focus on:

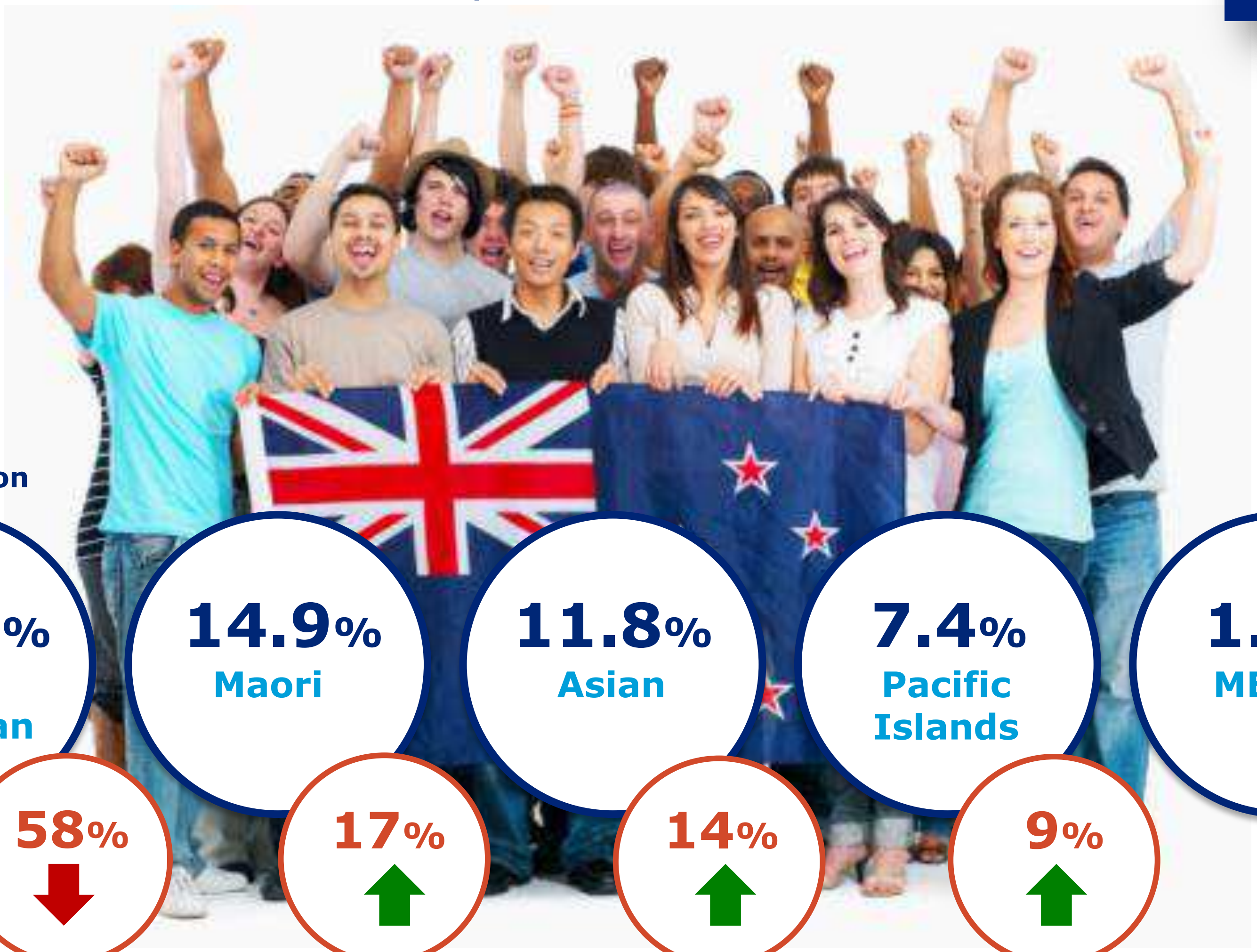
- Collaboration
- Autonomy
- Opportunities to Innovate
- Sense of Purpose

According to Statistics New Zealand…
Millennials now make up the **single largest age group in the New Zealand labour force** and they'll make up the majority of the labour force within **five years (by 2020)**

SOURCE: Stats NZ Infoshare, Work Income and Spending, Household Labour Force Survey (HLF), Labour Force Status by Sex and Age Group (Annual-Mar)

Millennials are more diverse ethnically

NZ Distribution – Total Population vs. Millennials



NZ Population

64.7% NZ European

14.9% Maori

11.8% Asian

7.4% Pacific Islands

1.2% MELAA

58%

17%

14%

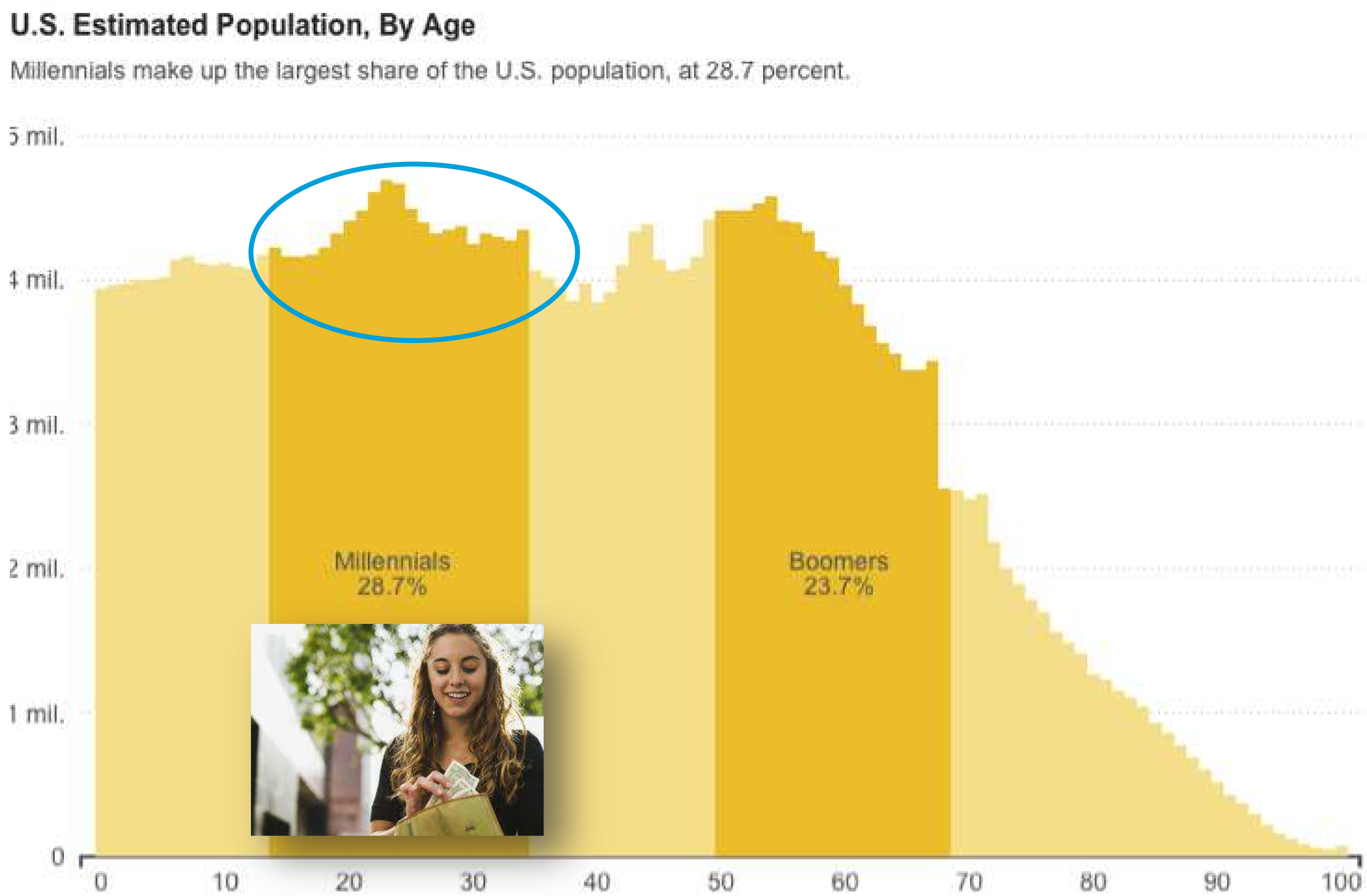
9%

1%

NZ "Millennials" / Gen Y

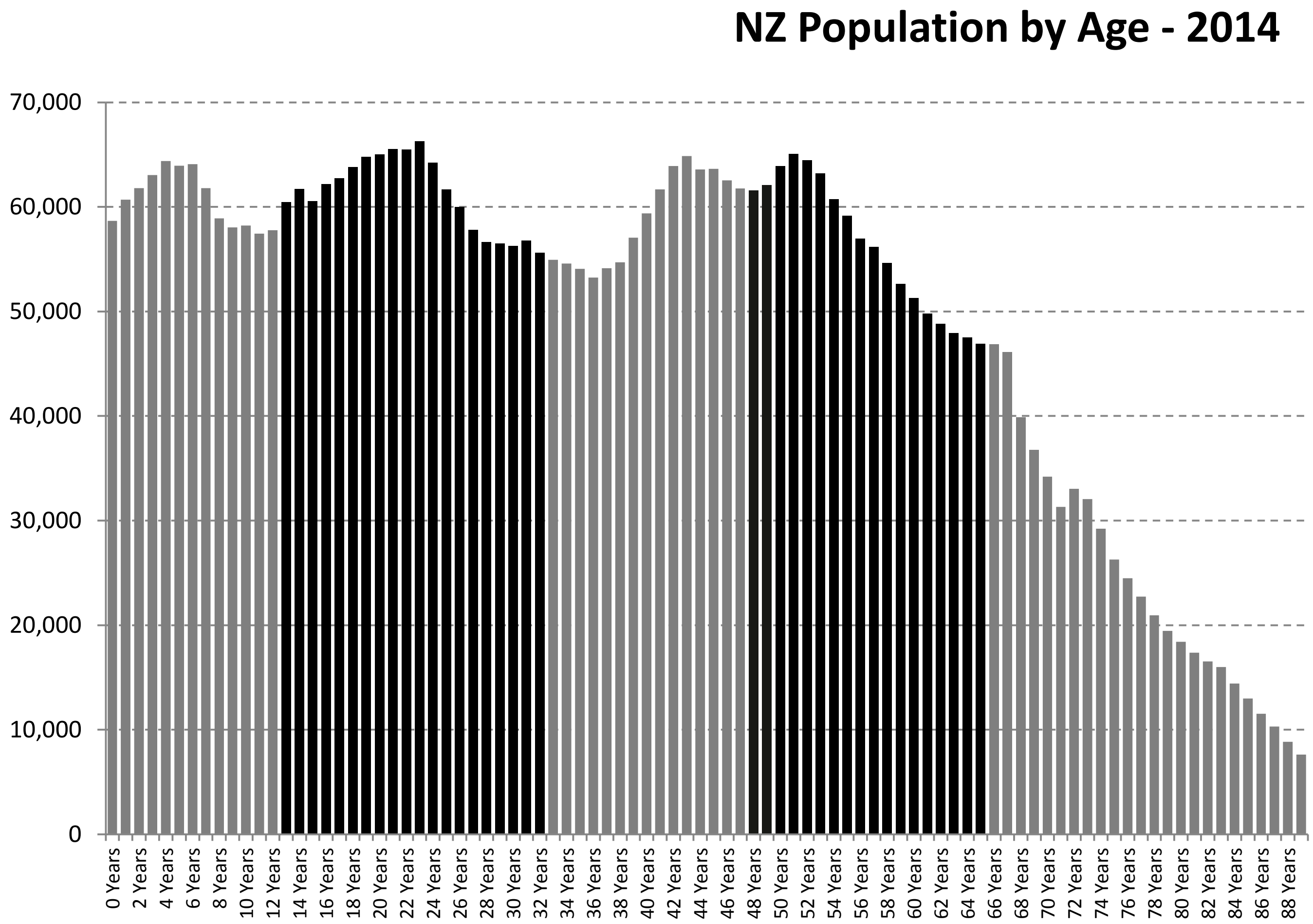
SOURCE: NZ Statistics New Zealand

Millennials are the **largest generation** in US history



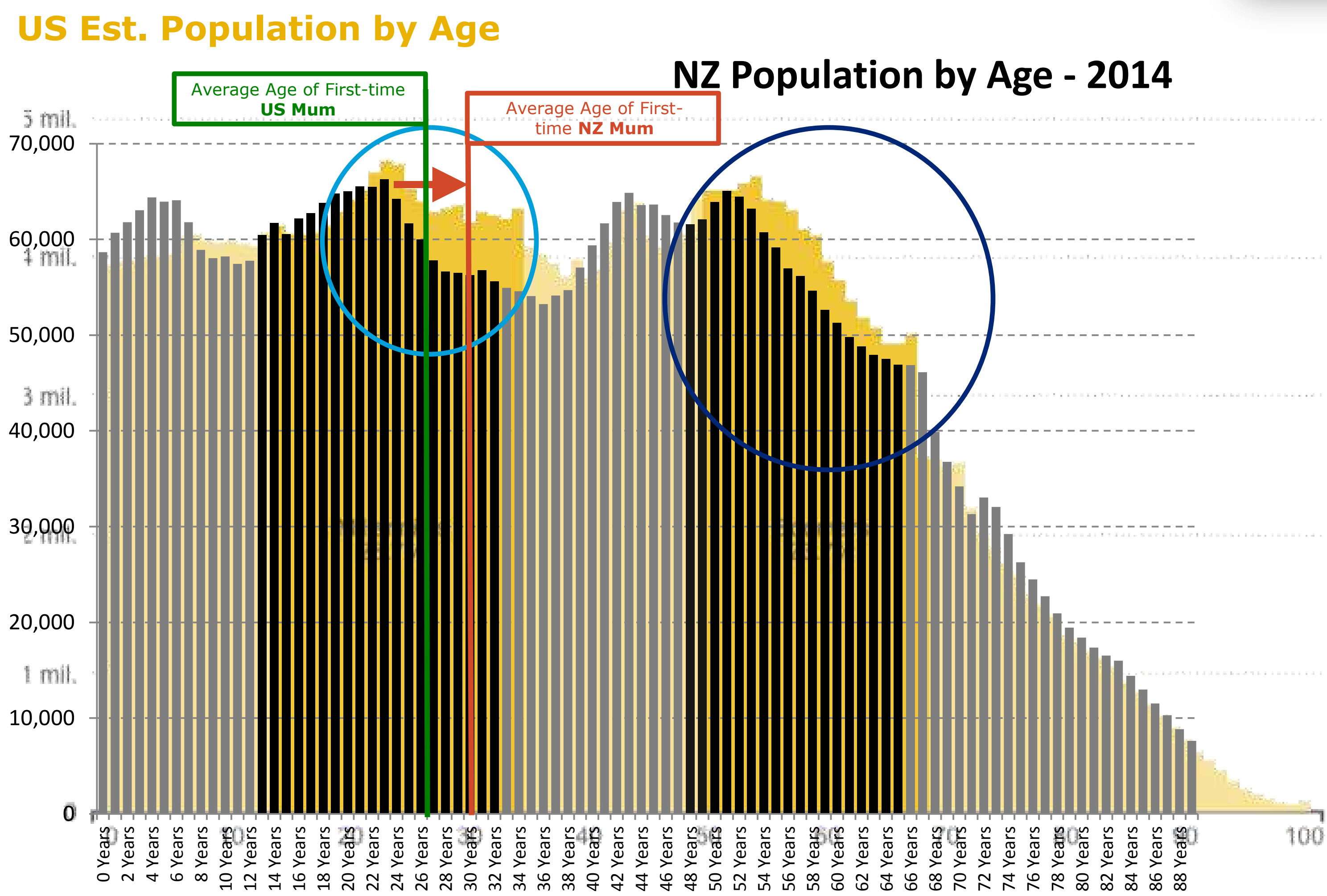
NOTE: Millennials defined as being born between 1980 and 2000, and Baby Boomers between 1946 and 1964
SOURCE: US Census Bureau Monthly Population Estimates

New Zealand vs. US



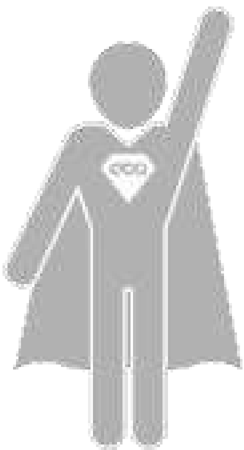
NOTE: Millennials defined as being born between 1980 and 2000, and Baby Boomers between 1946 and 1964
SOURCE: US Census Bureau Monthly Population Estimates & NZ Statistics New Zealand

New Zealand vs. US



NOTE: Millennials defined as being born between 1980 and 2000, and Baby Boomers between 1946 and 1964
SOURCE: US Census Bureau Monthly Population Estimates & NZ Statistics New Zealand

As a generation, Millennials are largely confident, happy and optimistic about their futures



Confident

75% say
I’m confident that I can handle whatever comes my way; **74%** say I’m comfortable with who I am

Happy

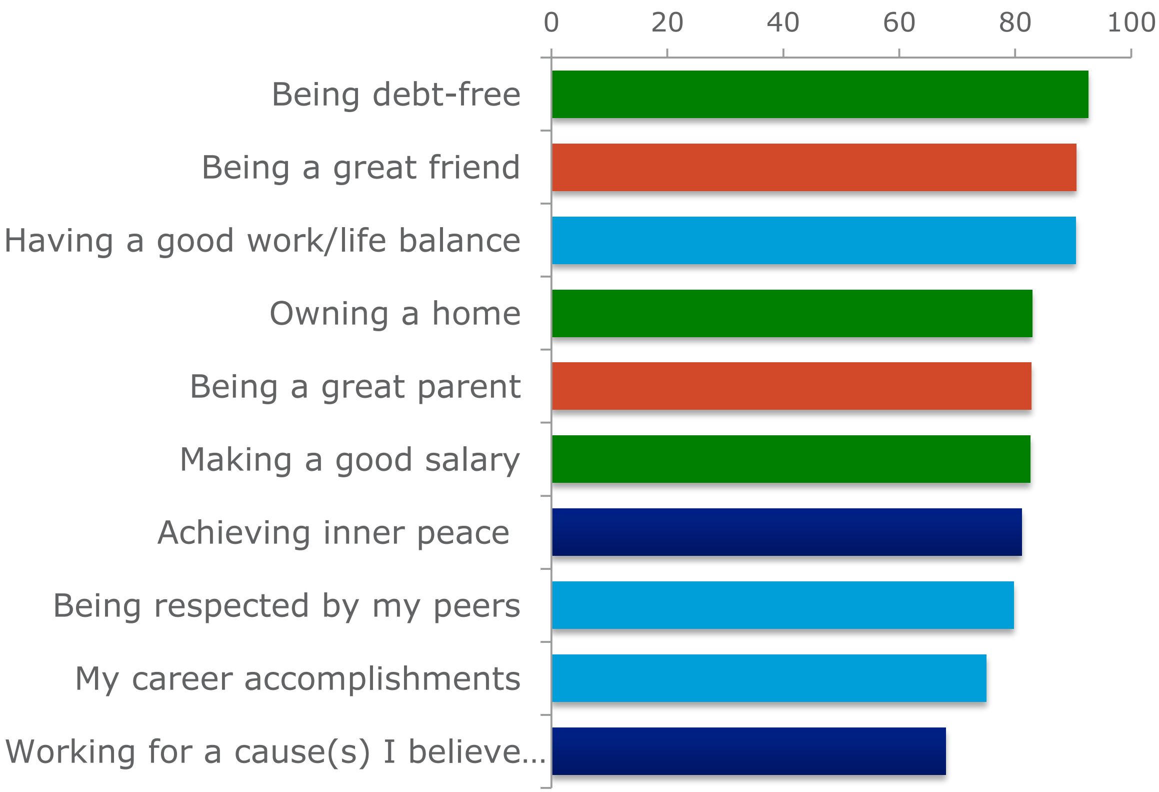
78% say
I’m somewhat/very happy

Optimistic

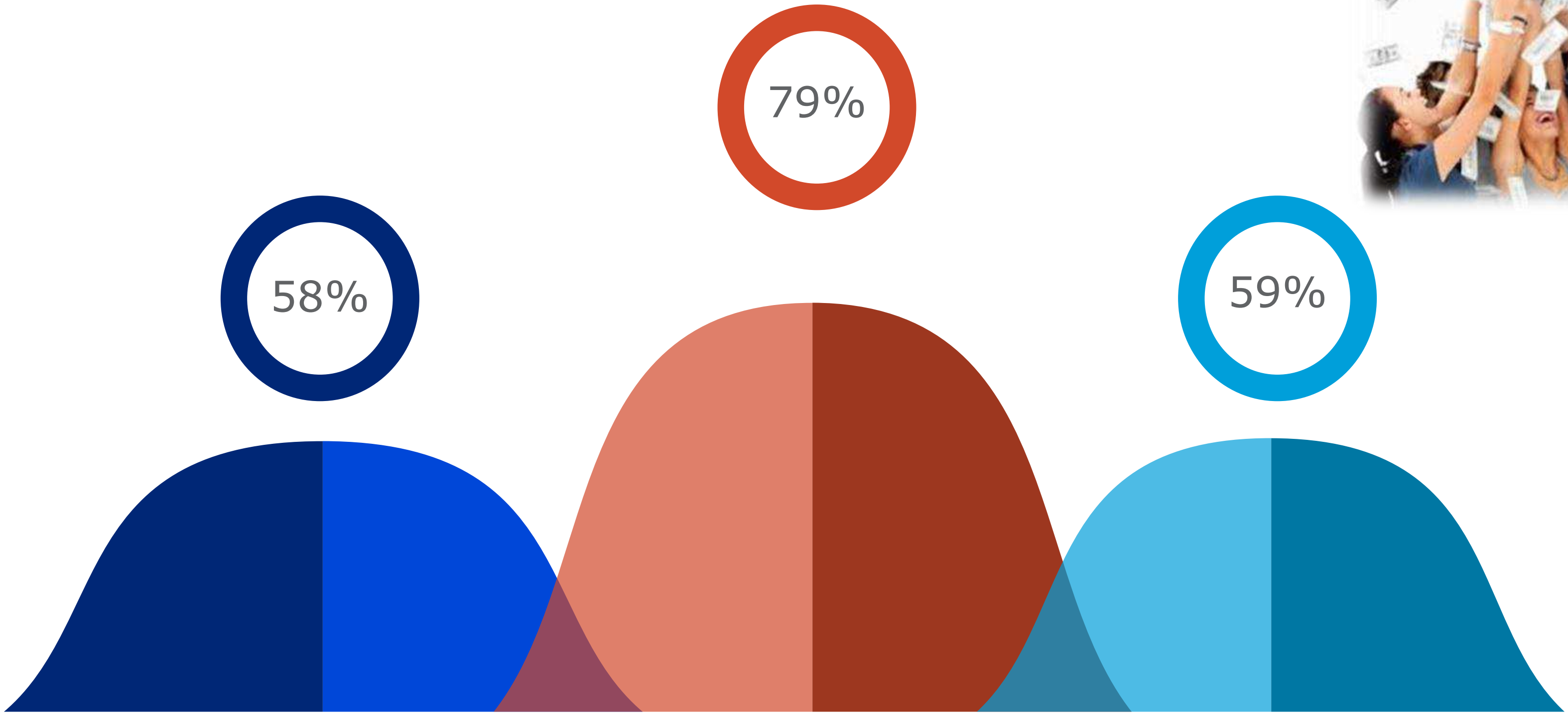
79% say
I’m optimistic/think things will get better in the future

Millennials define success in a multi-faceted way, with financial, relationship and career elements all being key factors

WHAT'S IMPORTANT TO MILLENNIALS IN DEFINING SUCCESS



Even with these challenges, Millennials are relatively upbeat about the outlook of their financial futures



NOW

Good/Very Good

1-2 YEARS FROM NOW VS. TODAY

A Little/A Lot Better

5-10 YEARS FROM NOW

It Will Improve a Lot

Millennials "Needs"

Nzer's Aged 18-34

85%

Adoption

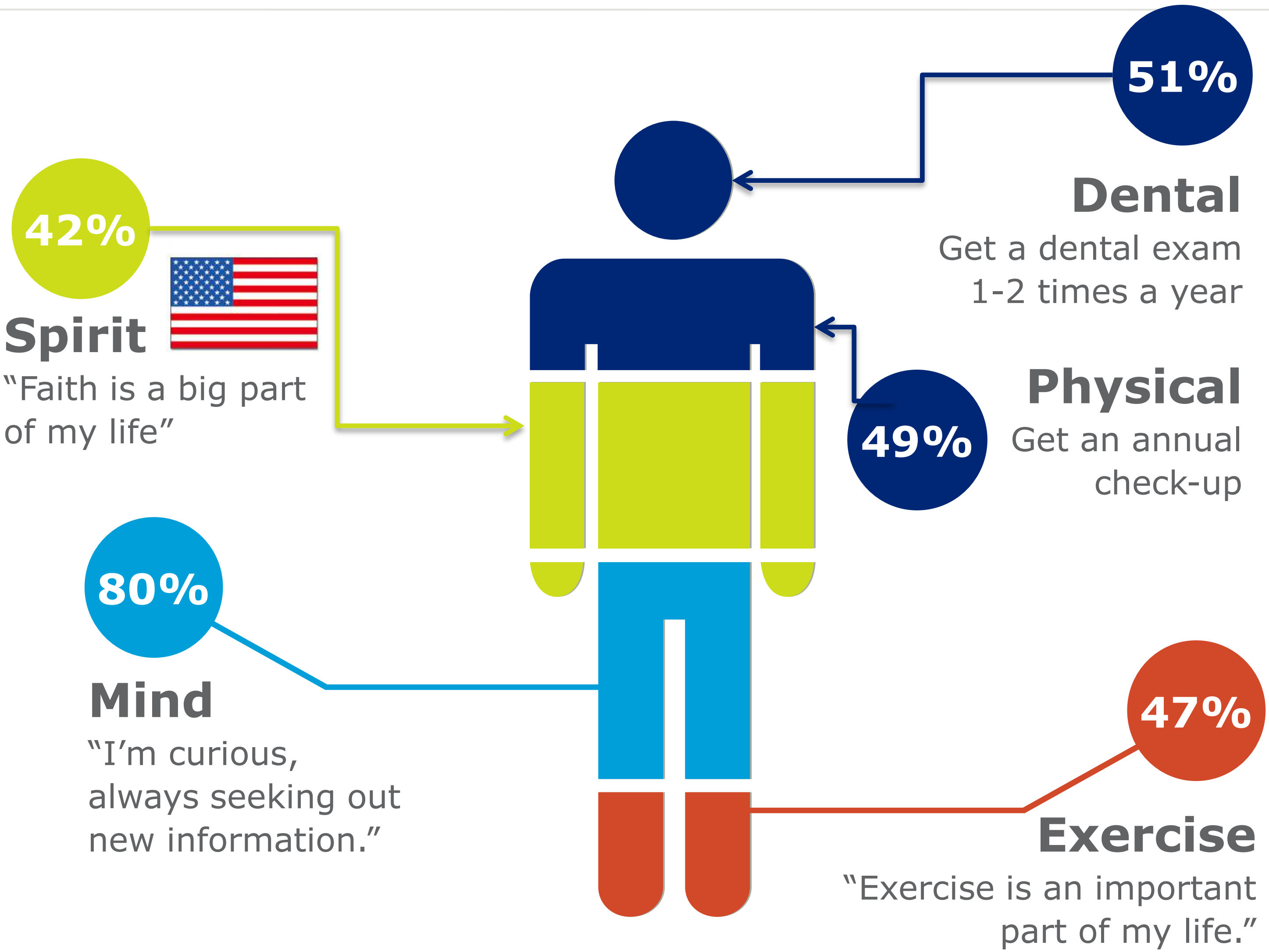
35-54 = **79%**
55+ = **53%**

Men's Razors & Blades

-$1M

vs YA

Millennials make an effort to take care of themselves physically, mentally and spiritually



Millennials get the **connection** between what they **eat** and how they **feel**; they prefer **fresh** but also want **easy**

71%
I prefer foods that are fresh, not processed

71%
I'm a pretty good cook

63%
I like foods that require little preparation

69%
I look for foods that are quick and easy to prepare

63%
The foods I eat directly affect how I feel physically and mentally

MY FOOD BAG™

Millennials use a wide variety of **social media** to stay informed, **connected** and to share information.

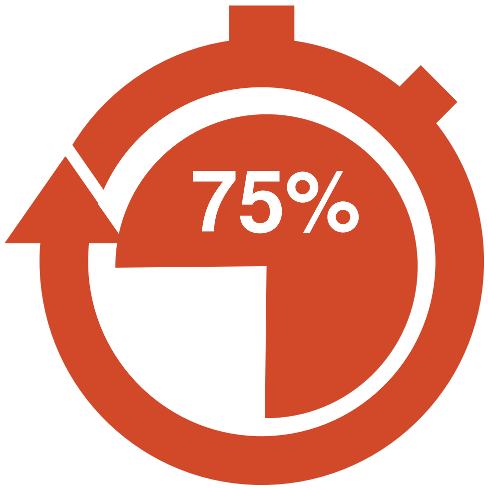
73% Have set up a profile on a social media site and keep it updated

58% Regularly share information with family and friends via social media

69% Expect brands to have mobile friendly websites or apps

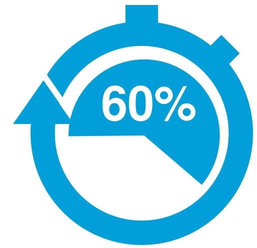
45% Expect brands to have a social media presence

Good value, quality, reliability and trust are the key brand markers among Millennials…

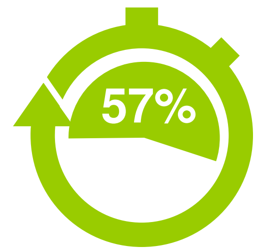


Good Value

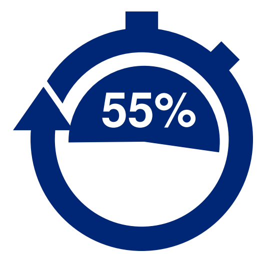
Being **good value** is what differentiates the brands they buy from those they don't among the greatest number of Millennials



High Quality/ Well Made



Reliable



Trusted Brand

Millennials… Myths vs. Truth

Millennials are one of the most negatively stereotyped generations in history

Millennials are more than the sum of their stereotypes!

Making strong **connections** that resonate with a generation whose purchasing power is **growing** means brands and advertisers must:

- Move past simplistic generalizations
- Understand the misconceptions
- Identify with Millennials as unique individuals

IRi Growth delivered.

5 Big Millennial Myths

1. MYTH #1: Millennials are the most self-absorbed generation ever
2. MYTH #2: Millennials reject 'traditional' life paths
3. MYTH #3: Millennials are tied to their mobile devices 24/7
4. MYTH #4: Millennials aren't brand loyal
5. MYTH #5: Millennials aren't influenced by traditional marketing

IRi Growth delivered.

MYTH #1: Millennials are the most self-absorbed generation ever

TRUTH: Millennials value their self-image, but they also care deeply about others and the world around them. They want to affect social change and they give how and when they can.

90% Equate success with being a good friend

68% Equate success with working for a cause they believe in (vs. 56% for GenX and 58% for Baby Boomers)

58% Equate success with being of service/contributing to their community

50% Share information about causes they care about on social media

39% Make charitable (financial) contributions to causes they care about

25% Frequently do volunteer work

IRi Growth delivered.

MYTH #2: Millennials reject 'traditional' life paths

TRUTH: Millennials are embracing 'traditional' on their own terms and timeline. They see a myriad of potential ways to create a life that's uniquely their own.

The timing of Millennials' life stage milestones isn't as linear as previous generations

73% Employed

28% Are Married

37% Own a Home

38% Have Kids

Success =

90% Having a Good Work/Life Balance
83% Owning a Home
83% Being a Great Parent
75% My Career Accomplishments

Millennials are curious and open to new possibilities and ideas

81% I'm curious - always seeking out new information

54% I live for today

MYTH #3: Millennials are tied to their mobile devices 24/7

TRUTH: As the first generation of **digital natives**, Millennials are more comfortable with technology (and use it more) than any generation before them. However, not all Millennials are early adopters or constantly connected.

- Millennials spend an average of **6 hours** a day online during the week - almost half of which is for work/school reasons
- **Less than half (48%)** say they'd be unable to function without their smart phones
- About **45%** say they're **early adopters** of new technology
- **29%** regularly use a **mobile app to pay** for purchases
- More Millennials like getting notifications of sales from brands/companies via **email** (52%) than text (29%)

IRi Growth delivered.

MYTH #4: Millennials aren't brand loyal

TRUTH: Millennials are loyal to those brands that ***prove themselves worthy*** - but they also enjoy the hunt for a good deal

- **44% of Millennials say they're loyal to the brands they buy** (Gen X is 41% and Boomers are 45%)
- **Two-thirds are working with limited grocery budgets** (vs. 61% for Gen X and 51% for Boomers)
- **Quality is essential for overcoming price differences**

  70% will choose price over a brand name… but ***52% will choose quality over price*** (similar to Gen X at 54% and Boomers at 58%)
- **In the absence of meaningful differentiation, Millennials will readily switch because there is an emotional pay-off**

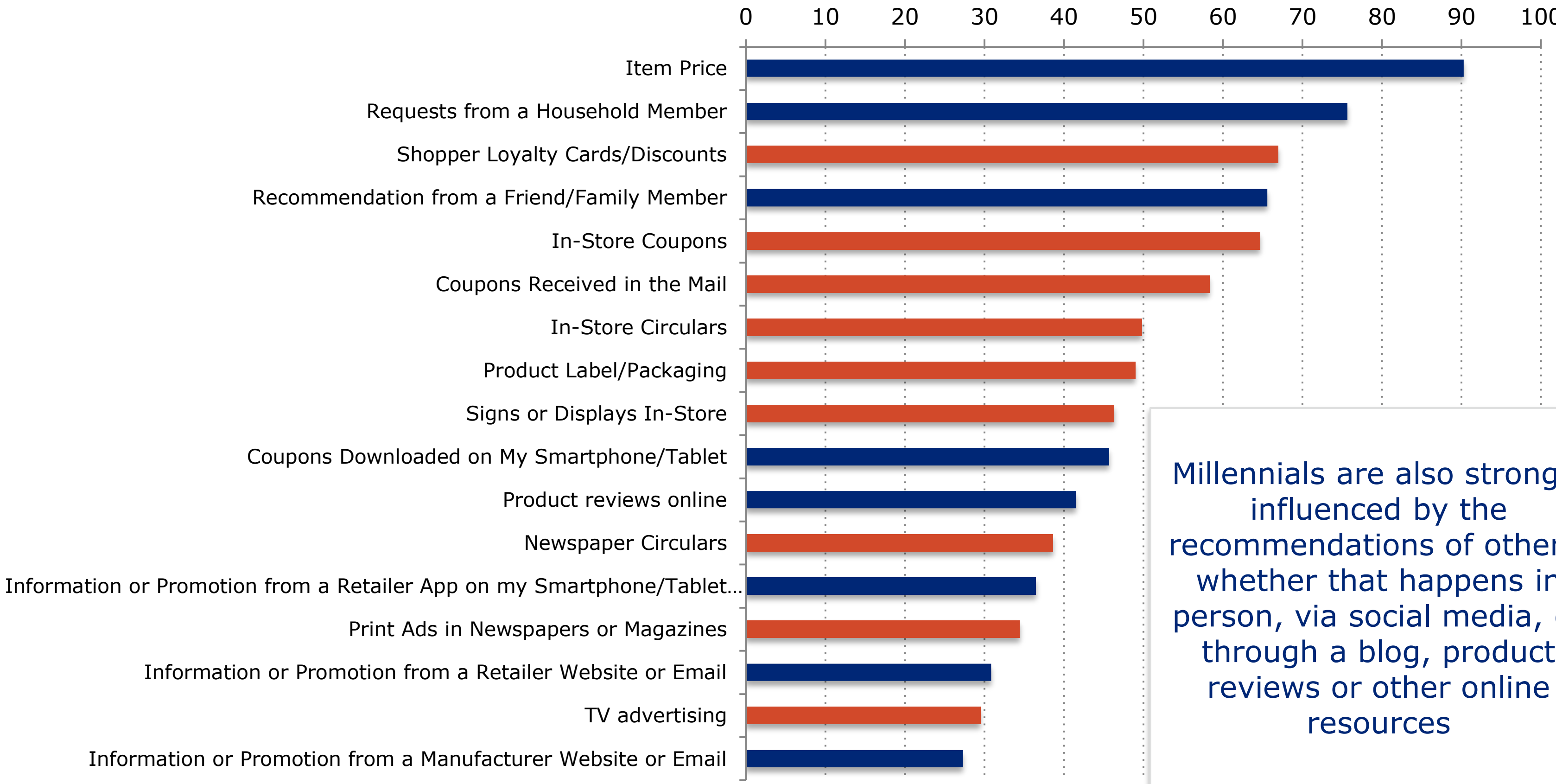
  66% Believe store brands are just as good as "National" Brands
  72% Will switch brands for the right price or deal
  88% Say saving money makes them feel like a smart shopper
  83% Enjoy finding the best deals on products

IRi Growth delivered.

MYTH #5: Millennials aren’t influenced by traditional marketing

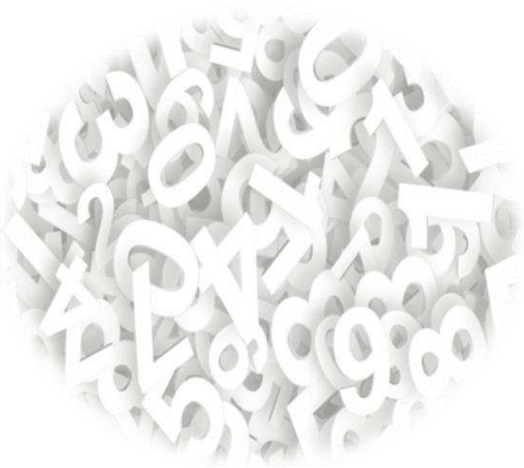
TRUTH: Millennials are influenced by a wide variety of elements, especially Loyalty Cards/Discounts, Couponing, Store Circulars and Print Ads

FACTORS INFLUENCING MILLENNIALS’ BRAND PURCHASE DECISIONS



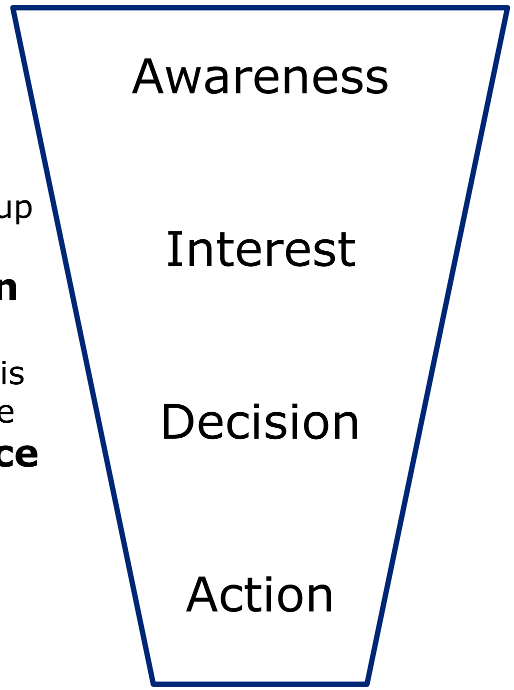
Millennials are also strongly influenced by the recommendations of others, whether that happens in person, via social media, or through a blog, product reviews or other online resources

Millennials… So What?



The Two Ages | Generation Y

"The survey found the youngest age group is 19% more likely to take more than a **few days gathering information and comparing brands** than shoppers aged 25 and older. This delay is partly because younger people use more **research channels, such as price comparison sites and social media**, before making a decision. For example, shoppers aged 18 to 24 use **18% more channels per purchase decision, than older consumers.**"



Source: Meddings, N. (2014). *Shoppers in a content rich world.* (The IRI-Aztec ShopperView Pharmacy Report)

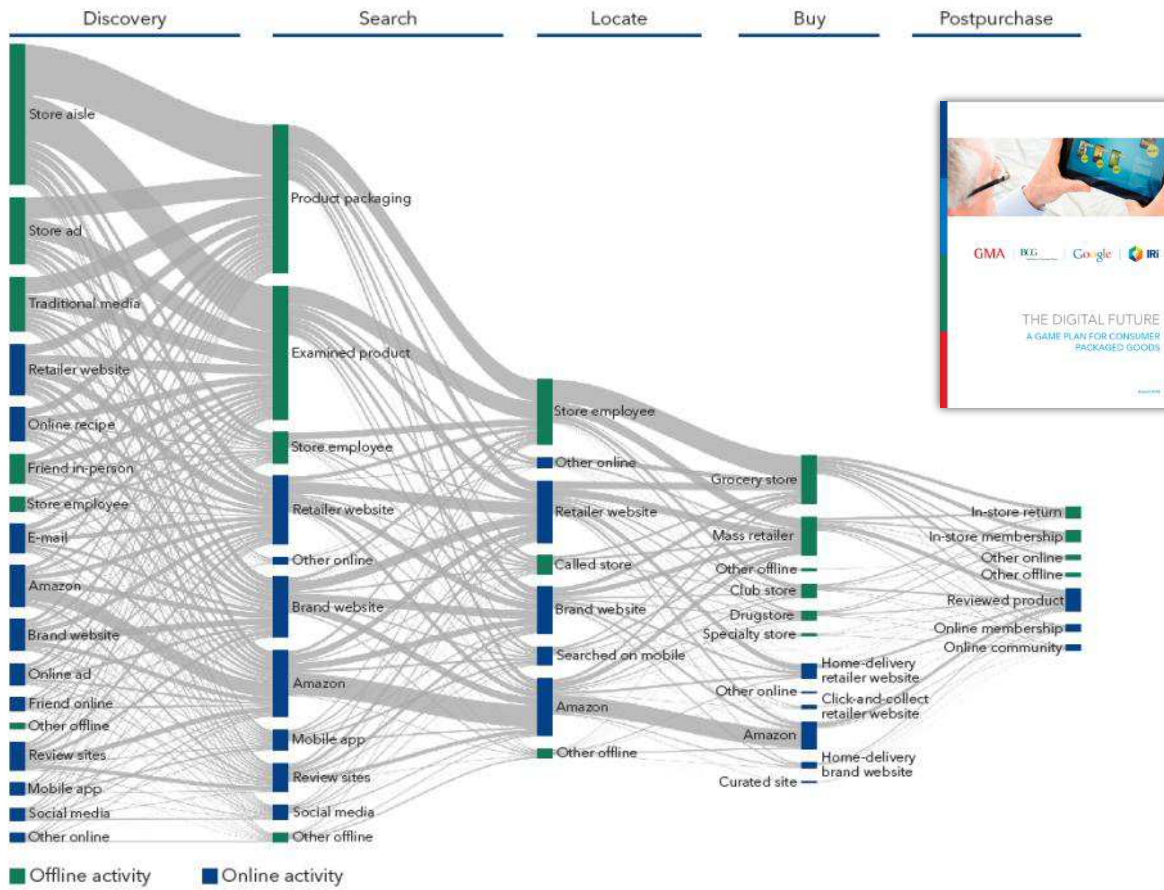
The Two Ages | Generation Y | The new path to purchase

The digital experience has already upended every stage of the traditional purchasing pathway

The new pathway is much more **fragmented** and **dynamic**, thanks to the ability of consumers to **share** their experiences and knowledge. At every stage, they can switch **back and forth** between **digital** and **physical** shopping channels, interact **digitally** in and outside of stores, and make use of numerous channels over which the **retailer has no control.**

Source: IRI BCG Google eCommerce, August 2014

Exhibit 3 | **Digital Has Transformed the Purchasing Pathway into a Complex Web of Online and In-Store Interactions**



Source: GMA/IRI online grocery survey, April 2014.
Note: Respondents were asked to select the activities they engaged in when making their last purchase (N=6,895). The exhibit shows the movement from one stage to the next based on selected responses.

Sustainability

The consumer of today…

- Has the ability to access knowledge when required
- Prepared to pay for a service and looks for value for money
- Seeks treatments that are consistent with their values/beliefs.

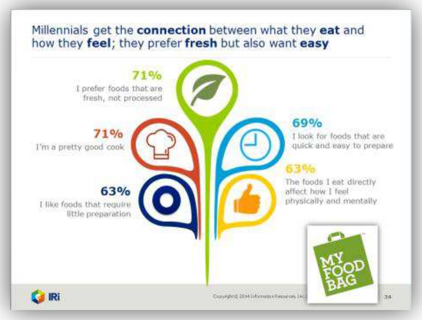
What does this mean for suppliers?

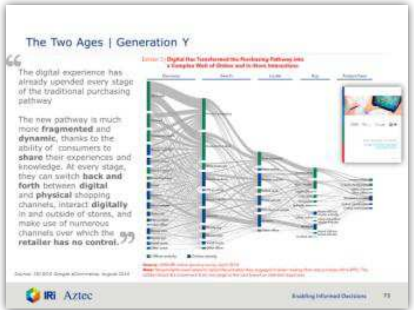
- Understanding consumers' values is imperative for success
- Consumers are seeking information on product characteristics, health claims and sourcing

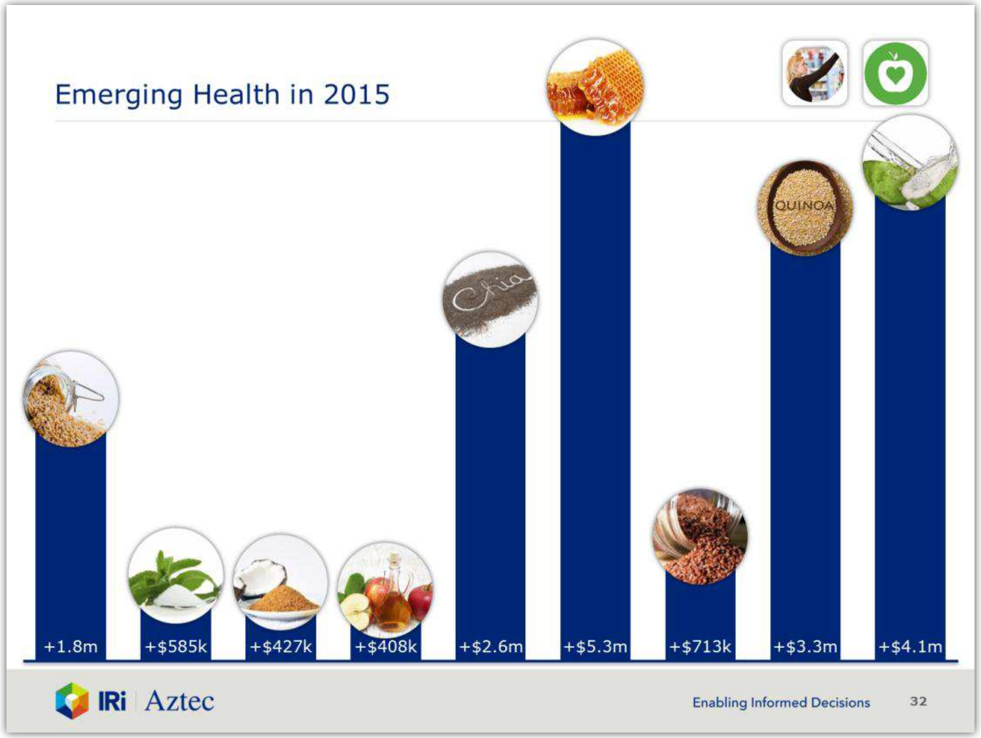
"You want to know how your consumer behaves – but they want to know how you behave…. and they can"

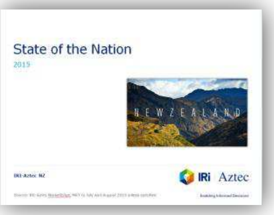
Source: Meddings, N. (2014). *Shoppers in a content rich world.* (The IRI-Aztec ShopperView Pharmacy Report)

The New Consumer









IRi Growth delivered.

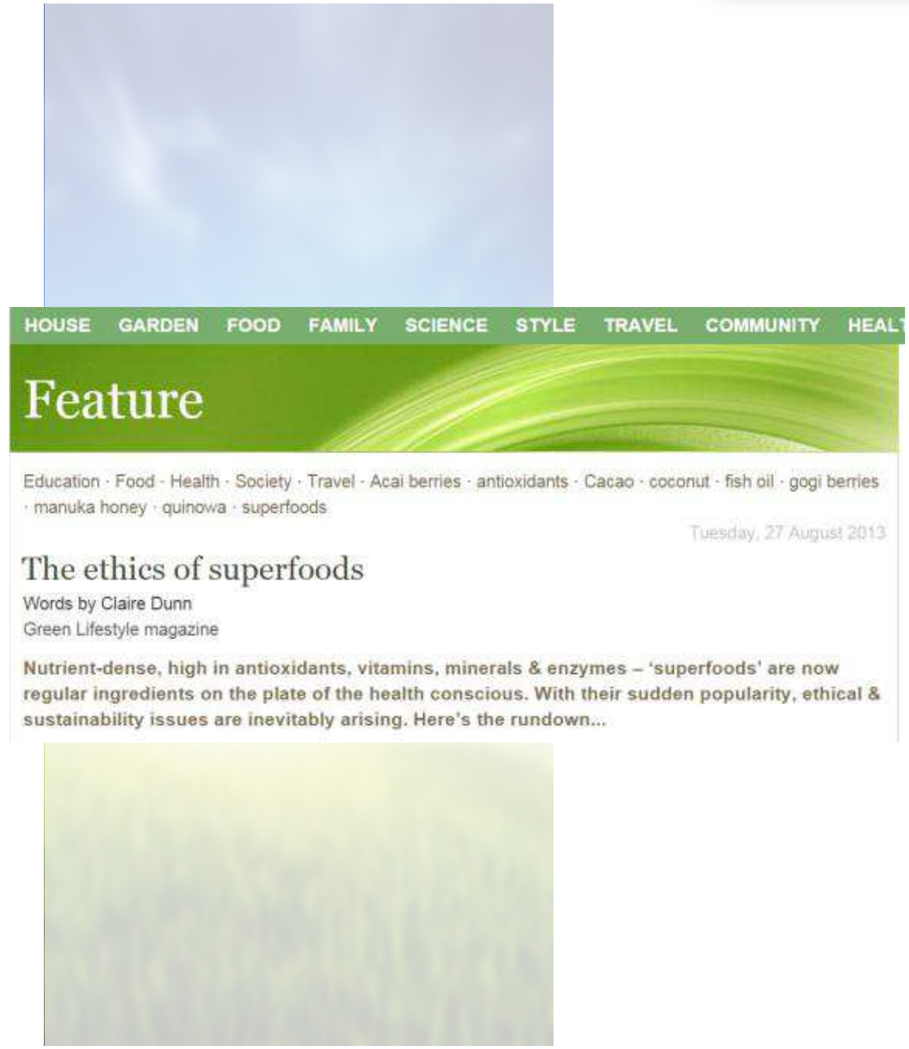
The cost of the ***superfood*** craze – and what consumers can do to offset it

Now too expensive for poor growers to eat

Child labour at the centre of cacao farming

Overharvesting & lack of sustainable management reported

Ongoing issues with child labour in coconut plantations



HOUSE GARDEN FOOD FAMILY SCIENCE STYLE TRAVEL COMMUNITY HEAL

Feature

Education · Food · Health · Society · Travel · Acai berries · antioxidants · Cacao · coconut · fish oil · gogi berries · manuka honey · quinowa · superfoods

Tuesday, 27 August 2013

The ethics of superfoods

Words by Claire Dunn

Green Lifestyle magazine

Nutrient-dense, high in antioxidants, vitamins, minerals & enzymes – 'superfoods' are now regular ingredients on the plate of the health conscious. With their sudden popularity, ethical & sustainability issues are inevitably arising. Here's the rundown...

http://www.greenlifestylemag.com.au/features/4242/ethics-superfoods
http://www.cfsgs.com/uploads/3/6/0/1/3601225/sustainablesourcing_24.pdf

Growth delivered.

The cost of the ***superfood*** craze – and what consumers can do to offset it

Now too expensive for poor growers to eat

Quinoa can be grown almost anywhere, therefore buy **locally**

Child labour at the centre of cacao farming

Seek **fair-trade** options, check out the World Vision chocolate scorecard

Overharvesting & lack of sustainable management reported

Seek **fair-trade, organic** suppliers, alternatively consider buying **locally** grown berries, such as blueberries

Ongoing issues with child labour in coconut plantations

Look for **fair-trade** and **organic** suppliers

"Companies can't be leading edge in sustainability if they aren't leading edge in sourcing and procurement."

"Consumers not only care about **what they buy**, but as digital retailing increases, **how they buy.**

With new and increased sustainability concerns, they also care as much about **who they buy from**"

http://www.greenlifestylemag.com.au/features/4242/ethics-superfoods
http://www.cfsgs.com/uploads/3/6/0/1/3601225/sustainablesourcing_24.pdf

IRi Growth delivered.

Summing Up…

Retail opportunity with Millennials is big **now** and growing!

NZ set to catch up on US population trend in the next 3-5 years…

Median age of NZ first time mother… 3-5 years away!

Millennials are more than the sum of their stereotypes

Increasingly diverse ethnically

Connected! In more than one way…

One size **does not** fit all in understanding and marketing to Millennials

Understand and resonate with their *values*

Be *transparent* with YOUR values


Thank You