IDFA 2018 Sweetener Colloquium

SWEET RETAIL
Shopper and Consumer Trends

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February 13, 2018

IRi
Growth delivered.

IDFA
INTERNATIONAL DAIRY FOODS ASSOCIATION
Making a Difference for Dairy

Agenda

1 What's Happening In Retail?

2 Sweetener Trends

3 Consumer Perspective

4 Consumer Behavior

5 What It All Means

RETAIL TRENDS

Overall Economic, Retail, Channel Trends

John Crawford

The United States continues to see strong key economic indicators

Economic Growth GDP
+2.3%
2017

Inflation
+2.1%
2017

Retail Sales
+4.2%
2017

Avg. Price per Gallon of Gas
$2.60
Feb. 2017
+$0.33
vs. YA

Population
327.0M Jan 1,2018
+0.7% Annual Growth

Unemployment Rate
4.1%
Jan 2018
-0.7 vs. YA

8.9%
Jan 2018
-1.9 vs. YA
Underemployed

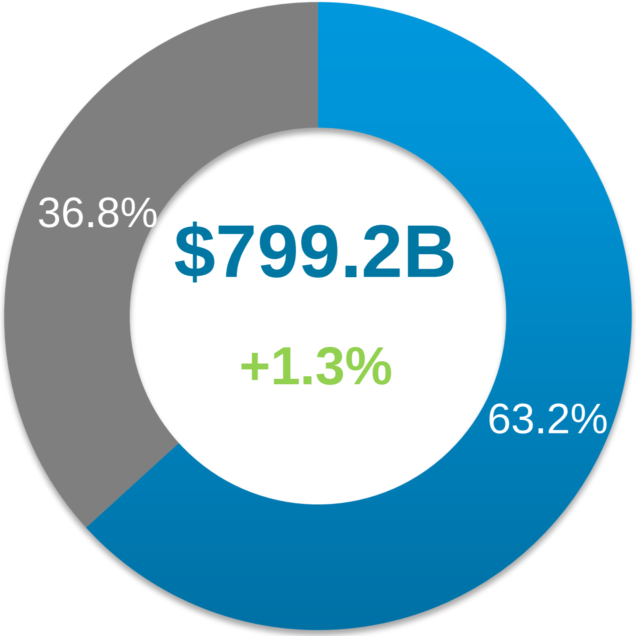
Source: U.S. Census Bureau and Dept. of Labor Statistics

Total Multi-Outlet w/Convenience grew at 1.3% in 2017

Non-Edibles

$293.8B

+1.2%



Edibles

$505.4B

+1.3%

IRI Total U.S. MULO+C – Calendar Year 2017 Ending 12-31-2017

Edibles grew in every Channel except Drug

Top 10 Edible Categories

Carbonated Beverages

$27.5B

Salty Snacks

$23.4B

Bottled Water

$15.7B

Milk

$15.7B

Chocolate Candy

$14.1B

Fresh Bread & Rolls

$13.4B

Natural Cheese

$12.9B

Energy Drinks

$12.0B

Coffee

$9.7B

Fz Dinners / Entrees

$9.0B

IRI Total U.S. MULO+C – Calendar Year 2017 Ending 12-31-2017
Excluding Alcoholic Beverages

Top 10 Winning Edible Categories

Fz Soup / Sides

+16.9%

Rfg Lunches

+15.4%

Rfg Tea / Coffee

+9.9%

Rfg Side Dishes

+8.2%

Rfg Entrees

+6.9B

Spices / Seasonings

+6.5%

Rfg Meat

+6.4%

Breakfast Meats

+6.0%

Fz Appetizers

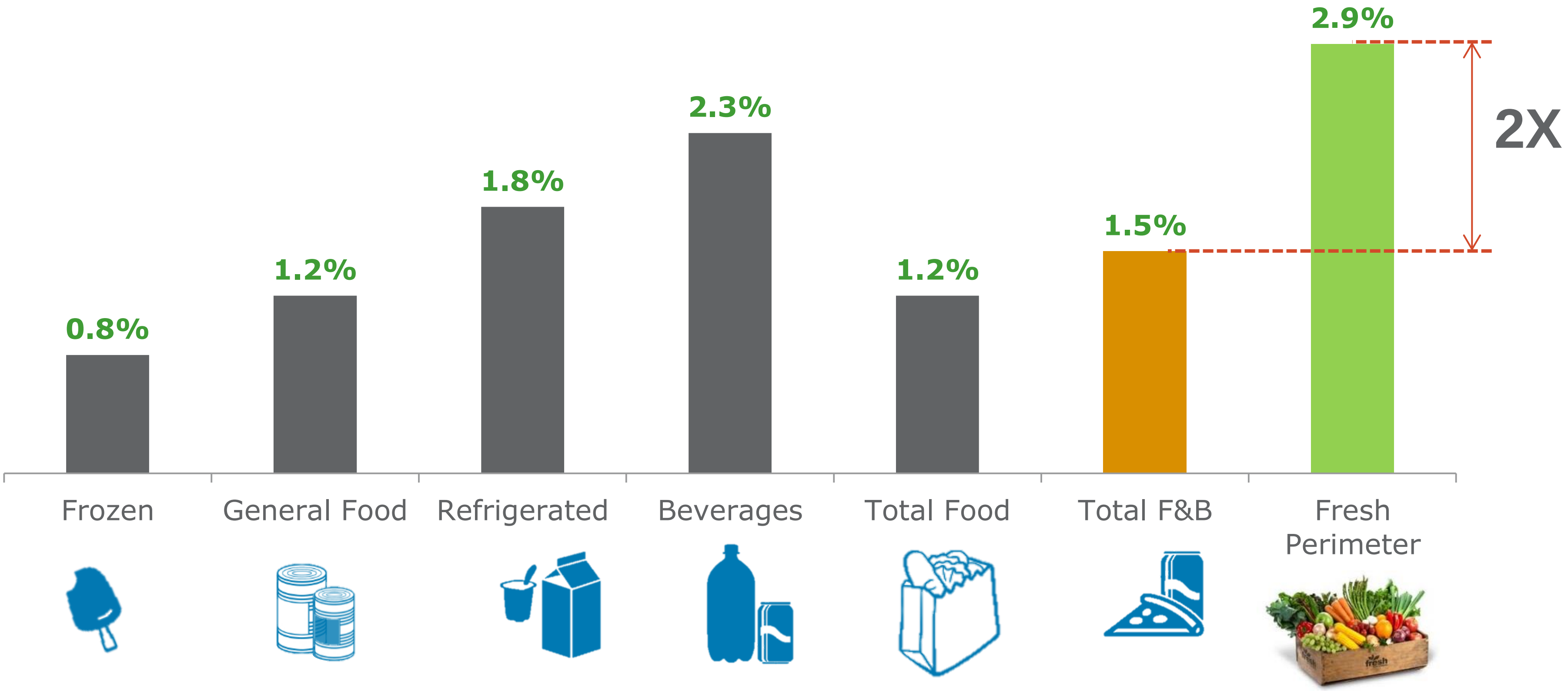
+5.7%

Cream / Creamers

+5.5%

IRI Total U.S. MULO+C – Calendar Year 2017 Ending 12-31-2017
Excluding Alcoholic Beverages
>$1B Categories

The Perimeter of the store continues to outpace other F&B departments, but growth is slowing

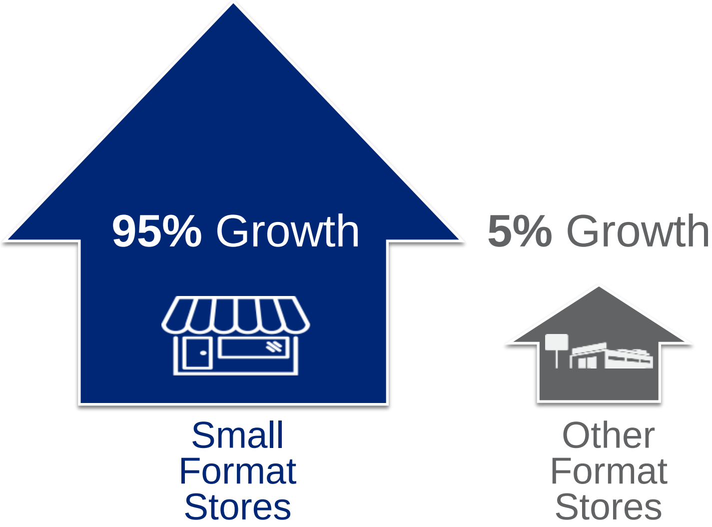


IRI FreshLook, Total Edible Departments, Total U.S. MULO – 4 Yr Dollar Sales CAGR

The retail landscape is changing, as shoppers eschew traditional malls and large stores for smaller formats

Big-Box Store Traffic Declining

Retailers Building Smaller Stores



Retail gets smaller

Retailers are investing heavily in eCommerce / Click-and-Collect

Investing in e-Commerce Capabilities

- Walmart / Jet
- Albertsons / MWG MY WEB GROCER
- TARGET: $1.8B investment in omni-channel experience

Acquiring / Partnering to Build e-Commerce Capabilities

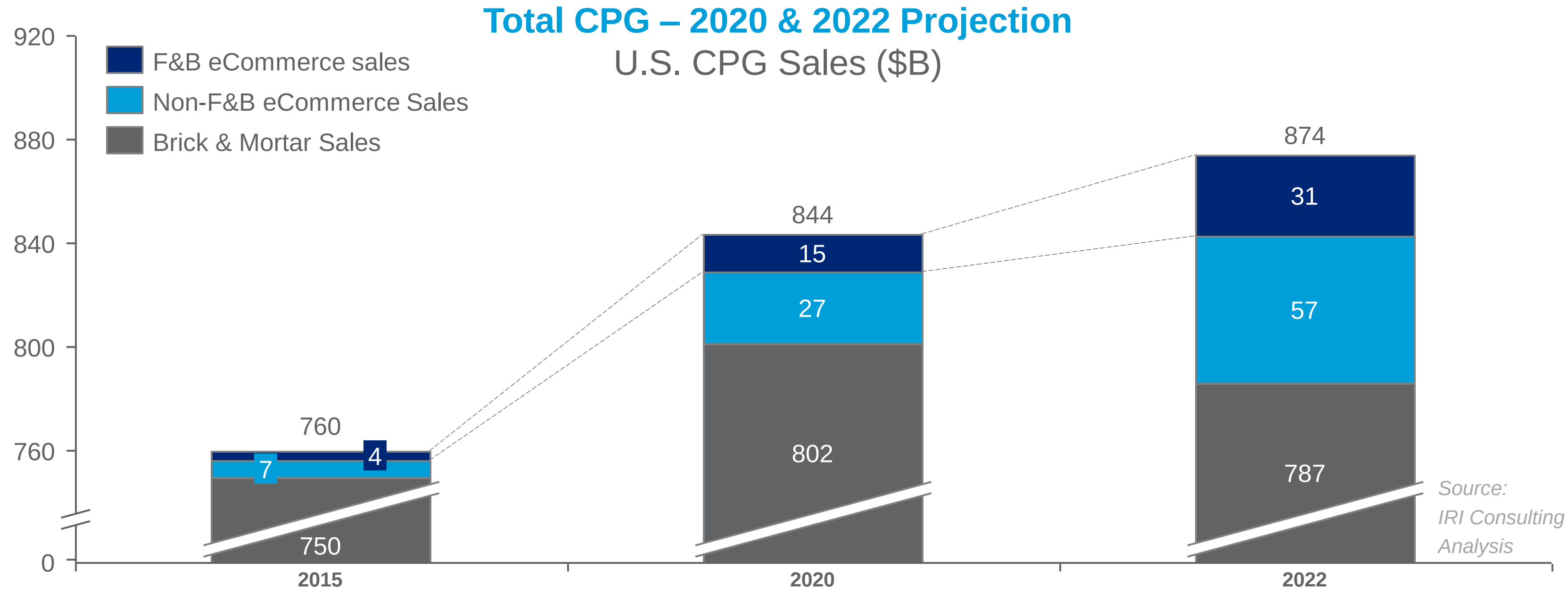
- Kroger / Harris Teeter (Your Neighborhood Food Market) / Vitacost
- Delhaize / Ahold
- Whole Foods Market / Instacart

Improving Ease-of-Purchase to "Lock In" Shoppers

- Walmart / OrderGroove: Walmart, PetSmart, Nestlé, L'Oréal, etc. use OrderGroove
- TARGET: Target offers free shipping, 5% discount with subscription
- The Home Depot: Mobile app designed to work like "in-store" companion

Amazon builds

Rapid expansion of CPG e-commerce is expected, quadrupling in five years and doubling in two more!



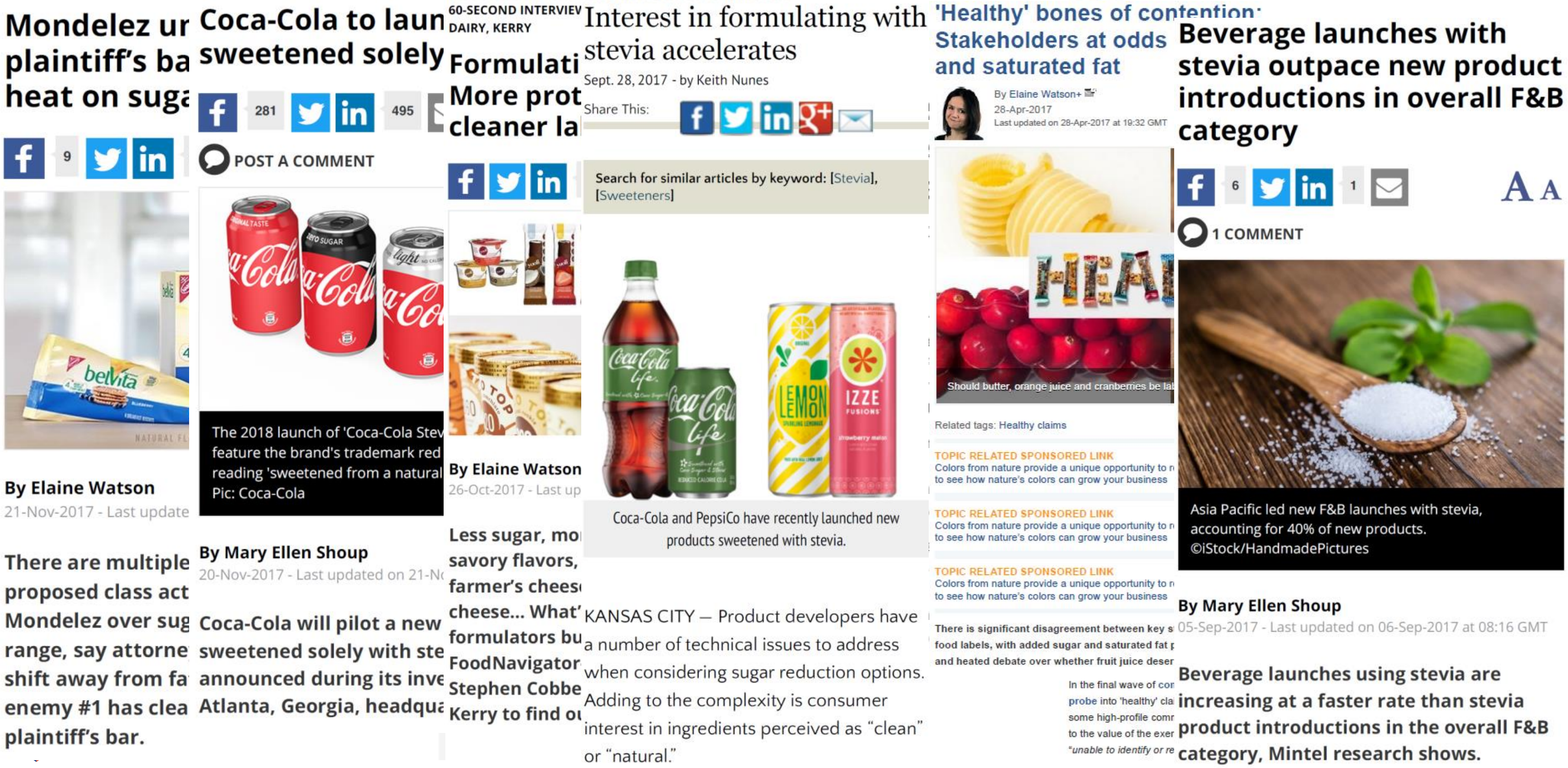
	2015	2020	2022
CPG eCom Share	1.4%	5.0%	10.0%
F&B eCom Share	0.8%	2.7%	5.5%
Non-F&B eCom Share	2.5%	9.3%	18.2%

SWEETENER TRENDS

Trends in Total Store and Key Categories

John Crawford

Is Sugar (and Artificial Sweeteners) Enemy #1?



Mondelez ur
plaintiff's ba
heat on suga

9

By Elaine Watson
21-Nov-2017 - Last update

There are multiple
proposed class act
Mondelez over sug
range, say attorne
shift away from fa
enemy #1 has clea
plaintiff's bar.

Coca-Cola to laun
sweetened solely

281 495

POST A COMMENT

The 2018 launch of 'Coca-Cola Stev
feature the brand's trademark red
reading 'sweetened from a natural
Pic: Coca-Cola

By Mary Ellen Shoup
20-Nov-2017 - Last updated on 21-N

Coca-Cola will pilot a new
sweetened solely with ste
announced during its inve
Atlanta, Georgia, headqua

60-SECOND INTERVIEW
DAIRY, KERRY

Formulati
More prot
cleaner la

By Elaine Watson
26-Oct-2017 - Last up

Less sugar, mo
savory flavors,
farmer's chees
cheese... What'
formulators bu
FoodNavigator
Stephen Cobbe
Kerry to find ou

Interest in formulating with stevia accelerates

Sept. 28, 2017 - by Keith Nunes

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Coca-Cola and PepsiCo have recently launched new products sweetened with stevia.

KANSAS CITY — Product developers have a number of technical issues to address when considering sugar reduction options. Adding to the complexity is consumer interest in ingredients perceived as "clean" or "natural."

'Healthy' bones of contention:
Stakeholders at odds
and saturated fat

By Elaine Watson+
28-Apr-2017
Last updated on 28-Apr-2017 at 19:32 GMT

Should butter, orange juice and cranberries be la

Related tags: Healthy claims

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to see how nature's colors can grow your business

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to see how nature's colors can grow your business

There is significant disagreement between key s
food labels, with added sugar and saturated fat p
and heated debate over whether fruit juice deser

In the final wave of co
probe into 'healthy' cla
some high-profile com
to the value of the exe
"unable to identify or re

Beverage launches with stevia outpace new product introductions in overall F&B category

6 1

A A

1 COMMENT

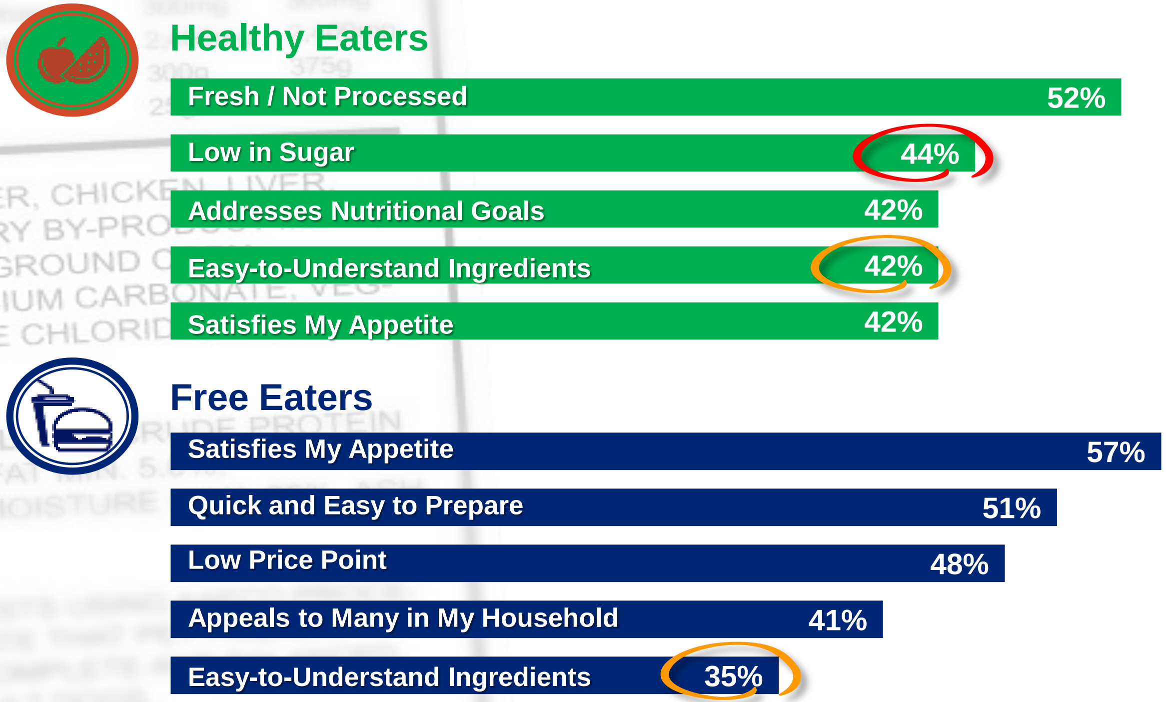
Asia Pacific led new F&B launches with stevia, accounting for 40% of new products.
©iStock/HandmadePictures

By Mary Ellen Shoup
05-Sep-2017 - Last updated on 06-Sep-2017 at 08:16 GMT

Beverage launches using stevia are increasing at a faster rate than stevia product introductions in the overall F&B category, Mintel research shows.

What goes into their food is a top consideration for consumers when evaluating new food and beverage products

TOP CONSIDERATIONS WHEN EVALUATING NEW F&B PRODUCTS



Source: IRI 2017 New Product Survey
Healthy eater follows a strict diet or is conscientious about eating behaviors 80% of the time, allows for indulgences the other 20%. Free eater eats with little consideration of nutritional or caloric intake.

IRi

Certification and transparency claims are demonstrating momentum

Claim	$ Sales	Chg. YA
GMO FREE	$9.7B	+24.0%
VEGAN / VEGETARIAN	$2.9B	+20.8%
USDA ORGANIC	$11.4B	+11.3%
PROTEIN	$8.1B	+11.2%
GLUTEN FREE	$23.8B	+9.2%
CONTAINS PROBIOTICS	$2.2B	+8.3%
ENERGY	$7.4B	+7.8%
NO DAIRY	$6.3B	+7.3%
Antibiotics	$4.7B	+7.3%
Natural Sweetener	$12.5B	+7.2%

IRI Total U.S. MULO+C – Calendar Year 2017 Ending 12-31-2017

All Naturally Sweetened claims saw growth except for Honey

	$ Sales	Chg. YA
Organically Sweetened	$17.0M	+21.0%
	$5.0B	+9.9%
Naturally Sweetened	$6.4B	+7.1%
	$0.3B	+2.5%
	$0.8B	-4.0%

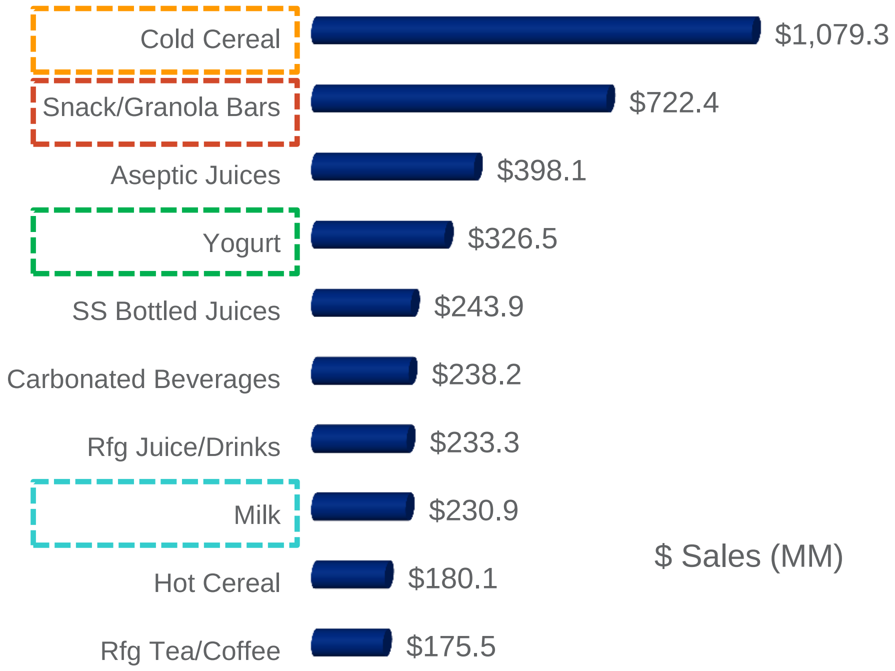
In Alternative Sweetener claims, only Stevia saw growth

Alternative Sweeteners		Sucralose (Made From Sugar... Tastes Like Sugar)		sugar alcohols (Not a sugar... Not an alcohol... So - What are they?)		STEVIA		Aspartame	
$ Sales	Chg. YA	$ Sales	Chg. YA	$ Sales	Chg. YA	$ Sales	Chg. YA	$ Sales	Chg. YA
$2.4B	-5.8%	$1.2B	-9.4%	$296.0M	-5.2%	$158.0M	+20.0%	$72.2M	-24.1%

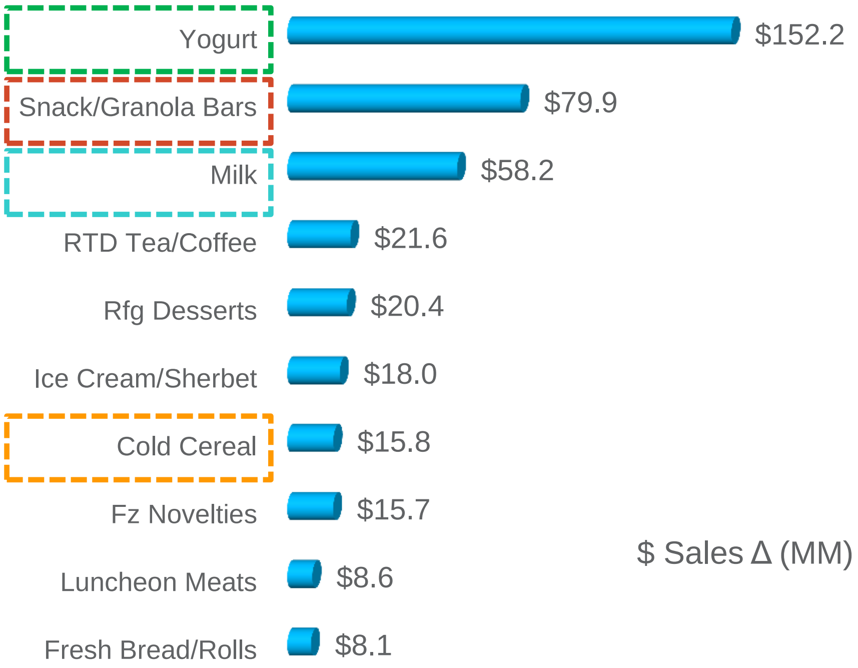
Naturally Sweetened

Yogurt, Snack/Granola Bars and Milk are the top growing Categories with Naturally Sweetened claims

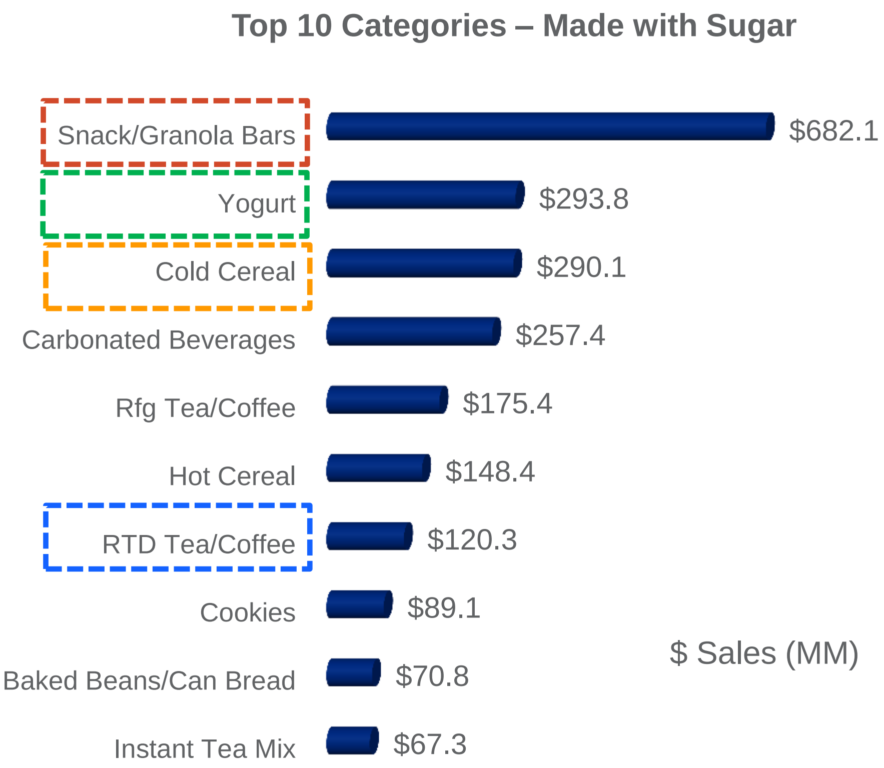
Top 10 Categories – Naturally Sweetened

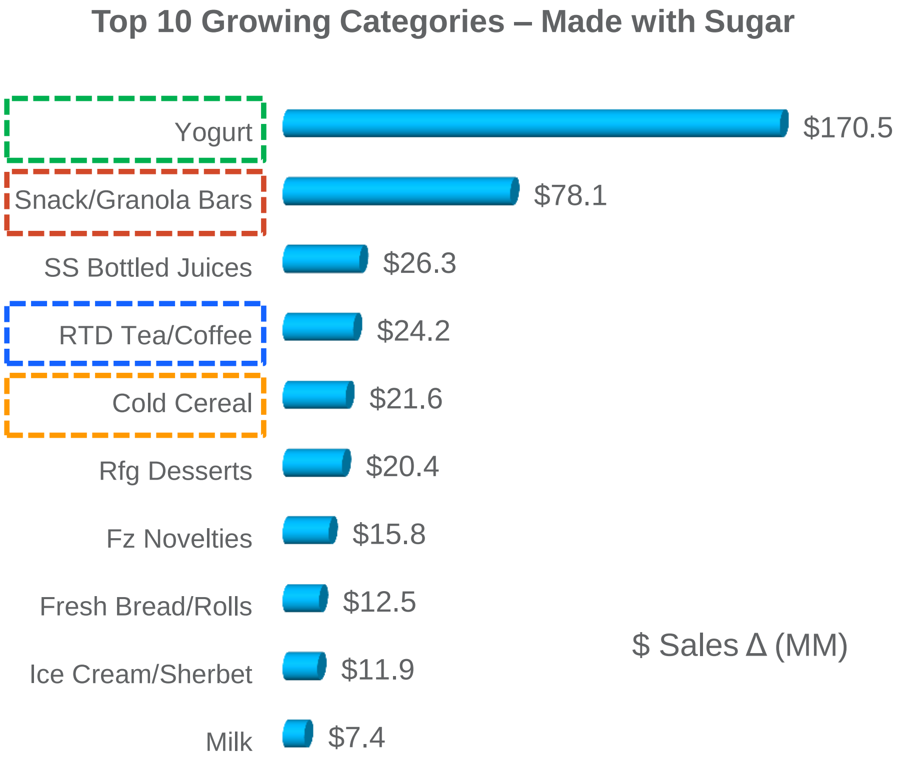


Top 10 Growing Categories – Naturally Sweetened



Snack/Granola Bars, Yogurt and Cold Cereal lead the way in Made with Sugar claims

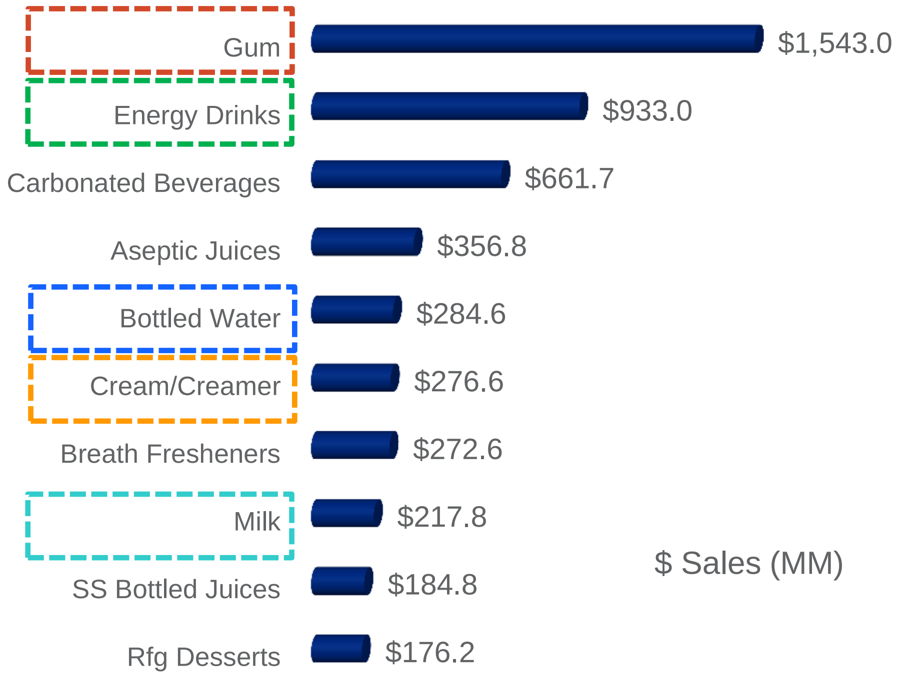




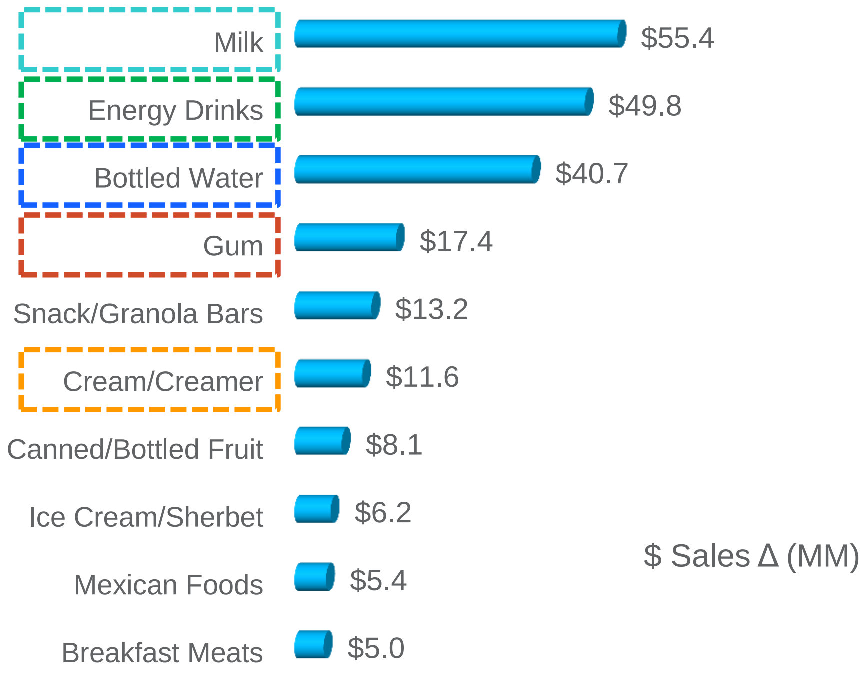
IRI Total U.S. MULO+C – Calendar Year 2017 Ending 12-31-2017

5 of the Top 10 Categories for No/Low/Less Sugar claims also saw the fastest growth

Top 10 Categories – No/Low/Less Sugar

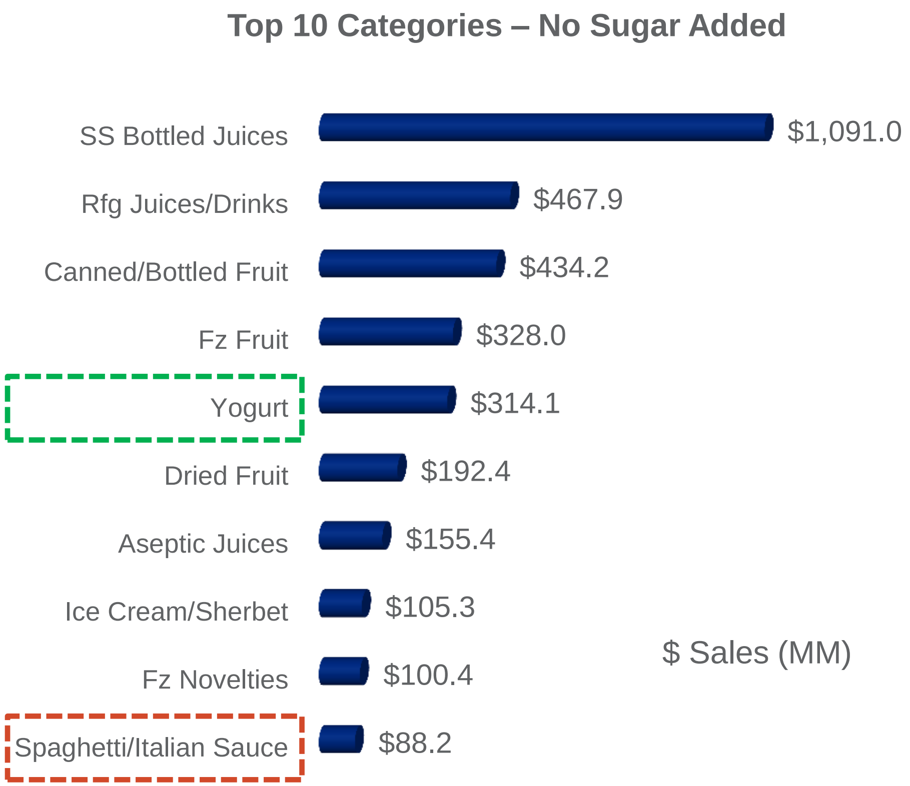


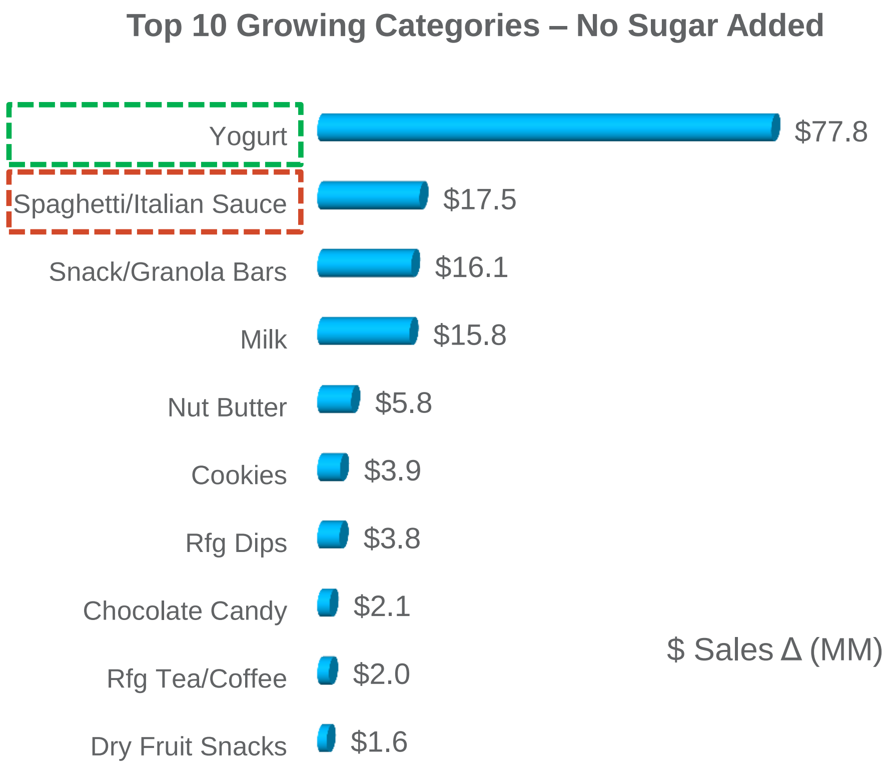
Top 10 Growing Categories – No/Low/Less Sugar



IRI Total U.S. MULO+C – Calendar Year 2017 Ending 12-31-2017

Juice, Fruit and Fz Desserts are the main Categories with No Sugar Added claims

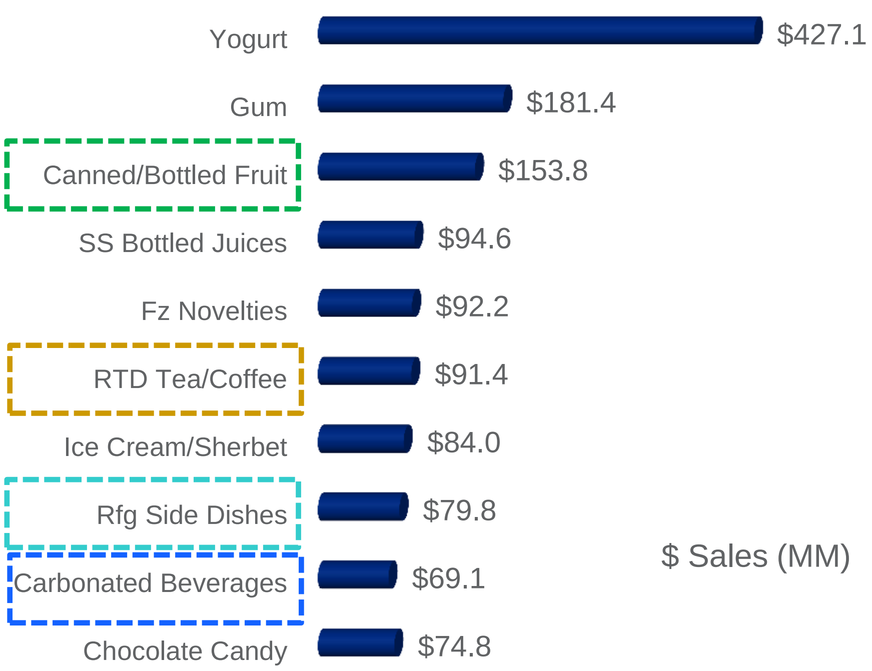




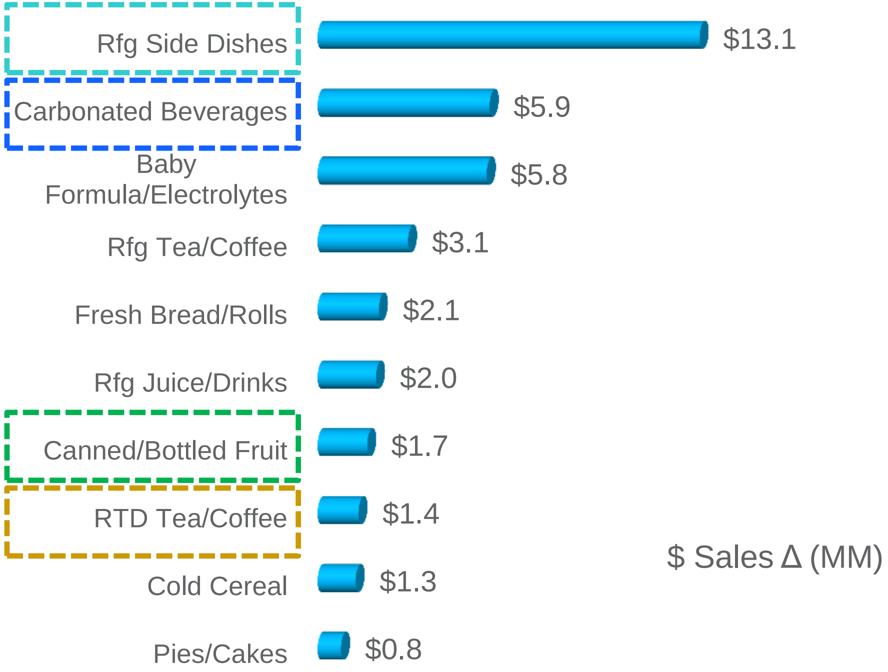
IRI Total U.S. MULO+C – Calendar Year 2017 Ending 12-31-2017

4 out of the Top 10 Artificially Sweetened claims Categories are in the Top 10 Growing Categories

Top 10 Categories – Artificially Sweetened

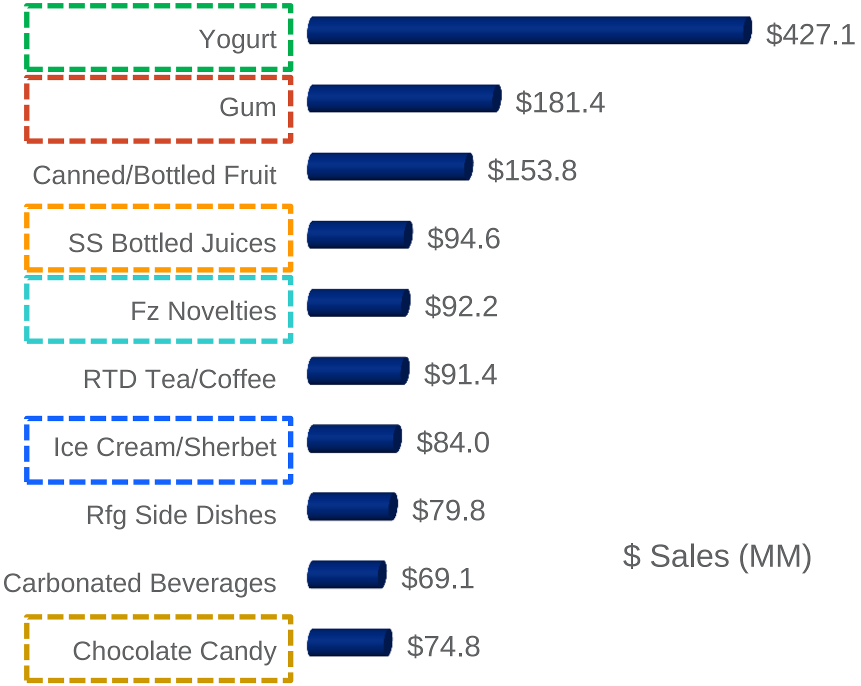


Top 10 Growing Categories – Artificially Sweetened



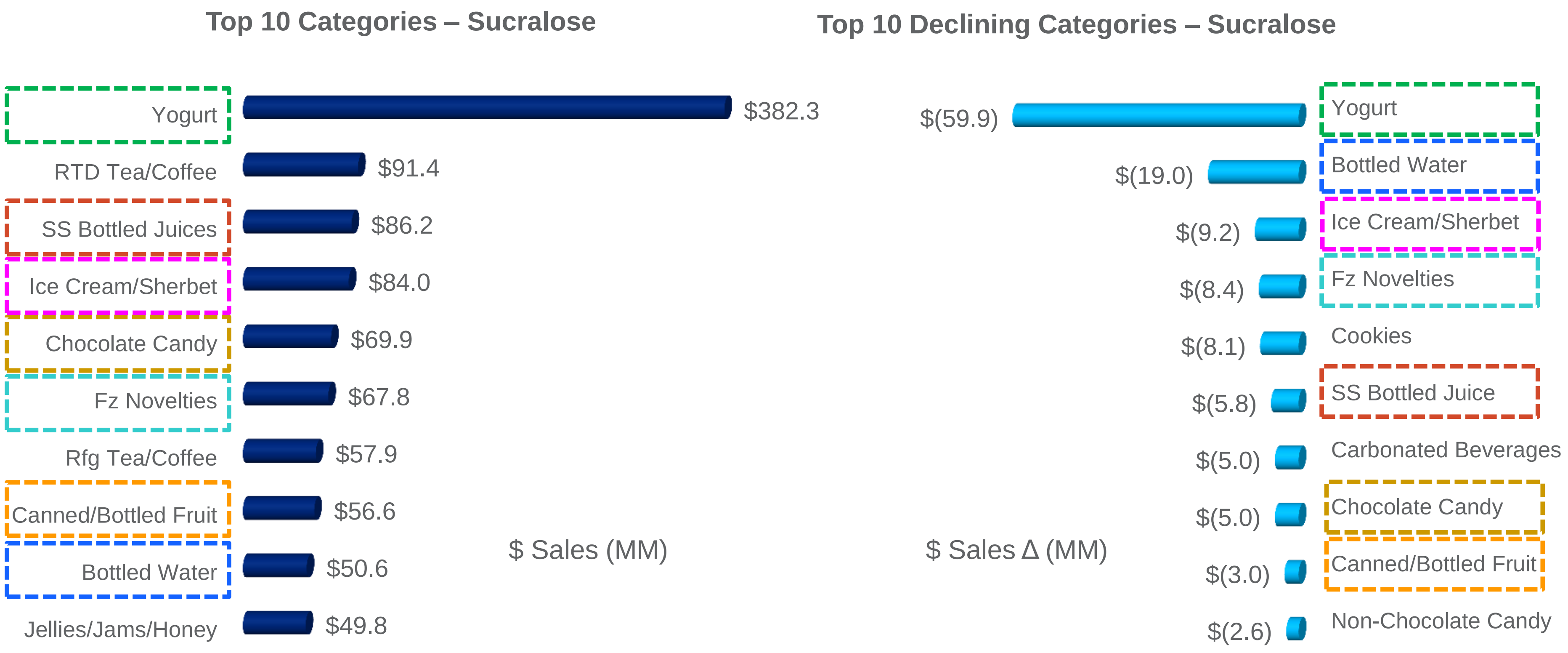
6 out of the Top 10 Artificially Sweetened claim Categories are in the Top 10 Declining Categories

Top 10 Categories – Artificially Sweetened



Top 10 Declining Categories – Artificially Sweetened

7 out of the Top 10 Sucralose claim Categories are in the Top 10 Declining Categories



IRI Total U.S. MULO+C – Calendar Year 2017 Ending 12-31-2017

Stevia claims are small but growing in Carbonated Beverages, Chocolate Candy and Juice

Top 10 Categories – Stevia

Top 10 Growing Categories – Stevia

IRI Total U.S. MULO+C – Calendar Year 2017 Ending 12-31-2017

Yogurt is a category with much consumer confusion

Yogurt is in the Top 10 in the following claims:

Naturally Sweetened

Made with Sugar

No Sugar Added

Free

Artificially Sweetened

Sucralose

CONSUMER PERCEPTIONS

3

Chris von der Linden

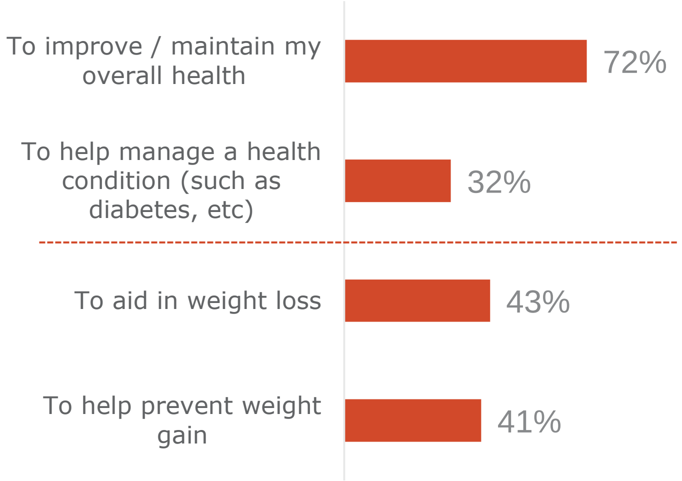
Sugar avoidance is an active concern among consumers

58%

REPORT AVOIDING SUGAR ACROSS GENERATIONS

- *50% avoid adding sugar to their food/beverages*
- *30% avoid consuming products with sugar in the ingredient list*

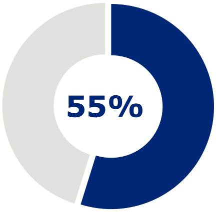
➢ Among those avoiding sugar, **85%** do so for **health** purposes while **58%** have **weight** concerns

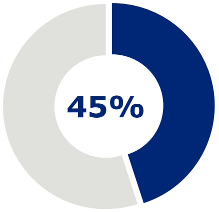


6.Within the past year, have you purposely tried to avoid consuming sugar, either as an ingredient you add to food/beverages (e.g., adding sugar in coffee) or as an ingredient already present in food/beverages (e.g., sugar in soda)? 6a. Why are you actively trying to avoid consuming sugar?

Source: IRI Sweetener Survey Jan '18

Many consumers are consciously monitoring sugar intake, though most are not following a specific eating plan





1 in 3 strictly/somewhat follow a low-sugar eating plan

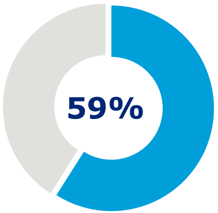
Fewer than 1 in 4 strictly/somewhat follow a low-carb eating plan

Base: total respondents n=520
Q9. Please select one box for each statement to indicate how strongly you agree or disagree. Use a scale from 5 to 1, where 5 means "Agree Strongly" and 1 means "Disagree Strongly".

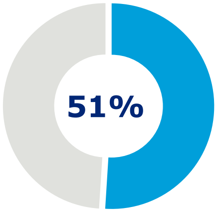
Source: IRI Sweetener Survey Jan '18

Parents are monitoring sugar content as well as the type of sweetener found in food/beverages out of concern for their kids…

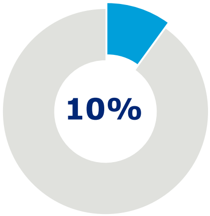
Attitudes among HHs with Kids



Check the ingredient list before buying a new food or beverage for my kid(s) to see what kind of sweetener is used



Check the number of grams of sugar before buying a new food or beverage for my kid(s)



Products made with **artificial sweeteners are a good option** to reduce the sugar kids consume

Top-2 Box Agreement

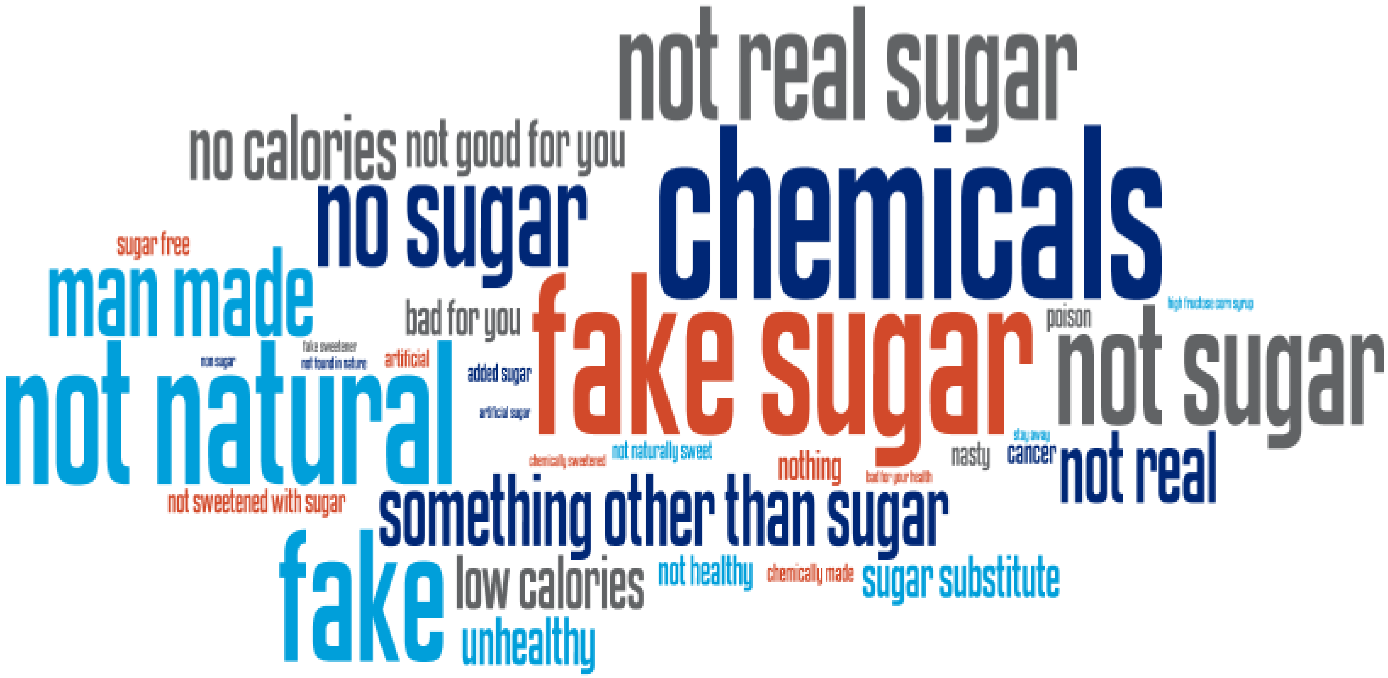
Parents are concerned with…

- Improving / maintaining a child's ***overall health*** (81%)
- Affecting a child's ***mood or concentration*** (40%)
- Helping to prevent too much ***weight gain*** (36%)

Base: HHs with Kids under age 18 n=177
11. Thinking about choosing sweet foods and beverages for your kids, please select one box for each of the following statements to indicate how strongly you agree or disagree. 11a. Why are you concerned with the sugar/sweetener content when purchasing products for your kids? 1. When you hear the term "artificially sweetened", what does that mean to you?

Source: IRI Sweetener Survey Jan '18

Consumers say “artificially sweetened” means…

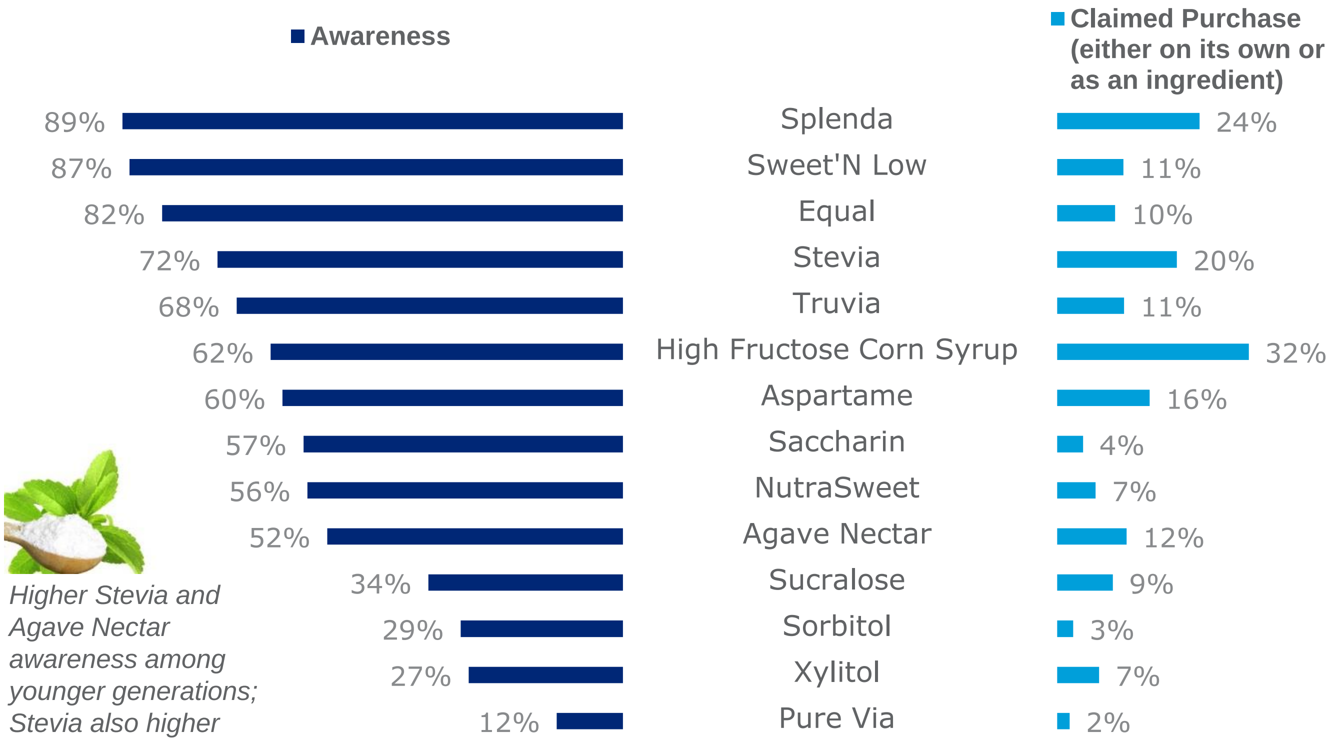


Base: total respondents n=520

Q1. When you hear the term “artificially sweetened”, what does that mean to you?

Source: IRI Sweetener Survey Jan ‘18

While awareness of alternative sweeteners is generally high, most consumers are not reporting purchasing them



Higher Stevia and Agave Nectar awareness among younger generations; Stevia also higher among HHs with kids.

Traditional Sweeteners

90% report purchasing **sugar** within P12M

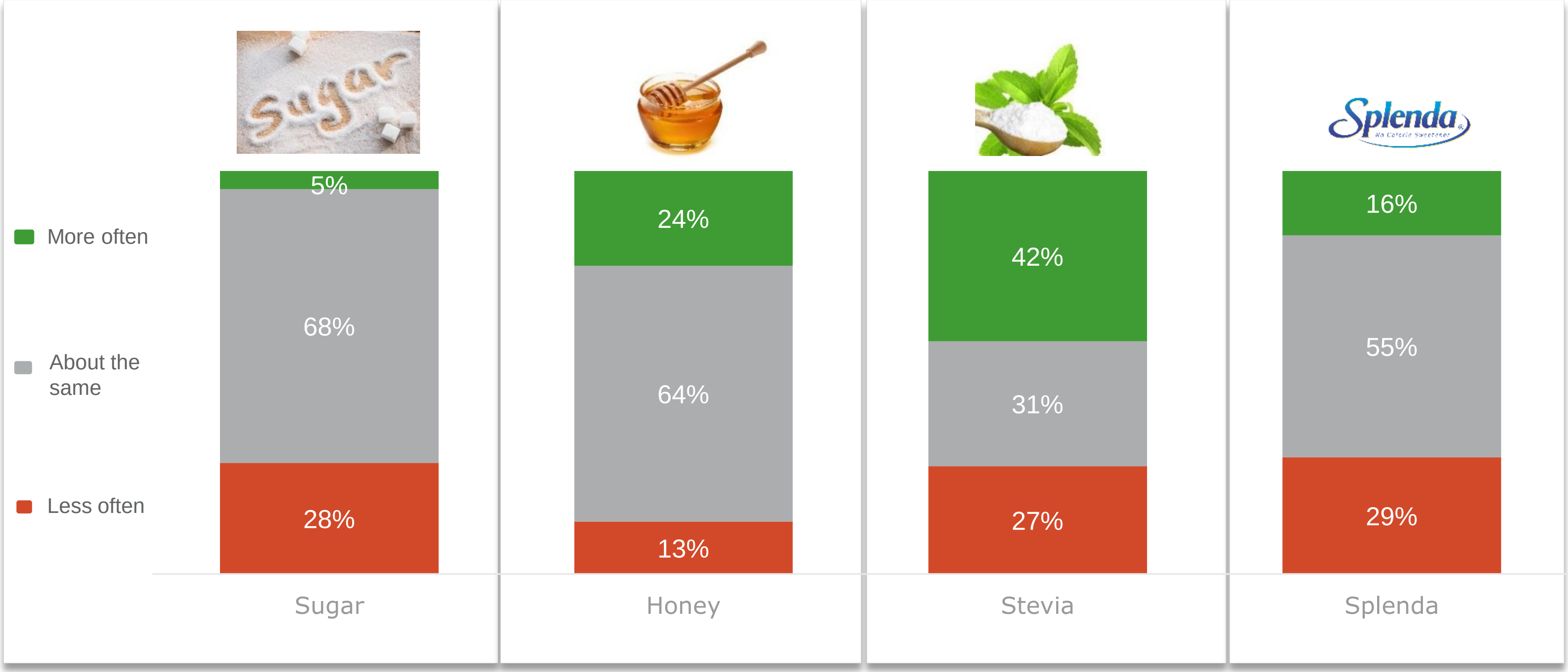
73% report purchasing **honey** within P12M

S2. You may have mentioned some of these already, but which of the following sweeteners have you ever seen or heard of? S3. Which of the following sweeteners have you purchased in the past year, either as an individual product in a box/bag/jar or as an ingredient contained in a food/beverage product?

Source: IRI Sweetener Survey Jan '18

Sugar and Splenda are expected to have a net decline, while buyers of honey and stevia suggest there will be net growth.

Future Purchase Intent among those who have Purchased



Asked for each product among those who have purchased the product in the past 12 months.

4. Still thinking about sweeteners that you have purchased in a box, bag or jar, in the next 12 months, do you plan to use the following sweetener(s) more, about the same, or less?

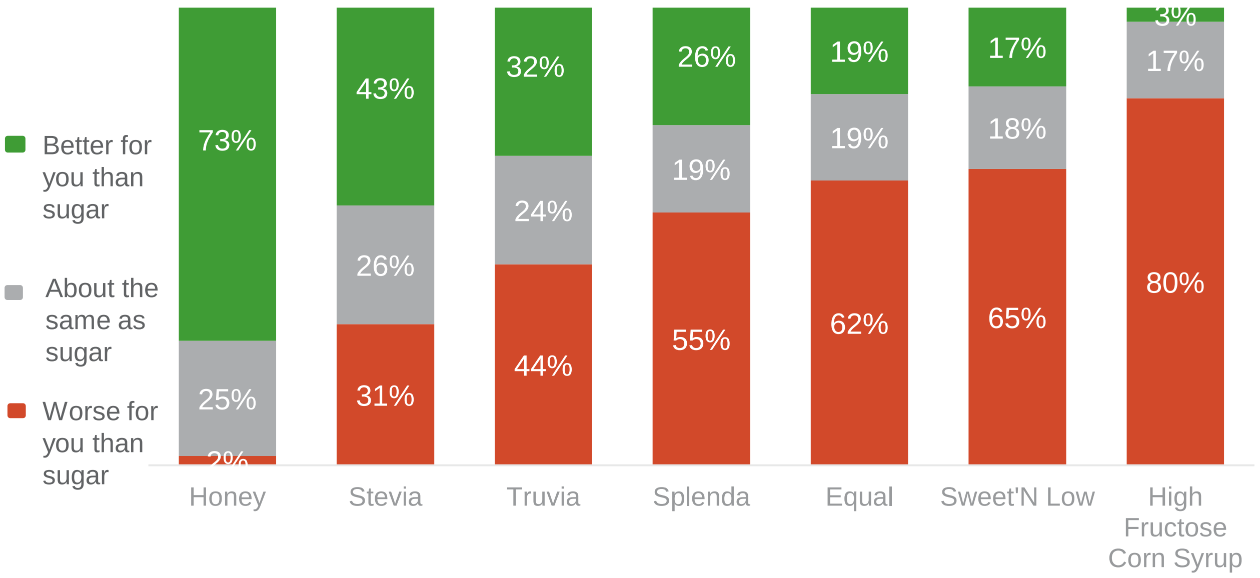
Source: IRI Sweetener Survey Jan '18

Honey is perceived to be the “best for you” option as a sugar alternative. Stevia perceptions are divided, but overall positive.

Best Sugar Alternative

1. **65%** say **honey** is the “best for you” option among all sugar alternatives
2. **14%** pick **Stevia**
3. Only **11%** selected one of the **Artificial Sweetener** options

Rating vs Sugar



Asked for each product among those aware of the product.

8. Thinking about sugar alternatives, which of the following would you say is the best for you? 7. When thinking of the following sugar alternative(s), how does each compare to sugar on being better for you?

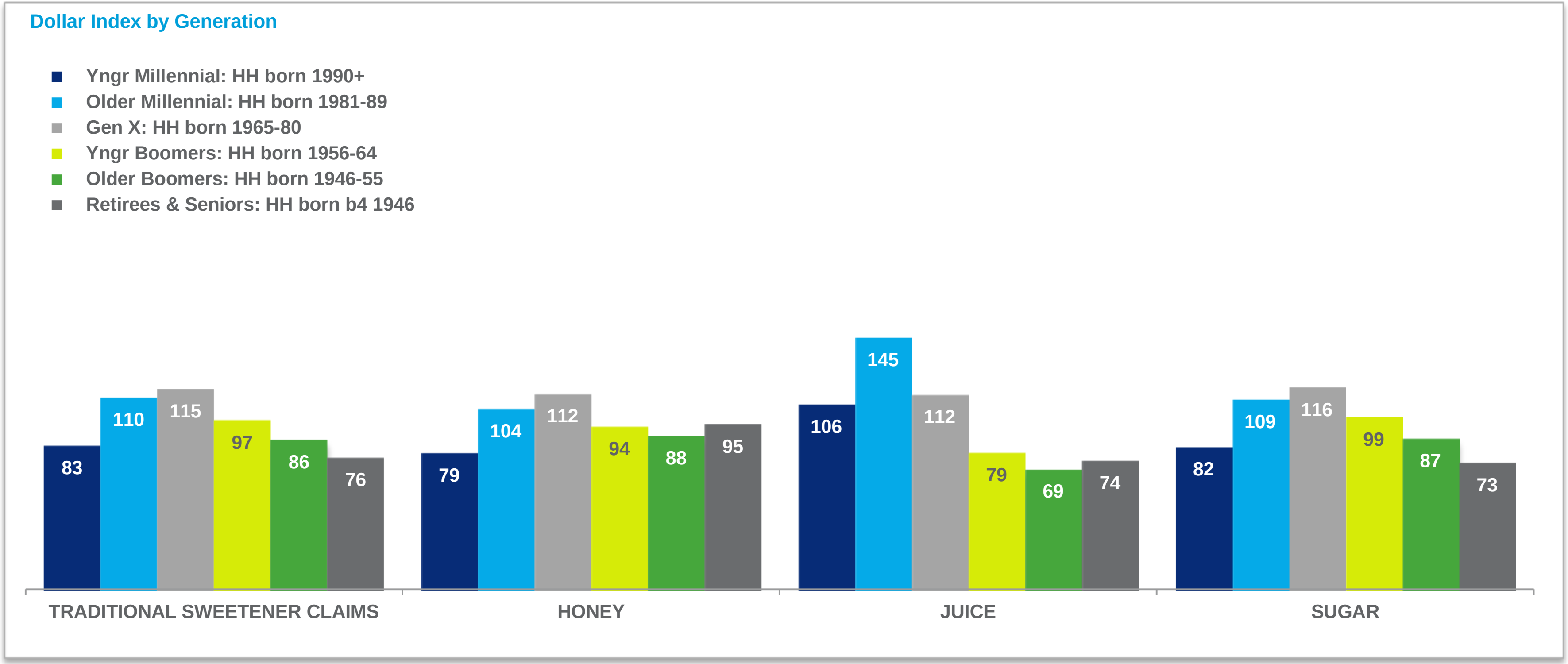
Source: IRI Sweetener Survey Jan ‘18

CONSUMER BEHAVIOR

Generation Dynamics + SPINS NaturaLink Segment Insights

Chris von der Linden

Traditional Sweetener Claims are clearly appealing to younger buyers



Source: IRI National Consumer Panel 52 Weeks Ending 12-31-2017, All Outlets

While all generations use alternative sweeteners, the type changes by generation. Aspartame and Sucralose skew older; Stevia and Sugar Alcohols skew to GenX.

Dollar Index by Generation

Older generations *are more likely to purchase aspartame and sucralose, be on low-sugar diets, and be somewhat more positive toward artificial sweeteners. However the majority still say artificial sweeteners are 'worse for you' than sugar.*

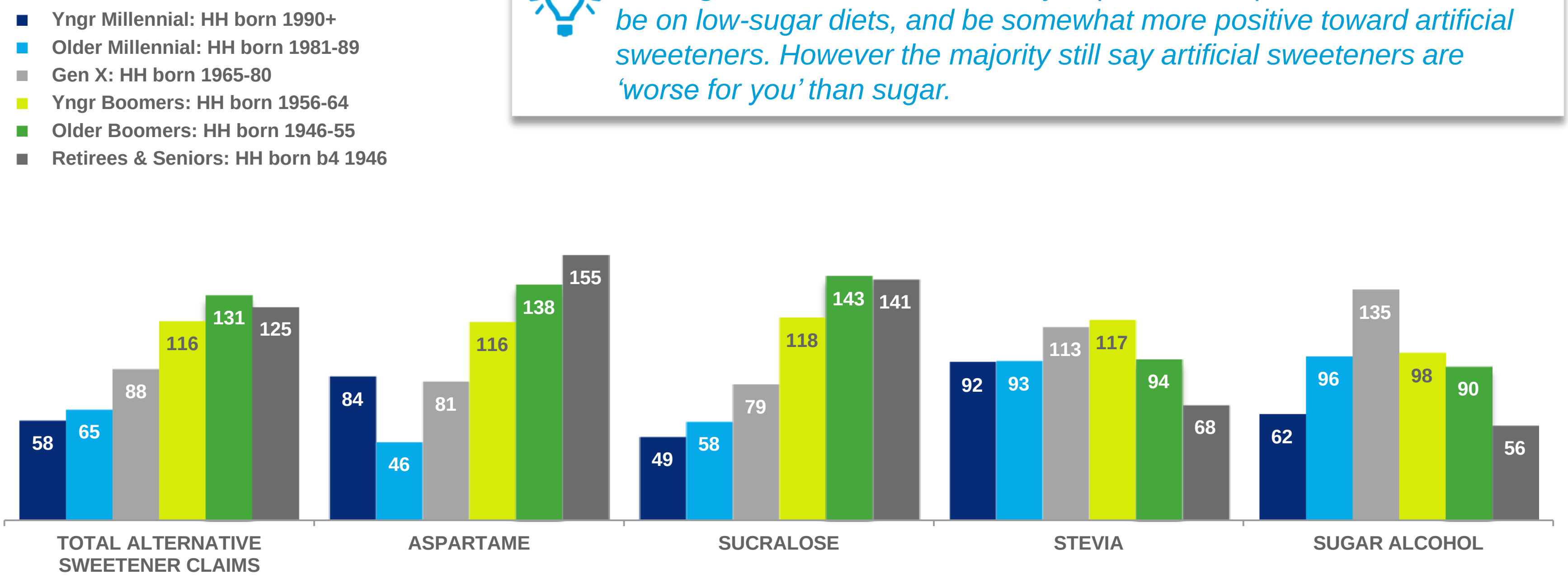


Chart Source: IRI National Consumer Panel 52 Weeks Ending 12-31-2017, All Outlets
Attitude Source: IRI Sweetener Survey Jan '18 Q7. When thinking of the following sugar alternative(s), how does each compare to sugar on being better for you?

IRI's SPINS NaturaLink segmentation offers a view of how to leverage existing Natural/Organic buyers, and how to attract new ones

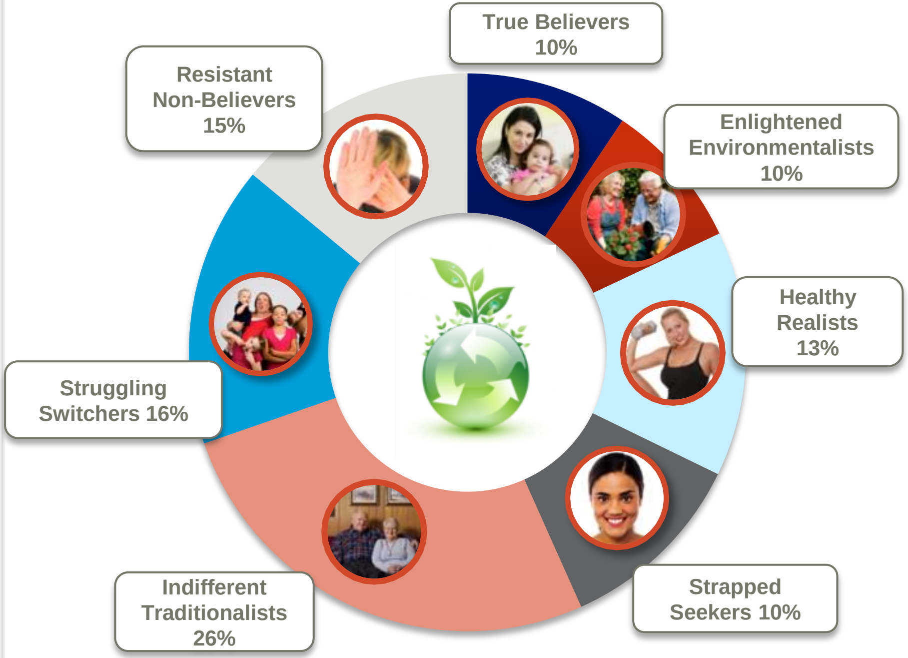
THE NATURAL/ORGANIC MARKETPLACE

The Natural/Organic Marketplace is made up of seven distinct consumer segments, based on their lifestyles, purchasing of natural/organic products, attitudes toward natural/organic products, the importance of physical and emotional category/product needs, and demographics.

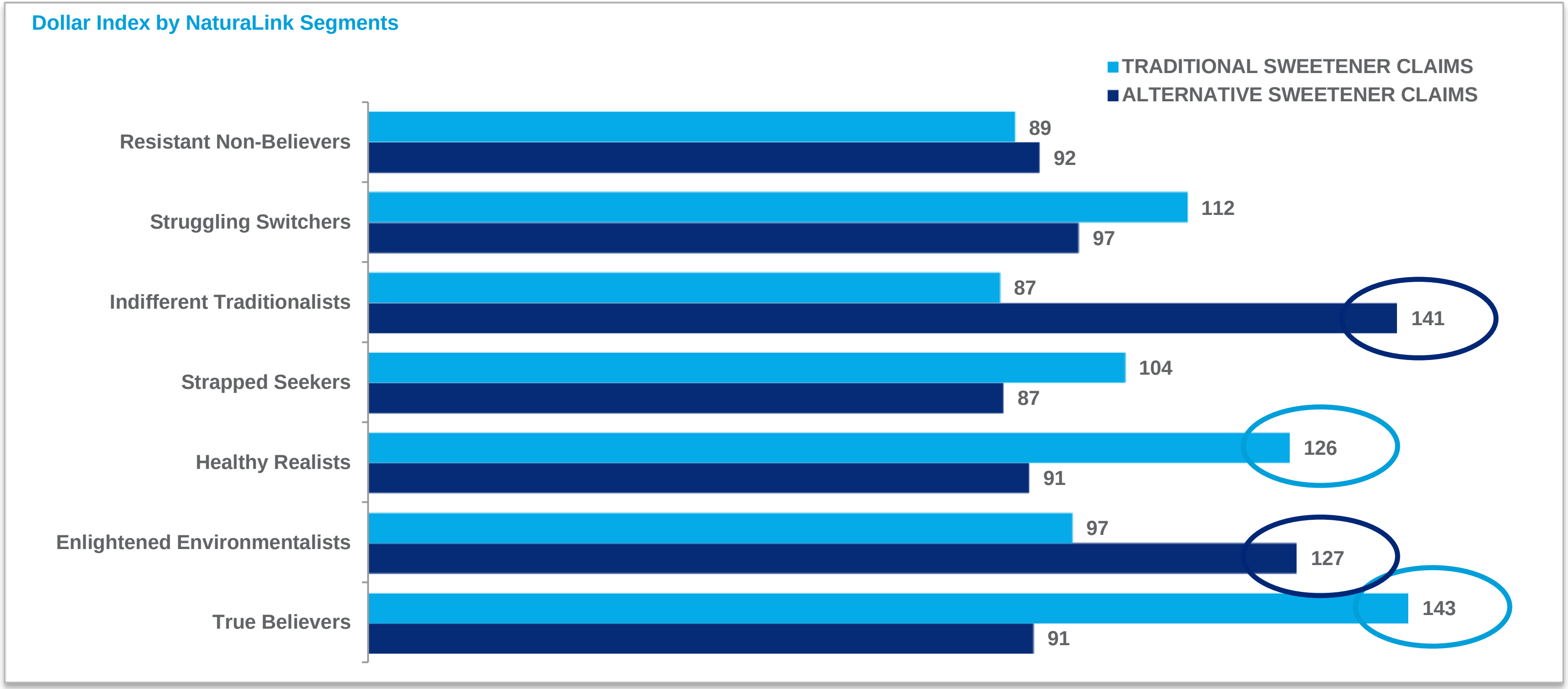
This segmentation is unique, in that it reflects a representative sample of the Total U.S. population - not just those who buy Natural/Organic products.

As such, it provides manufacturers and retailers with an important perspective of how to leverage products among existing Natural/Organic buyers - and it provides insight into how to persuade current infrequent/non-buyers of Natural/Organic products to buy more.

NATURAL/ORGANIC SEGMENT SIZES



Traditional Sweeteners appeal to Healthy Realists and True Believers, while Alternative Sweeteners appeal to Indifferent Traditionalists and Enlightened Environmentalists



Source: IRI National Consumer Panel 52 Weeks Ending 12-31-2017, All Outlets

Meet the True Believers

I am passionate about…

Staying fit and healthy, trying new things and being a great role model for my kids. I am a true believer in the benefits of Natural/Organic products, and I make a real effort to be knowledge-able about them. Sustainability is very important to me, and I take pride in choosing Natural/Organic products.

MY MEDIAN INCOME IS
$70K

MY AVG. AGE
42

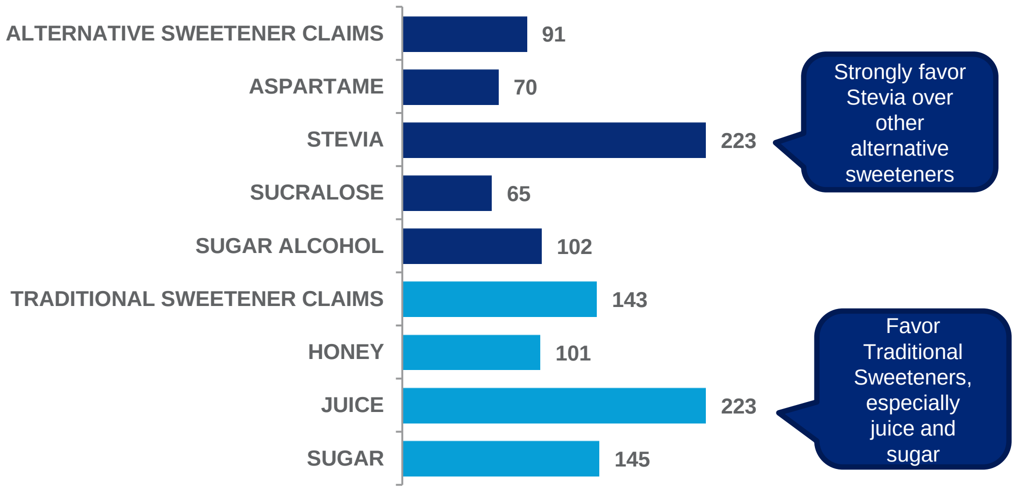
MY FAMILY

I ATTENDED ***College/ Post Grad***

75% Caucasian

I LIVE

Dollar Index by NaturaLink Segments

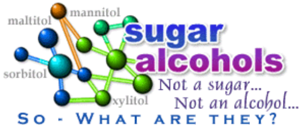


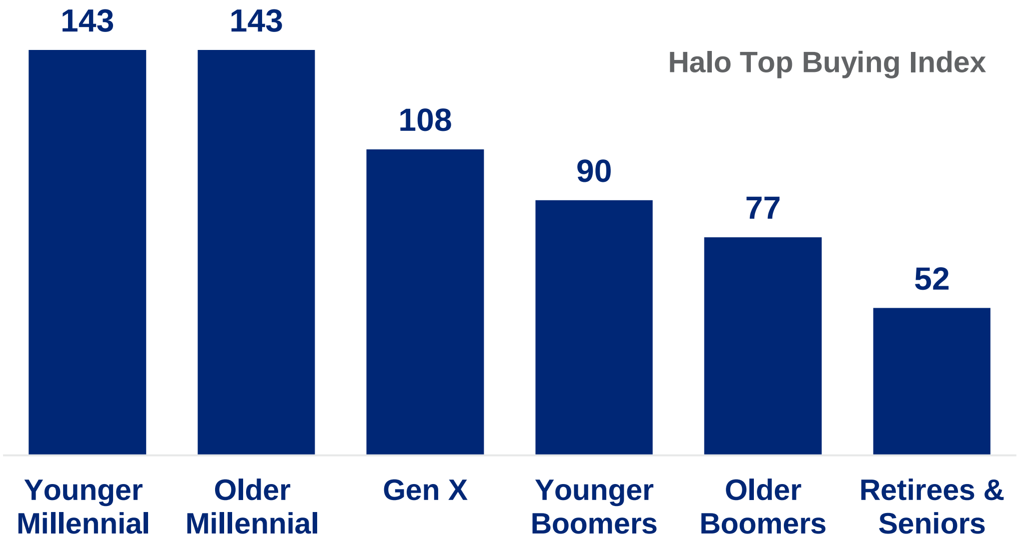
WHAT
Holds Me Back

- Expense of natural/organic products
- Availability of natural/organic options at local store
- Not all-natural/organic options available for products I like

HOW I GET
Information

Halo Top Ice Cream, Sweetened with Stevia and Sugar Alcohols, Appeals to That Younger Buyer





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WHAT IT ALL MEANS

Key Takeaways

John Crawford and Chris von der Linden

Key Takeaways

Retailers are looking to the future to meet the evolving consumer, focusing on perimeter growth, eCommerce and smaller stores

Avoidance of Sugar is a macro trend that is here to stay and will only increase

Following consumer leads, brands are making increasing claims around naturally sweetened and are reducing claims of artificially sweetened

Older consumers are accepting of artificial sweeteners, but younger consumers avoid them

Categories like Yogurt are only adding to consumer confusion about “good” vs. “bad” sweeteners

Stevia has delivered (more than any other alternative sweetener) on “Not Sugar and not Artificial”

We see tremendous upside for Stevia and believe there is market space for other “more natural” alternatives to sugar

THANK YOU!

For More Information, Contact Us…

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