“NEW CONVENIENCE”
THE FUTURE OF MODERN TRADE
September, 2016
“Convenience is not a store format it is a consumer need.”
MAJORITY OF CONSUMERS LIVE IN URBAN AREAS

85% of Latin American population will be URBANIZED by 2050

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<tr>
<th>Country</th>
<th>2014</th>
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COMMUTING IS A PROBLEM

2 COMMUTES PER DAY of at least 1 hour each way and walk 1.4 Km

SOURCE: IBM COMMUTER PAIN INDEX
ALL MEMBERS OF THE FAMILY WORK FOR LONG PERIODS

<table>
<thead>
<tr>
<th>Country</th>
<th>1990</th>
<th>2016</th>
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<tr>
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Latinos WORK
42 HOURS PER WEEK vs.
37 in European countries

SOURCE: WORLD BANK | CAM = Central America
LATAM IS IN THE ERA OF DIGITAL GENERATION

MILLENNIALS ARE THE MOST AVID ONLINE GROCERY SHOPPERS

57% are already using Online to order for delivery to home and 30% Willing to use
On the go lifestyle... need for SPEED

56% Latinos look for proximity of stores to make purchases

43% Want to spend less time shopping "it is a chore"

47% Prefer to get in and get out quickly of the store

76% Like to go shopping – because of the experience

SOURCE: Global Survey Growth Strategies 2016
PROMOTING THE EXPLOSION OF EMERGING FORMATS THROUGHOUT LATIN AMERICA

Number Store Index vs. 2010

**Brazil**

**Mexico**

**Colombia**

**Chile**

**Cam**

**Argentina**

- Convenience
- Gas Stations UTT+DTT*
- Pharmacies & Drugstores UTT + DTT
- Superettes 100-400 m2 UTT + DTT
- Small Supermarkets 400 – 1000 m2 UTT + DTT

Source: Nielsen Retail Universe Data 2015 - Base 100% Number of Stores in 2010
# RETAIL SALES LATIN AMERICA

<table>
<thead>
<tr>
<th>Country</th>
<th>2010 Traditional Trade</th>
<th>2013 Traditional Trade</th>
<th>2015 Traditional Trade</th>
<th>2010 Large Supermarkets &gt;1000 m²</th>
<th>2013 Large Supermarkets &gt;1000 m²</th>
<th>2015 Large Supermarkets &gt;1000 m²</th>
<th>2010 Pharmacies &amp; Drugstores</th>
<th>2013 Pharmacies &amp; Drugstores</th>
<th>2015 Pharmacies &amp; Drugstores</th>
<th>2010 Convenience + Gas Stations</th>
<th>2013 Convenience + Gas Stations</th>
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<td>Brazil</td>
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*Measured Countries: Nielsen Retail Index 2015 | Traditional Trade Includes: Traditional <100m²+Kiosks+Superettes DTT+HORECA
Convenience only measures in Mexico and Gas Stations in Brazil, Chile & Argentina | Drugstores & Gas Stations include UTT+DTT
HARD DISCOUNTERS ARE INCREASING THEIR PRESENCE, ESPECIALLY WITH THE ECONOMIC RECESSION

7,718 Stores - ARGENTINA

1,100 Stores 2017 Projection - MEXICO

179 Stores - BRAZIL

400 Stores - COLOMBIA

- Product Assortment 600 sku’s
- 70%~ Private Label vs. 14% others
- Prices below 30%~ vs. other retailers
- Process Simplicity and cost efficiency:
  - Exhibition
  - Suppliers Negotiation
  - Logistics
  - Merchandising
  - Services (eg. No Parking)
  - Cash Payments

SOURCE: NIELSEN HOMESCAN UK
HARD DISCOUNTERS ARE INCREASING THEIR PRESENCE, ESPECIALLY WITH THE ECONOMIC RECESSION

COLOMBIA
HARD DISCOUNTERS

35% of Households purchase in D1 vs. 38% of Exito (Biggest Retailer in Colombia)

Users of D1 are concentrating **24% of their total spend** in D1

75% of their total sales in the last year came **from shifting from Traditional Trade (34%), Independent Supermarkets (13%), Exito (13%) and Olimpica (4%)**

Strong presence in **all socioeconomic levels**

SOURCE: NIELSEN HOMESCAN UK
BRAZIL | 180 STORES
BUT THE MEANING OF NEW CONVENIENCE GOES BEYOND PRICE...

NEW CONVENIENCE

READY TO EAT FOOD & DRINK SOLUTIONS

WIDER RANGE OF PRODUCT SELECTION

EXTENDED SERVICES & HOURS
CHANNELS ARE BEGGINING TO CONVERGE BETWEEN MISSIONS

**MODERN TRADE**
- Buy daily use items: 33%
- Out of Home Consumption: 22%
- To Stock - up: 16%
- Urgent Items or Replacements: 16%
- Others: 13%

**TRADITIONAL TRADE**
- Out of Home Consumption: 38%
- Buy daily use items: 34%
- Urgent Items or Replacements: 17%
- Others: 11%
- To Stock - up: 2%

Stock – up is a mission dominated by Mega markets

SOURCE: Shopper Missions 2013 – Modern Trade: Argentina, Chile, México and Brazil | Traditional Trade Argentina, Chile, México, Brazil, Peru, Venezuela and Colombia
RTE

Food & Drink Solutions
THE NEED FOR SPEED IS REFLECTED IN MEAL HABITS ACROSS THE REGION

Latin Americans eat lunch away from home, the need is about convenience.

LATAM: 3,066 RESPONDENTS


This Nielsen survey is based only on the behavior of respondents with online access. Internet penetration rates vary by country. Nielsen uses a minimum reporting standard of 60% internet penetration or an online population of 10 million for survey inclusion.
PREPARED FOODS IN STORES ARE HIGHLY VALUED BY CONSUMERS IN LATIN AMERICA

The store has a variety of freshly prepared foods which is highly influential...

I often visit the store for the additional services they provide

- Coffee Services: 42% available, 22% not available, 16% not available but would use
- Prepared food services: 39% available, 16% not available, 20% not available but would use
- Fast-food services: 40% available, 20% not available, 20% not available but would use

SOURCE: Global Survey Growth Strategies 2016
IN HONG KONG RTE FOOD HAS BEEN A KEY DRIVER OF GROWTH FOR CONVENIENCE STORES

Increasing space allocation for Ready-To-Eat food and drinks, with more varieties ranging from fresh brewed coffee to hot breakfast choice and tea-time snacks.

Consumers are also welcoming the wider range of RTE offering with positive response
- Increasing % associated with the attribute of “RTE food & drink is of high quality” by each of the key CVS chains*

7-Eleven
- 2014: 66
- 2015: 90
- +24%

Circle K
- 2014: 51
- 2015: 75
- +24%

VanGo
- 2014: 21
- 2015: 38
- +17%
SNACKS ARE USED AS A MEAL REPLACEMENT

- 56% as a breakfast alternative
- 68% for an energy boost
- 47% as a lunch alternative
- 51% as a dinner alternative

74% snacks for inbetween meals

SOURCE: Global Survey Snack Consumption 2014
CONSUMERS SEEK FOR HEALTHIER OPTION SNACKS

Consider the following to be relevant for their snacks purchase

- No artificial colors: 48%
- Genetically modified organism (GMO) free: 49%
- High in fiber: 56%
- Natural flavors: 58%
- All natural: 64%

- Latvia
  - Meals +8.9% in 2015

✓ Unique and wide assortment on the go;
✓ Quality of products with Fresh & Tasty.

SOURCE: Global Survey Snacks consumption 2014
NATURAL AND HEALTHY INGREDIENTS ARE RELEVANT FOR SNACKS GROWTH

**BRAZIL**

- **Passatempo biscuit**
  - 50% less sugar with the same taste

**MEXICO**

- Snacks made with vegetables such as nopal or no/less fat (43% on other premium brands).

**COLOMBIA**

- **Tribos Snack**
  - 40% less sodium, 7 grains, organic ingredients, sesame seed and linseed

**Ingredients:**
- Quinoa,
- Andean Seeds & Cranberries
- Oats and berries
- Sesame
- Multicereal: wheat, rice, oats, corn, almonds and linseed
HEALTH-CONSCIOUS CONSUMER DEMAND MORE

HEALTHY BEVERAGES
91% Consider healthy hydration as a lifestyle

READY TO DRINK MILK/YOGHURT
65% prefer yogurt as a snack

PRE-CUT FRESH FRUITS
57% prefer fresh fruit as a snack

PREPARED FOOD
55% prefer sandwich as a snack

RTE VEGETABLES
52% prefer Vegetables as a snack

SOURCE: Global Survey Snacks consumption 2014
RTE FOOD AND RTD BEVERAGES OFFER A HUGE OPPORTUNITY FOR GROWTH

MUNCHING ON THE MOVE

FAST FOOD RESTAURANT

STREET FOOD

SELF-SERVICE CAFETERIA

CASUAL DINING

FORMAL RESTAURANT

CAFÉ

51% (VS. 57 GLOBAL) 55% BRAZIL 53% COLOMBIA

18% (VS. 27% GLOBAL) 30% MEXICO 22% VENEUELA

10% (VS. 22% GLOBAL) 12% CHILE

43% (VS. 56% GLOBAL) 46% COLOMBIA

41% (VS. 43% GLOBAL) 51% PERU 46% MEXICO

24% (VS. 29% GLOBAL) 31% MEXICO 38% COLOMBIA

THAT’S WHY RTE-RTD STRATEGY SHOULD BE REINFORCED WITH SOCIAL MEETING PLACES

Competing directly with Quick Serve Restaurants and Coffee Shops in all markets
WIDER RANGE

Product Selection
SHoppers are increasingly seeking for one-stop shopping solutions.

50% of online respondents in LATAM want to have food and non-food items in the same place.

Source: Global Survey Growth Strategies 2016
LATINOS LOOK FOR NON FOOD CATEGORIES IN EMERGENT CHANNELS

CONSUMERS BUYING MORE OFTEN

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>HYPERMARKETS/ MASS MERCHANDISE</td>
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<tr>
<td>SUPERMARKETS/ GROCERY STORES</td>
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<tr>
<td>DISCOUNTERS/ CLUB STORES</td>
<td>13%</td>
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<tr>
<td>CONVENIENCE STORES</td>
<td>16%</td>
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<tr>
<td>PHARMACY/ DRUG STORE</td>
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<td>14%</td>
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<tr>
<td>PHARMACY/ DRUG STORE</td>
<td>18%</td>
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SOURCE: Global Survey Retail Preferences 2015
GAINING CONSUMER'S PREFERENCE VIA A WIDER PRODUCT SELECTION

1. FRESH PRODUCTS
   Filling everyday consumer needs from snacks to daily shopping

2. PRIVATE LABEL OPPORTUNITY
   Diversifying retail brands with smart innovation
   Develop portfolio segmentation from low-mid price to premium and premium+

3. LOCAL BRANDS & EXCLUSIVE LAUNCHES
   Experimenting with local tastes and flavors (Local Favorites)
   Bringing new excitement to a range of new shoppers (Students, elders, moms, etc.)
TRADER JOE’S – U.S.A.

Organic Food and Private Label

Source: http://www.traderjoes.com/
FRESH PRODUCTS ARE AN ANCHOR FOR CONSUMERS IN LATIN AMERICA

Consumers consider high quality fresh products to be influential in their store choice

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FRESH PRODUCTS ARE ONE WAY TO GAIN SALES FROM TRADITIONAL TRADE

Where consumers buy more?

- Meat & Poultry: 39%
- Fish & Seafood: 47%
- Fruits & Vegetables: 50%
- Dairy: 61%
- Bread & Bakery: 23%
- Delicatesen: 10%

Category 1: 8%
Category 2: 7%
Category 3: 9%
Category 4: 13%

- Meat & Poultry
- Fish & Seafood
- Fruits & Vegetables
- Dairy
- Bread & Bakery
- Delicatesen

SMALL FORMATS
TRADITIONAL CHANNELS

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INTRODUCING FRESHNESS INTO CONVENIENCE

INDIVIDUAL FRUIT AND VEGETABLES

READY-TO-COOK INGREDIENTS

Providing convenience in “fresh”
CREATING OPTIONS TO DIVERSIFY THE OFFER

Private Labels in Latin America

- Good alternative to name brands: 36%
- Quality has greatly improved: 39%
- Buy more if more are available: 35%

SOURCE: Global Survey Retail Growth Strategies 2016
LOCAL PRODUCTS LEADING THE WAY IN LATAM

"Take care, do not punish yourself"
Extended healthy portfolio.
Natural & local ingredients as Quinoa, Chia, Andean Seeds, etc.
39% of $ share in healthy biscuits.

Products with natural & local ingredients and gluten free.
Nopal, Blue Corn...
In Biscuits* grew three times above category (15% vs 5%)

"From the herb to your glass"
Beverages made with local herbs.
Grew three times above the category in value (36% vs 13%).

"Passion for natural and organic.. that take care of the body and soul."
Extended healthy portfolio.
While T. Cereals loses value, mae terra grows 37%.
• Cereals, oats & granolas
• Biscuits, Cereal Bars
• Rice, flour, sugar, etc.
• Salty snacks, Seeds & nuts

COLOMBIA
MEXICO
ARGENTINA
BRAZIL
SERVICES

Being a convenient destination
ADOPTING AND EVOLVING THE SERVICE MODEL TO PROVIDE CUSTOMERS WITH SOLUTIONS TO A NUMBER OF NEEDS

I often visit the store for the additional services they provide

- **Health Clinic Services**: 36% (36% available, and I do use) vs. 22% (22% not available, but I would use)
- **Petrol / Filling Stations**: 31% (27% available, and I do use) vs. 27% (20% not available, but I would use)
- **Pharmacy Services**: 54% (54% available, and I do use) vs. 20% (20% not available, but I would use)
- **Banking Services**: 51% (22% available, and I do use) vs. 22% (22% not available, but I would use)

SOURCE: Global survey Retail Preferences
WE HAVE OBSERVED GREAT EXAMPLES IN LATAM

<table>
<thead>
<tr>
<th>BANCO</th>
<th>SERVICIO</th>
<th>MONTO LÍMITE POR DÍA</th>
<th>COMISIÓN</th>
<th>HORARIO</th>
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<td>Pago de tarjeta de crédito</td>
<td>$3,000.00</td>
<td>$8.00</td>
<td>Todos los días, de 07:00 a 20:00 o según horarios de apertura de cada tienda</td>
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<td>Depósito a cuentas</td>
<td>$3,000.00</td>
<td>$8.00</td>
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<td>Banorte</td>
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<td>Todos los días, de 15:00 a 22:00</td>
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<tr>
<td></td>
<td>Pago de tarjeta de crédito</td>
<td>$15,000.00</td>
<td>Consultar directamente en tienda</td>
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Tenemos una gran red para que envíes y recibas plata.

Mas de 7,000 puntos en todo el país para tus giros.

PAGO Fácil

rapi pago

Increasing shopper spend and frequency
BUT WE STILL HAVE A LONG WAY TO GO...
AN OMNICHANNEL, MULTISCREENING EXPERIENCE OPPORTUNITY

Upgraded 2nd generation ibon
Printing/Scan event tickets/transportation tickets besides household bill payment

Provide tablet in sitting area
Customer can access to 7-Net to shop more

In-store media
Sports/TV commercials

Source: http://www.ibon.com.tw/
TO MAKE SHOPPERS’ LIVES TRULY CONVENIENT

From bill payment to having a hot meal, more services are being added.....
MOVE BEYOND THE BIG CITIES TO CAPITALISE ON CONSUMER PURCHASING POWER

<table>
<thead>
<tr>
<th></th>
<th>AVG. HOUSEHOLDS PER TRADITIONAL STORE</th>
<th>AVG. HOUSEHOLDS PER SUPERMARKET</th>
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</thead>
<tbody>
<tr>
<td><strong>TOP CITIES</strong></td>
<td>29</td>
<td>7,772</td>
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<td>(VDM, Gdl, Mty)</td>
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<tr>
<td><strong>POTENTIAL CITIES</strong></td>
<td>30</td>
<td>8,404</td>
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<tr>
<td><strong>OTHER CITIES</strong></td>
<td>39</td>
<td>5,703</td>
</tr>
</tbody>
</table>

Modern Trade overdeveloped and Traditional high saturation

SOURCE: Nielsen Spectra Mexico
HOW NIELSEN CAN HELP?

READY TO EAT FOOD & DRINK SOLUTIONS
- Shopper Missions
- Shopper Preferences
- On Premise Panel

WIDER RANGE OF PRODUCT SELECTION
- Product Innovation (Private Labels)
- Household Panel
- Assortment
- CATMAN Platform

EXTENDED SERVICES & HOURS
- Shopper Solutions
- Spectra
- Loyalty Platform
- Marketing Effectiveness
- Price Elasticity
- Omnichannel Solutions
- Strategic Locations with Spectra

Loyalty Programs | Promotions
Digital: E-commerce Strategy
Strategic Openings
“NEW CONVENIENCE”
THE FUTURE OF MODERN TRADE

Fabiola.delaportilla@nielsen.com
Thought Leadership Director Latin America