

“MADE IN” MATTERS... OR DOES IT?

HOW CONSUMER PERCEPTIONS ABOUT
COUNTRY OF ORIGIN ARE TRANSLATING TO
PURCHASING BEHAVIORS AROUND THE WORLD

1 MOVING TOWARD A GLOBALLY BRANDED WORLD

Consumers today have access to a wider array of products than ever before thanks to globalization and connectivity. For the majority of global consumers, they are exposed to both multinational and local brands from birth, and expectations around choice and quality are well-engrained. But when it comes to country of origin, just how much does the “Made In” moniker influence purchasing behavior?

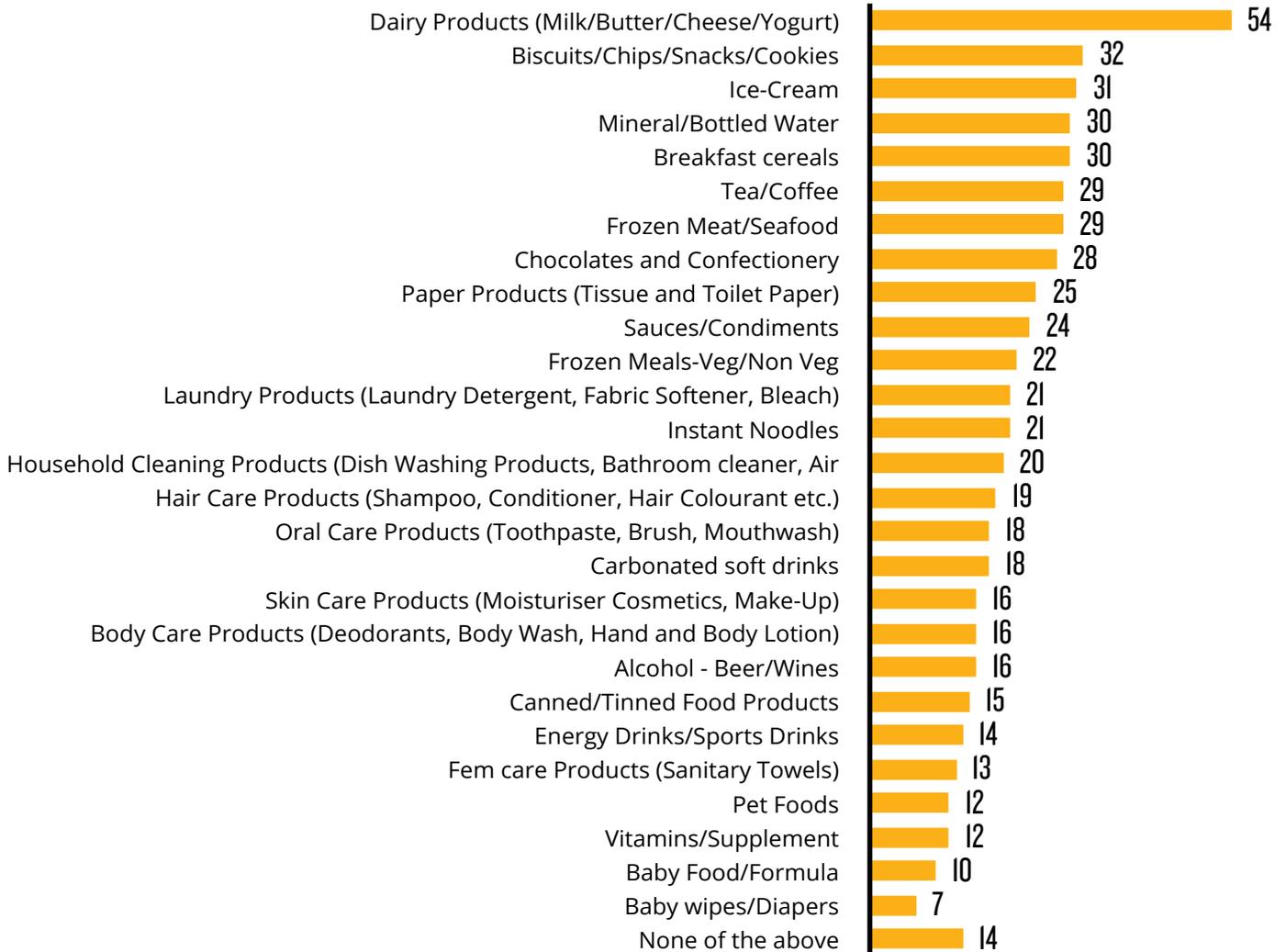
The annual Nielsen Global Brand-Origin Survey highlights consumers’ preferences for and sentiment toward products manufactured by large global/multinational brands versus locally manufactured products, and the extent to which preference and sentiment influence purchasing behavior.

While in recent years global survey respondents’ preference and sentiment has been relatively balanced between local and global brands, the most recent survey findings indicate a growing shift toward global brands across the majority of categories. In fact, the only categories which saw strong preference toward local brands were dairy and fresh foods—for the most part, consumers around the world prefer to source perishable goods as close to the place of origin as possible, due to concerns over freshness and quality.

In the categories where global manufacturers have traditionally had a strong-hold, such as baby products, personal care and carbonated beverages, consumer preference remains with a global brand versus local offerings. But there are also a number of categories where consumer preference is shifting away from local products toward global brands—most notably coffee and tea, along with mineral/bottled water.

PREFERENCE FOR LOCAL BRANDS BY CATEGORY

GLOBAL AVERAGE



Base : All respondents n=31716

Despite the shifting preference toward global brands, sales can tell a different story when it comes to actual purchasing behavior. For example, across both Asia and Latin America local brands still outperform global brands in sales¹, indicating that local brands are executing better on the ground on price or addressing local palate preferences, while global brands are winning the battle for consumers' minds and hearts.

¹Who's Finding Growth? Multinational, Regional or Local Players, Nielsen, QBN Asia Pacific, Q2 2017

This shift in consumer sentiment toward global brands could be the result of less use of a category, reduced availability of local brands due to offshoring or the perception that a local brand is actually global, and vice versa. Or it could simply be the case that consumers have a growing affinity for products that are manufactured by global or multinational brands.

The latter reason is becoming more plausible, with many global brands entering local marketplaces through new channels—both in store and online. For example, Amazon acquired Whole Foods Market to gain access to local markets and is now partnering with physical retailers like Kohl's to sell its products in their stores. Some brands reach consumers in virtually every country via distribution channels through supermarkets, retailers and virtual storefronts.

The “perception versus reality” factor is another aspect of the local and global brands story. Globalization, clever marketing and global brands' longevity in a market can all influence consumers' perception of what is local and what is global. There are many cases where iconic “local” brands are in fact manufactured offshore. The quintessentially Australian brand Vegemite, for example, is produced by a global manufacturer in another country. Similarly, consumers in many countries believe Nestlé manufactures many of its branded products, such as Milo and Nescafé, locally.

Nonetheless, understanding how consumers' attitudes and preferences for brand origin can be informative to global and local companies' go to market strategies.

The Nielsen Global Brand-Original Survey polled more than 31,500 online respondents in 63 countries to understand brand preferences for global/multinational brands (defined as those that operate in many markets) versus local players (those operating only in a single market—the respondent's home country), as well as preference for local versus supermarket or hypermarket channels for fresh produce. While respondents were asked to consider these definitions in their selections, pre-existing notions about brand origin could prevail—a global brand might be so pervasive in a local market that a respondent may think it is a dominant local brand.

ABOUT THE SURVEY METHODOLOGY

The findings of this survey are based on respondents with online access in 63 countries (unless otherwise noted). While an online survey methodology allows for tremendous scale and global reach, it provides a perspective on the habits of only existing Internet users, not total populations. In developing markets where online penetration is still growing, respondents may be younger and more affluent than the general population of that country. In addition, survey responses are based on claimed behavior rather than actual metered data. Cultural differences in reporting sentiment are likely factors in the outlook across countries. The reported results do not attempt to control or correct these differences; therefore caution should be exercised when comparing across countries and regions, particularly across regional boundaries.

The 2017 survey asked respondents to rank their preference for local brands only and did not ask their preference for global brands. Therefore, any analysis comparing this year's results with 2016 survey results must assume a lower score for local preference indicates a stronger preference for a global brand.

Furthermore, the results should be interpreted as reflecting consumer attitudes rather than predicting sales outcomes.

2

FOOD IS GOING GLOBAL

When it comes to food—traditionally the bastion of local brands—overall consumer preference is beginning to shift toward globally manufactured products, but with a few notable exceptions.



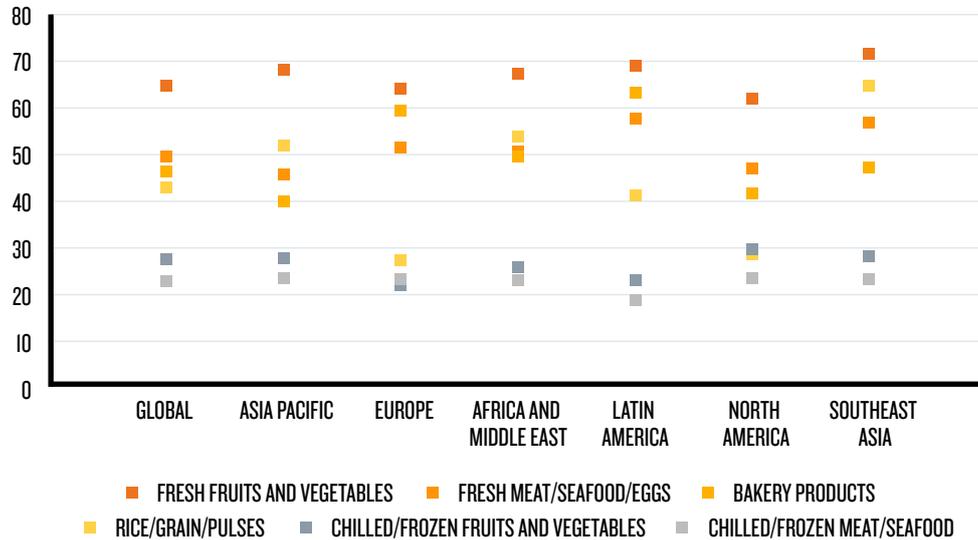
FRESH FOOD

Typically, consumers prefer to buy fresh items from their local store or market. The majority of global respondents (66%) say they prefer to shop locally for produce such as fresh fruit and vegetables rather than at a supermarket or hypermarket. However, preference for local outlets becomes less pronounced when it comes to fresh meat, seafood and eggs (49%), bakery products (48%), rice, grains and pulses (43%), chilled or frozen fruits and vegetables (27%) and chilled or frozen meat and seafood (23%).

Overall, fresh food brand preferences tend to be more affected by perishability and quality as selection criteria, which increases the likelihood of preference for brands that manufacture or harvest these categories closer to the source of purchase. However, the movement away from local brands indicates this driver may become less influential in the future.

A shift away from local preferences is evident in all regions with one notable exception: Southeast Asian respondents' preference for local fresh fruits and vegetables (71%), rice, grains and pulses (65%) and fresh meat, seafood and eggs (56%) tends to be much higher than other markets. Potential factors influencing this trend include selection of local cuisine which contributes to local flavors, and product customization by local players to appeal to local tastes.

FIGURE I – FRESH FOOD LOCAL BRAND PREFERENCES



CHILLED/FROZEN FOODS

While in the past consumers' preference for chilled and frozen foods has been balanced across global and local brands, a slight shift toward global brands is evident. Although, strictly speaking, there is no "perishable" barrier impeding the growth of global brands in these categories, local tastes still play a part in consumers' preference for local or global brands.

When it comes to dairy product like milk, butter, cheese and yogurt, global respondents prefer local brands (54%); however, consumers' preference for local brands is decreasing compared to 2016 in categories like ice cream (31%), frozen meat and seafood (29%) and frozen meals (22%).

Given the importance of dairy in local cuisines and cultures, it's not surprising that consumers prefer local brands for their contribution to local tastes and preferences. Consumer preference for local brands is even more pronounced in regions that have strong agrarian cultures such as Europe (66%), Africa and the Middle East (73%).

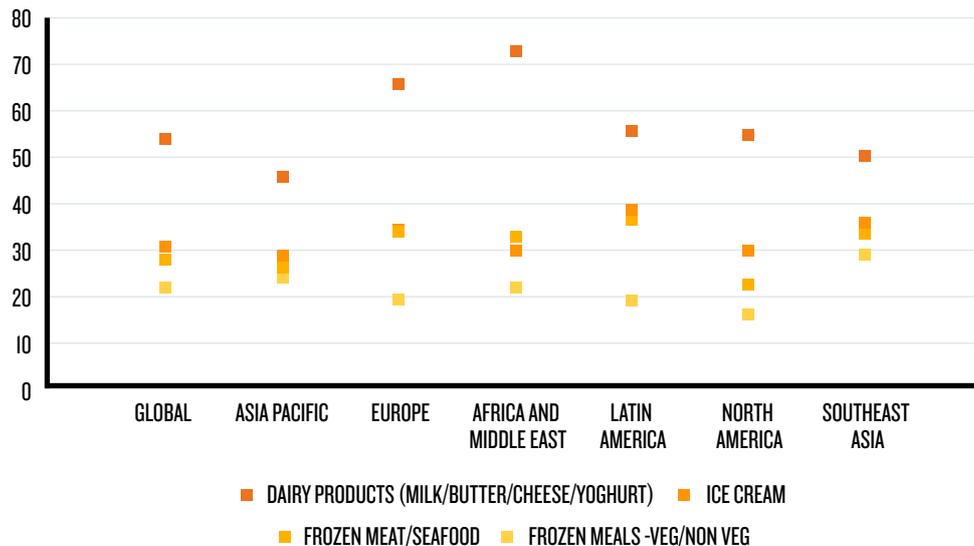
Furthermore, for countries such as Russia, the ban on imports of dairy from Europe and the U.S. that was announced in 2014 and is still in effect, prevents global brands from entering the market. For largely agricultural countries such as the Ukraine, milk and milk products are locally produced and form part of local daily nutrition. Consumers are attentive to product origin and sensitive to product freshness, which, along with price, is a key driver of preference for local brands.

National pride is another important factor in dairy brand selection for countries such as Hungary. There is an increased focus on communicating the value of local brand pride, encouraging Hungarian consumers to choose local products.

In North America, consumers show a distinct preference for global brands in frozen meat and seafood and frozen meals where just 23% and 16% of consumers, respectively, say they prefer local brands, compared to the global average of 29% and 22%, respectively.

Respondents across the board indicated that longevity and quality in chilled/frozen food categories is a key selection criteria, which is driven by manufacturing techniques, trust in brand quality and logistics in preserving produce. This is particularly important in countries where trust in the local food supply chain has been compromised in recent years. We see this in China, for example, where there is a stronger preference for global brands.

FIGURE 2 – CHILLED AND FROZEN FOOD LOCAL BRAND PREFERENCE



PACKAGED FOODS

Packaged foods and snacks categories have also seen an overall shift in preference toward global brands, but results vary within individual regions.

Among global respondents who purchase the category, preference has swung slightly away from local brands across all categories. Less than one third (32%) prefer local biscuits, chips, snacks and cookies brands, and preference for local brands was even lower in other packaged good categories; chocolates and confectionery (28%); sauces and condiments (24%); breakfast cereals (30%); instant noodles (21%) and canned/tinned food products (15%).

The movement away from local brands can, to a certain extent, be attributed to expanding online offerings, as well as increased consumer exposure to global brands.

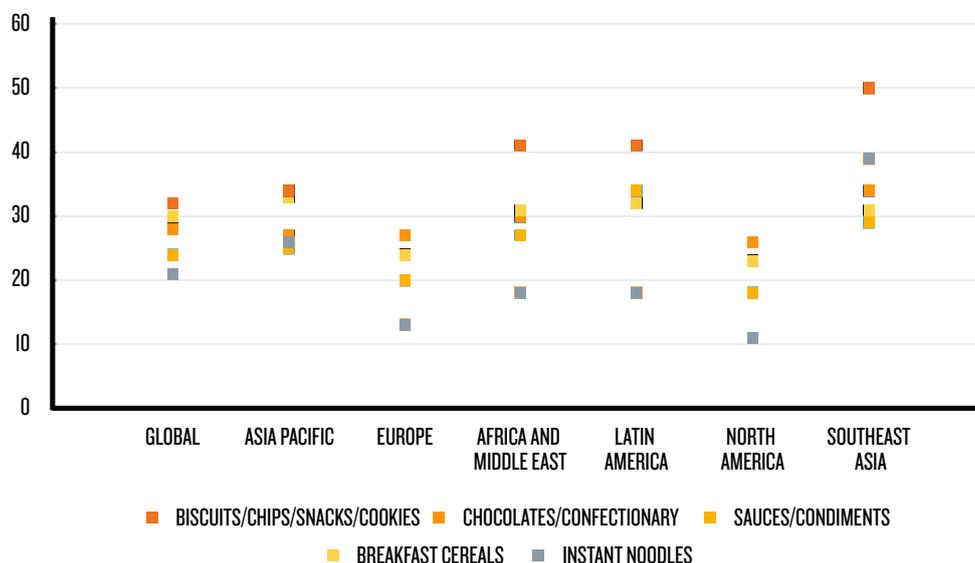
At a regional level, Southeast Asian respondents showed a stronger preference for local brands compared to the global average across all packaged food categories, with preference for local brands strongest in the biscuits, chips, snacks and cookies category (50%; followed by instant noodles (39%); chocolates and confectionery (34%); breakfast cereals (31%); sauces and condiments (29%) and canned/tinned food products (20%).

Conversely, North American consumers are less likely than global respondents to prefer local brands across all packaged food categories: chocolates and confectionery (26%); biscuits, chips, snacks and cookies (23%); breakfast cereals (23%); sauces and condiments (18%); canned/tinned food products (13%) and instant noodles (11%).

Consumers in Africa and the Middle East and Latin America revealed a mix in preference for global versus local brands across all packaged food categories. In comparison to global respondents, respondents in both of these regions show stronger local preference for biscuits, chips, snacks and cookies (41%); chocolates and confectionery (30% and 33% respectively); sauces and condiments (27% and 34%, respectively); and breakfast cereals (31% and 32%, respectively). Both regions show lower local preference for instant noodles (18%).

In countries in Africa and the Middle East where there is a wide range of local products available, as there is in Pakistan, preference tends to be higher for local brands in categories such as snacks and confectionery. In addition to offering a wider range, local brands in these categories typically offer better value for money and cater to the local palate.

FIGURE 3 – PACKAGED FOOD LOCAL BRAND PREFERENCES



3

PREFERENCES ARE MIXED FOR BEVERAGES

Within the beverage category, global consumers exhibited a relatively low preference for local brands when it comes to mineral/bottled water. Only 30% of respondents indicated preference for local mineral/bottled water brands. Similarly, just 29% of consumers favor local tea/coffee brands over global offerings. The preference for global versus local was even more pronounced in categories such as carbonated drinks (18% preference for local brands), alcohol (16%) and energy/sports drinks (14%).

Meanwhile, regional opinions are divided when it comes to mineral/bottled water, tea and coffee and alcohol.

Southeast Asian consumers bucked the global trend, displaying stronger local brand preference in tea/coffee (49%), mineral/bottled water (42%), carbonated soft drinks (25%), and energy/sports drinks (19%). When it comes to alcohol, however, preference sits firmly with the global brands (13% preference for local brands).

Across European markets, consumers prefer local brands in mineral/bottled water (35%) and alcohol (22%), while in the energy/sports drinks category just 7% of European respondents preferred local brands.

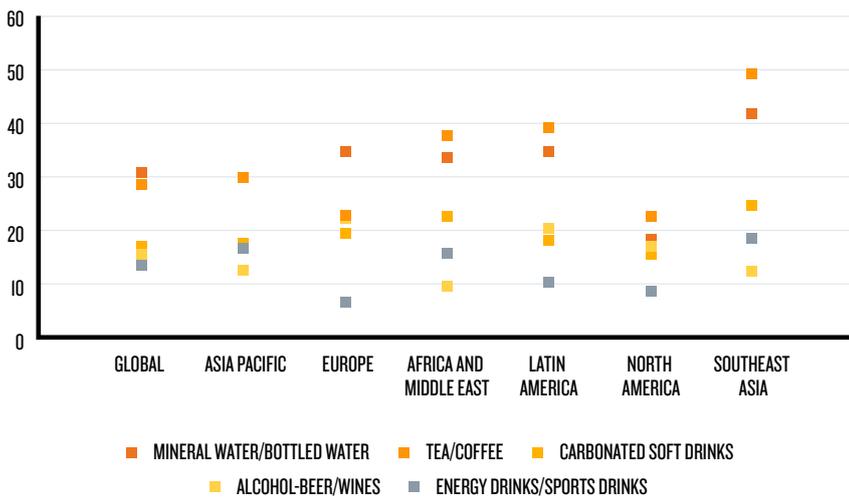
For some countries in Europe the strong preference for local natural and mineral water brands is in large part due to an abundance of local resources. Local brands focus on the value and origin of water, as well as extraction and production methods, when promoting their products. Conversely, imported natural and mineral water brands are most commonly offered at high-end restaurants and bars, attracting a perception of being a premium item. Meanwhile, within the alcohol category, a multitude of traditional local beverages are on offer to consumers, attracting the lion's share of preference over global brands.

For the most part, where local European preferences err toward local brands, there is evidence of an overriding sense of local traditional and nationalism. This is true of countries such as Ukraine, Czech and Poland where the majority of popular brands have existed in the market for many years. Even in the case where international brands have acquired local brands, marketing focus remains on local roots, appealing to consumers' local loyalties.

Consumers across Africa and the Middle East display a much stronger preference for local beverage brands compared to their global counterparts when it comes to tea/coffee (38%), mineral/bottled water (34%) and carbonated soft drinks (23%). Conversely, global brand preference was much stronger in the alcohol category where just 10% of consumers preferred local brands, likely driven by manufacturing restrictions.

Latin America consumers display a much stronger preference for local brands in mineral/bottled water (35%), tea/coffee (39%) and alcohol (21%) categories compared to consumers in other markets.

FIGURE 4 – BEVERAGE LOCAL BRAND PREFERENCES



SPOTLIGHT ON THE MIDDLE EAST

The Middle East displays a strong local brand preference when it comes to beverages. These preferences are influenced by local taste, religious affinities and the strength of local manufacturers.

“The type of tea consumed in Egypt, Pakistan and Saudi Arabia, where preference is heavily skewed toward local brands, is notably different to global tea products. For example, it is more common to consume loose tea rather than bags/sachets, and local tea products are generally stronger in flavor than western teas. Similarly, in Egypt and Saudi Arabia, there is more preference for local Arabic coffee than western coffee,” said Gaurang Kotak, Associate Director - Retail Measurement Services at Nielsen.

“LIKEWISE, IN UNITED ARAB EMIRATES A NUMBER OF STRONG LOCAL WATER MANUFACTURERS DOMINATE THE MARKET.”

4

GLOBAL BRANDS WIN TRUST IN BABY CARE AND PET FOOD



BABY CARE

When it comes to baby care, consumers display a preference for global diaper and baby food brands, with just 7% and 10% of consumers, respectively, preferring local brands.

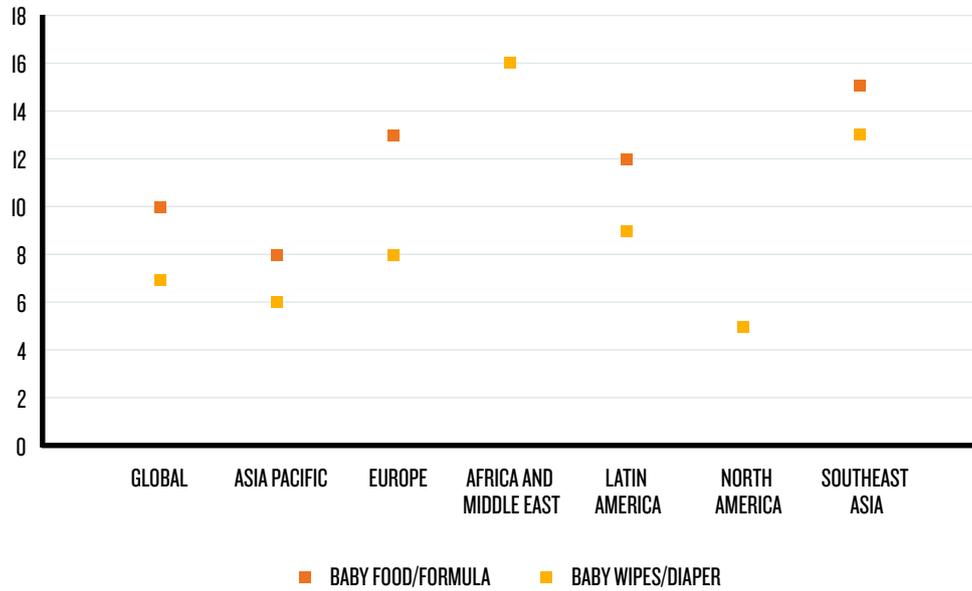
The baby care category overall is a high involvement category where consumers will typically spend more time considering their purchase. This consumer engagement in the category is driving a greater need for trust in quality control which, based on consumer perception, is demonstrated by global manufacturers of these product categories.

Drilling down to the country level for baby food and formula, preference for global brands is more pronounced in the Greater China region where product quality issues have driven up demand for global brands in both categories. Less than one in 20 consumers prefer local baby food and formula brands over global brands: China (3%), Hong Kong (3%) and Taiwan (4%).

Conversely, Czech consumer preference is rooted firmly in local brands thanks to strong local manufacturers who offer products such as readymade fruit food and infant milk formula at a significantly lower price point.

Africa and the Middle East also show higher preference for local brands when it comes to baby diapers, wipes, baby food and formula (16%). This is particularly true of Egypt and Morocco, where consumers display a higher preference for local brands for baby food and formula (20%) than the global average (10%).

FIGURE 5 – BABY CARE LOCAL BRAND PREFERENCES





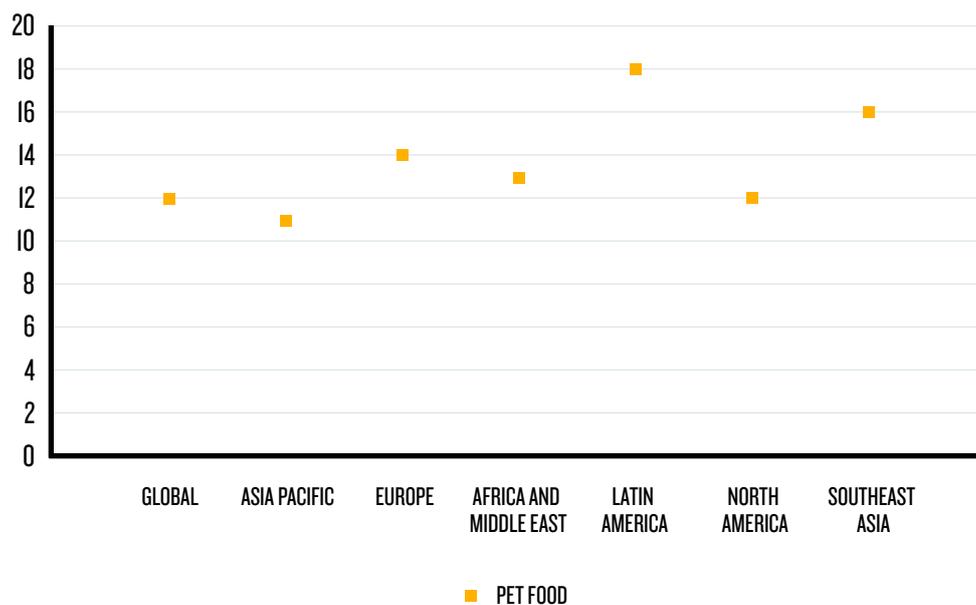
PET FOOD

Globally, consumer preference for locally manufactured products in the pet food category has seen a pronounced drop in the past year (12% in 2017 vs. 39% in 2016).

Consumer attitudes toward their pets have changed in recent years. In many households, pets have transitioned from being mere companions to members of the family, and consumers are treating them as such. This, in turn, is translating to demand for premium products, and for the most part, global manufacturers are meeting this demand.

However, there are a handful of countries that buck this trend: South Africa displays almost three times the preference for local brands in pet food than the global average (30% compared to 12%), and Thailand demonstrates a local preference that is double that of the Asia-Pacific average (22% compared to 11%).

FIGURE 6 – PET FOOD BRAND PREFERENCES



5

HOME AND PERSONAL CARE GLOVES ARE OFF

When it comes to the products we use to clean our homes and our bodies, most consumers still prefer global brands. Personal care and home hygiene are important for consumers, and the majority typically associate global brands with higher quality.



HOME CARE PRODUCTS

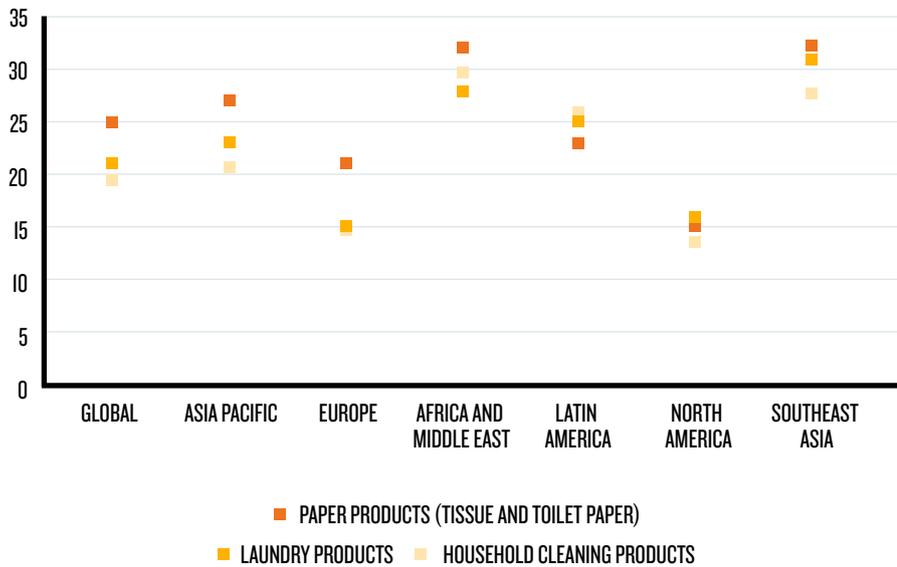
Within the home care category, consumers around the world prefer global brands: only around one in five prefer local brands in the laundry (21%) and household cleaning (20%) categories. Meanwhile, brand preference in paper products categories (tissues and toilet paper) has a relatively strong skew toward local products (25%) than other home care products.

Regional variations indicate that consumers from Africa and the Middle East display a higher preference than the global average for local paper products (32%), household cleaning products (30%) and laundry products (28%). At a country level, this preference for local brands is even more pronounced in countries such as South Africa (paper 40%, laundry products 37% and household cleaning 37%). Likewise, Pakistan shows higher than global average preference for local brands within the paper (41%), household cleaning products (36%) and laundry products (34%) categories.

While brand preference in the Asia-Pacific region is similar to the global averages, consumers in Southeast Asia display a preference for local brands, largely driven by the Philippines, where there is strong preference for local brands within the paper products (44%) and laundry products (44%) categories.

In Latin America, consumers in Venezuela showed a much stronger affinity for local brands, with 41% preferring local brands in household cleaning products, well above the global average of 20%. Likewise, in Europe preference for local paper products brands was higher than the global average in Ukraine (45%), Kazakhstan (40%) and Russia (30%) primarily due to higher availability of local products over the global brands.

FIGURE 7 – HOME CARE LOCAL BRAND PREFERENCES



SPOTLIGHT ON SOUTHEAST ASIA

“While Filipino consumers’ preference for local brands is higher than the global average within the home and personal care categories, it is important to note that many global brands are perceived as local,”

Ana Lacson, Consumer Packaged Goods Industry Leader, Nielsen.

PERSONAL CARE AND BEAUTY PRODUCTS

For personal care and beauty products, global brands are the clear favorite around the world. Global respondents’ preference for local brands is below one in five in the hair care (19%), oral care (18%), skin care (16%), body care (16%), feminine care (13%) and vitamins/supplements (12%) categories.

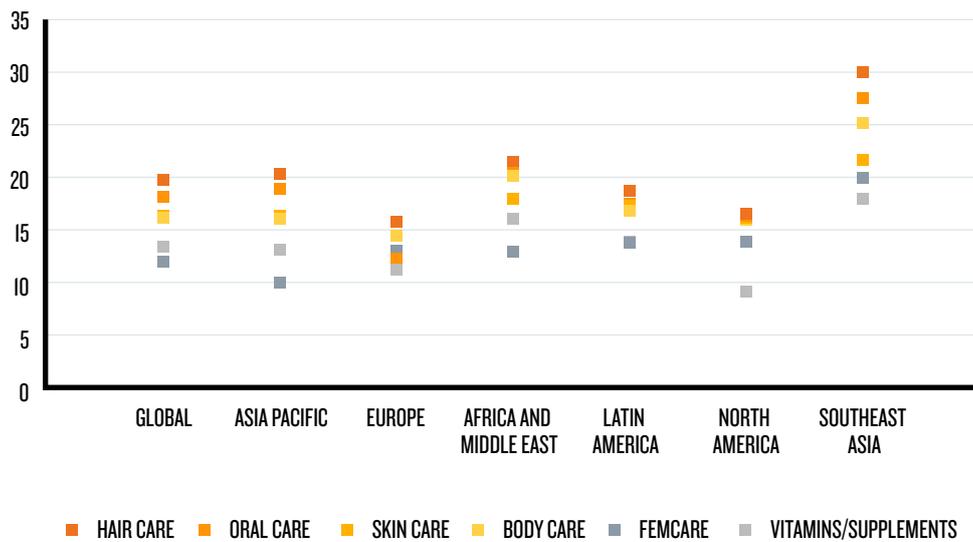
In Africa and the Middle East, however, local brand preference for body care products is slightly higher than the global average (20% vs. 16%).

While the majority of consumers in Southeast Asia displayed a preference for global brands in body care products, the Philippines and Thailand stand out as having a higher preference for local brands (33% and 34%, respectively, compared to 16%).



Consumers in South Africa also bucked the global trend with preference for local brands higher than the global average in categories such as body care (28%), skin care (26%) and vitamins/supplements (25%).

FIGURE 8 – PERSONAL CARE LOCAL BRAND PREFERENCES



6

CONCLUSION

In many markets, it is clear that multinational and global brands are winning the battle for the hearts and mind of global consumers. In an increasingly global world, where brands are available via online channels and perceptions around quality, freshness and trust are firmly rooted in globally produced products, local brands will need to increase efforts in manufacturing, distribution and promotion to compete with their global counterparts.

ABOUT THE NIELSEN GLOBAL SURVEY

The Nielsen Global Online Survey was conducted May 20 – June 10 2017, and, polled more than 31,500 online consumers in 63 countries throughout Asia Pacific, Europe, Latin America, the Middle East/ Africa and North America. The sample includes Internet users who agreed to participate in this survey and has quotas based on age and sex for each country. It is weighted to be representative of Internet consumers by country. Because the sample is based on those who agreed to participate, the estimates of theoretical sampling error can be calculated. However, a probability sample of equivalent size would have a margin of error of $\pm 0.6\%$ at the global level. The 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.

ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global performance management company that provides a comprehensive understanding of what consumers watch and buy. Nielsen's Watch segment provides media and advertising clients with Nielsen Total Audience measurement services for all devices on which content — video, audio and text — is consumed. The Buy segment offers consumer packaged goods manufacturers and retailers the industry's only global view of retail performance measurement. By integrating information from its Watch and Buy segments and other data sources, Nielsen also provides its clients with analytics that help improve performance. Nielsen, an S&P 500 company, has operations in over 100 countries, covering more than 90% of the world's population. For more information, visit www.nielsen.com.



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