POCKETS OF GROWTH
LATIN AMERICA
“EVERYBODY IN LATAM WANTS PREMIUM PRODUCTS.”

DISCOVER WHO IS WILLING TO PAY AND FOR WHICH PRODUCTS

CONSUMER BEHAVIOR
Do consumers really want Premium?

GENERATIONAL PREFERENCES
Who is willing to pay more for Premium?

PURCHASE HABITS
There are pockets...
How do we reach them?
CONSUMER BEHAVIOR

IS IT A GOOD TIME TO BE PREMIUM?

These are challenging times for Latin American consumers who are facing economic constrictions. High inflation is pushing them to make active money saving choices, while manufacturers are concerned about how to increase their profits—even though their customers have smaller and tighter wallets. Despite the economic challenges, the middle class is growing and there are more people with high disposable incomes. Additionally, younger generations are growing and consumers are looking to be more health conscious and maintain their current lifestyles.

21% OF LATINOS ARE NOT CHANGING THEIR SPENDING PATTERNS TO SAVE MONEY

Consumers are still looking for the best products, even if it means paying a little bit more. Seventy-nine percent of consumers are changing their spending patterns to save money. General consumers are open to buying newer products if they meet their key concerns and demands, and these attitudes are reflected in sales within Latin America.

<table>
<thead>
<tr>
<th>TOTAL MARKET</th>
<th>PREMIUM BRANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>LATIN AMERICA</td>
<td>7.5%</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>5.5%</td>
</tr>
<tr>
<td>MEXICO</td>
<td>5.9%</td>
</tr>
<tr>
<td>COLOMBIA</td>
<td>6.2%</td>
</tr>
<tr>
<td>CHILE</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

*Regional Average

LATINOS ARE WILLING TO PAY EXTRA FOR...

<table>
<thead>
<tr>
<th>Feature</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Quality / Safety Standards</td>
<td>57%</td>
</tr>
<tr>
<td>Superior Function or Performance</td>
<td>50%</td>
</tr>
<tr>
<td>Organic or Natural Ingredients</td>
<td>49%</td>
</tr>
<tr>
<td>Environmentally Friendly</td>
<td>48%</td>
</tr>
<tr>
<td>Socially Responsible Products</td>
<td>39%</td>
</tr>
<tr>
<td>Specific Country Origin</td>
<td>17%</td>
</tr>
</tbody>
</table>

This report outlines pockets of growth so that you can unlock the power of premium products in households from Brazil, Mexico, Chile and Colombia.

The opportunities are there, but manufacturers need to have a better understanding of these potential consumers and their offerings of smarter innovations in order to specifically target these niche markets.
GENERATIONAL PREFERENCES

WHO IS WILLING TO PAY FOR PREMIUM?

In Latin America, previous general marketing strategies were aimed at the population as a whole, but they are no longer applicable. Today, the reality is that each generation has a very specific profile, and should therefore be segmented in order to better understand their reasons behind a premium product purchase and the attributes that make them pay more.

More than 30% of Millennials and Generation X are more worried about what people say and purchase premium products to feel good and successful. Five out of 10 are more open to innovations (products that offer or do something that no other product on the market provides or one that provides superior function or performance), while 50% of Baby Boomers and Silent Generation are more inclined to pay a little bit more for products that can help them to be healthier (organic or all natural products); however, this varies from country to country.
POCKETS OF GROWTH 2017

NIELSEN CONSUMER REPORT

BRAZIL
BRAZIL

WHO ARE THEY?

After several economic recessions, Brazilian housewives are now more cautious than ever and are proactively seeking savings. According to Raquel Ferreira, “This recession is changing the type of consumption Brazilians are making in order to save money; however, they are more demanding than ever. Thirty-nine percent of Brazilian families have a trendsetter housewife who is looking for innovations and the best products.” Therefore, manufacturers and retailers have to identify the different pockets of growth that premium products represent in each life stage in order to increase their profits.

Millennial housewives were the most affected by the crisis, and households are mainly concentrated in the Medium SEL, and are thus influencing the FMCG slowdown by diminishing their ticket sizes and by being more conscientious of making savings.

Older adults in the Silent Generation with smaller families have less purchase power (overdeveloped at low socioeconomic level), which is why we must gain a better understanding as to which real benefits this generation is willing to pay more for. Five out of 10 housewives in this age group say that premium products need to offer a superior function or performance and provide a better experience to the consumer.
BRAZIL

WHAT ARE THEY LOOKING FOR?

The change in Brazilian consumer behavior in the face of the crisis opens up opportunities to develop premium products in key categories, such as alcoholic beverages, which grew at a rate of 8% in value during 2016 as households become the new place to meet. For other categories, products need to deliver on the promise of high quality standards and products with better performance in the market (i.e., higher performance and practicality). That's how to motivate consumers to pay a higher price for them.

TOP PRODUCTS THAT COMMAND PREMIUM PRICES

MILLENNIALS
- Beverages
- Mouthwash
- Bathroom & Kitchen Cleansers

More than 50% are willing to pay extra for higher quality and superior function or performance

GENERATION X
- Coffee Capsules
- Insecticides
- Children’s Fragrance

58% are willing to pay extra for products with high quality and safety standards

BABY BOOMERS
- Shaving Cream
- Fermented Milk
- Prepared Juices

49% are willing to pay extra for products with superior function or performance

SILENT GENERATION
- Prepared Juices
- Energy drinks
- Fermented Milk

40% are willing to pay extra for products that offer additional benefits (quality, performance or natural ingredients)

The categories shown above demonstrate where different generations are spending extra; however, many Brazilians have stated that they are thinking of buying premium products from other categories in the future.

Three out of 10 Millennials will consider looking for premium options for personal care products like deodorants, oral and hair care, while the same proportion of Generation X housewives consider oral and hair care products but will also be looking for dairy products. The Silent Generation is more open to buy premium products in the food basket and will continue to do so, but focusing primarily on dairy products.
BRAZIL

HOW CAN WE REACH THEM?

Given the current economic reality of Brazil, and in the quest to maintain their lifestyles and find the best prices, shoppers have begun to increase the number of outlets they visit to make their purchases (seven different channels on average).

This economic environment has driven the increase of small formats as complementary channels. Millennials and Generation X, in particular, have increased their purchases in these formats.

EXPENDITURE PER CHANNEL

- Traditional Trade
- Wholesalers
- Door to Door
- Supermarkets covers the 100%
- Drugstores
- Others
- Prefumeries
73% of Generation X consumers take into account low prices as a whole for choosing a specific store, and they are consistently looking for promotions. In fact, 70% consider offers to be one of the key factors in selecting their purchase channel.

54% of Silent Generation shoppers value store friendliness and knowledgeable staff and 55% prefer short checkout lines. Six out of 10 look for stores with high-quality fresh produce sections (vegetables, fruits and meat), and 46% look for high-quality ready made meals.

% EXPENDITURE INDEX PER RETAIL VS. PANEL

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Millennials</th>
<th>Generation X</th>
<th>Baby Boomers</th>
<th>Silent Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grupo Pão de Açúcar (17%)</td>
<td>89</td>
<td>106</td>
<td>97</td>
<td>100</td>
</tr>
<tr>
<td>Grupo Carrefour (19%)</td>
<td>137</td>
<td>89</td>
<td>92</td>
<td>94</td>
</tr>
<tr>
<td>Grupo Walmart (11%)</td>
<td>81</td>
<td>108</td>
<td>104</td>
<td>100</td>
</tr>
<tr>
<td>Mundial (12%)</td>
<td>101</td>
<td>104</td>
<td>61</td>
<td>104</td>
</tr>
<tr>
<td>Lojas Americanas (10%)</td>
<td>112</td>
<td>94</td>
<td>115</td>
<td>97</td>
</tr>
<tr>
<td>Dia (8%)</td>
<td>94</td>
<td>101</td>
<td>95</td>
<td>105</td>
</tr>
<tr>
<td>Grupo Cencosud (6%)</td>
<td>120</td>
<td>101</td>
<td>101</td>
<td>85</td>
</tr>
<tr>
<td>Guanabara (5%)</td>
<td>100</td>
<td>115</td>
<td>68</td>
<td>88</td>
</tr>
</tbody>
</table>
POCKETS OF GROWTH 2017

NIELSEN CONSUMER REPORT

MEXICO
**MEXICO**

**WHO ARE THEY?**

Mexican housewives are currently questioning their traditional roles, which had previously encouraged them to be good mothers and take care of their children. With the influence of fast-paced lifestyles and modern technology, traditional housewives are becoming modern housewives with a focus on being practical, healthy, informed and cost conscious. They are the key decision-makers in household purchases and activities, which is why it is important to fully understand their profile, requirements and premium preferences.

![House](image)

**BUYER INDEX VS. TOTAL PANEL**

Millennial women are leading 31% of Mexican households. These are not typical Millennials. They are generally from mid- to low- socioeconomic levels, do not necessarily have their own income, and their priorities are focused on child care and purchase decisions based on the wellness of their families. Generation X housewives are being pushed into returning to work to help the family household budget, as children grow and family expenditures increase, pushing the family up the social scale while Baby Boomers and the Silent Generation start to live off their retirement funds and these housewives stop working, their expenses are less than in their youth, hence they have the opportunity to save money in order to invest in better products that offer extra benefits to their health and wellbeing.

Mexican households led by Generation X women represent 30%; in terms of consumption, they account for 32% of total sales.
WHAT ARE THEY LOOKING FOR?

In the face of the current economic uncertainty, Mexican housewives need to manage their budgets, therefore it maybe surprising to hear that they are willing to pay for premium products. However, they are not willing to pay for premium products for all FMCG categories. According to Juan Carlos Jouve, “Mexican households are motivated to spend on premium products that deliver high quality and convenience. Figures don’t lie. Premium products work... every manufacturer and retailer needs to discover the right product attributes for the right generation.”

TOP PRODUCTS THAT COMMAND PREMIUM PRICES

**MILLENNIALS**
- Sugar Substitute
- Conditioner
- Baby Formula

**GENERATION X**
- Baby Cereal
- Oats
- Shampoo

**BABY BOOMERS**
- Coffee Grains
- Conditioner
- Skin Care

**SILENT GENERATION**
- Coffee Creamers & Chocolate
- Tissues
- Soluble Coffee

62% are willing to pay extra for products with higher quality and safety standards
50% are willing to pay extra for products with superior function or performance
47% are willing to pay extra for organic or all natural products
40% are willing to pay extra for products that offer additional benefits (quality, performance or natural ingredients)

To win with premium products and increase profits, manufacturers and retailers should understand the smooth nuances between the purchasing preferences of each generation in order to offer value-centric products that meet their expectations and willingness to pay.

Pampering continues to be a key driver for Mexican housewives, and premium products for children that provide higher quality will have better opportunities with Millennial and Generation X housewives. Working women of Generation X with two or more children are particularly open to convenience and practical products because of time restrictions.
MEXICO

HOW CAN WE REACH THEM?

As family lifestyles change, the preferences of purchase place and their reasons to purchase in each one changes as well. Therefore, if we want to reach each generation with premium products, it’s not enough to understand their premium tipping points. We need to put those products in the right place at the right time.

EXPENDITURE PER CHANNEL

Generation X is looking for the best shopping experience: 80% enjoy shopping for groceries, so they look for stores that are conveniently located (65%), and 58% think that lowest prices are among the most influential attributes to shop.
Millennials are the busiest in looking for deals: 73% really enjoy taking time to find bargains, and 58% consider that one of the most influential attributes to shop in a particular retailer is that it has great sales and promotions and are the most overdeveloped shoppers of traditional trade.

Older generations value convenience beyond location. More than five in 10 look for stores that have short/fast checkout lines, and the Silent Generation is looking specifically for stores that have easy access and are able to leave quickly. For 83% of them, grocery shopping is a chore and they want to spend as little time doing it as possible.

### % Expenditure Index per Retail vs. Panel

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Millennials</th>
<th>Generation X</th>
<th>Baby Boomers</th>
<th>Silent Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodega Aurrera (31%)</td>
<td>103</td>
<td>106</td>
<td>103</td>
<td>88</td>
</tr>
<tr>
<td>Walmart Supercenter (15%)</td>
<td>96</td>
<td>101</td>
<td>112</td>
<td>91</td>
</tr>
<tr>
<td>Soriana (12%)</td>
<td>87</td>
<td>104</td>
<td>107</td>
<td>102</td>
</tr>
<tr>
<td>Sams (9%)</td>
<td>92</td>
<td>111</td>
<td>97</td>
<td>89</td>
</tr>
<tr>
<td>Chedraui (8%)</td>
<td>86</td>
<td>99</td>
<td>102</td>
<td>114</td>
</tr>
<tr>
<td>TCM + CCF (5%)</td>
<td>93</td>
<td>111</td>
<td>105</td>
<td>101</td>
</tr>
<tr>
<td>Oxxo (4%)</td>
<td>83</td>
<td>102</td>
<td>103</td>
<td>102</td>
</tr>
<tr>
<td>Casa Ley (3%)</td>
<td>87</td>
<td>113</td>
<td>117</td>
<td>97</td>
</tr>
<tr>
<td>Smart (3%)</td>
<td>73</td>
<td>120</td>
<td>113</td>
<td>91</td>
</tr>
<tr>
<td>F. Guadalajara (3%)</td>
<td>75</td>
<td>112</td>
<td>117</td>
<td>95</td>
</tr>
</tbody>
</table>

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COLOMBIA
WHO ARE THEY?

Colombian housewives, who traditionally had a local bias, are now exploring more global brands and trends. Therefore, manufacturers and retailers have to tread carefully between the two preferences within each generation.

These increasingly connected consumers are more responsible and proactive with the choice of products that they consume and recognize the importance of offers with superior quality. Colombians across generations think that premium means that the product has been made with higher quality materials or ingredients (57% of young consumers, 62% mature consumers and 80% elderly consumers).

**BUYER INDEX VS. TOTAL PANEL**

Younger and mature households with children are focusing on family basic needs and household expenses related to children. They sometimes sacrifice the acquisition of premium products for adult population. The good news is that we have a tremendous opportunity to develop better products with higher quality for children. Other key opportunities are practical products that offer convenience to help ease the busy lifestyles of Colombian housewives. On the other hand, older generations are more open to innovation and have more purchase power that the rest of the population (High concentration in High SEL), so we need to have a profound understanding of what they are looking for in order to create better premium offers for generation.
COLOMBIA

WHAT ARE THEY LOOKING FOR?

The Colombian population is open to buying premium products. In fact, premium products are growing in value sales at a faster rate (10%) than the rest of the industry. But depending on the housewives’ age, preferences and concerns are totally different. While young housewives are willing to pay more for products that help them take care of the world in which their kids will live in tomorrow, mature housewives are looking for products that offer the best nutrition for their family today.

TOP PRODUCTS THAT COMMAND PREMIUM PRICES

<table>
<thead>
<tr>
<th>YOUNGER HOUSEWIVES &lt; 30</th>
<th>MATURE HOUSEWIVES 31 TO 50</th>
<th>OLDER HOUSEWIVES &gt; 51</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fermented Milk (Kumis)</td>
<td>Female Protection</td>
<td>Hot Chocolate Bar</td>
</tr>
<tr>
<td>Malt</td>
<td>MilK Modifiers</td>
<td>Powdered Milk</td>
</tr>
<tr>
<td>Oats</td>
<td>Instant Chocolate</td>
<td>Soluble Coffee</td>
</tr>
</tbody>
</table>

58% are willing to pay extra for products with environmentally friendly and sustainable materials

60% are willing to pay extra for organic or all natural products or superior performance

60% are willing to pay extra for products with superior function or performance

The current range of innovative products in Colombia isn’t enough for current needs and aspirations of each generation. Manufacturers and retailers should start developing a more structured process to create better products that justify the higher prices.

Four out of 10 Colombian consumers will consider buying a premium offer of clothes and personal electronics. Within FMCG, personal care categories, such as hair, oral products and deodorants are the most taken into consideration for more than 30% of young and mature consumers. Comparatively, 44% of the older population say they would consider buying premium dairy products (milk, cheese, yogurt, etc.).
COLOMBIA

HOW CAN WE REACH THEM?

Traditional trade is still the most prominent channel in Colombia, but supermarkets are gaining ground mainly via small formats, which grew 38%, compared with other formats, which only grew 5%.

EXPENDITURE PER CHANNEL

<table>
<thead>
<tr>
<th>Channel</th>
<th>Total</th>
<th>Younger &lt; 30</th>
<th>Mature 30 to 50</th>
<th>Older &gt; 50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarkets</td>
<td>40%</td>
<td>36%</td>
<td>40%</td>
<td>42%</td>
</tr>
<tr>
<td>Door to Door</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Coffee Shops</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Drugstores</td>
<td>3%</td>
<td>2%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Hyperm. or Wholes.</td>
<td>2%</td>
<td>2%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Special Stores</td>
<td>4%</td>
<td>4%</td>
<td>2%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Fifty-six percent of young consumers are looking for the best offer of prepared meals; 62% consider stores given value for money as a highly influential benefit, and these consumers are always trying to get the best deals and promotions.
For the mature population (68%), quality of the meat section is one of the most influential decision drivers to select a store; 42% consider a loyalty card program to be highly influential in their choice; and 64% of the older population think that a convenient location is the most important attribute to shop in a specific retailer, as they are looking for the most convenient facilities (i.e., 53% look for fast check out lines).

% EXPENDITURE INDEX PER RETAIL VS. PANEL

According to Ricardo Gutierrez, “Discounters are joining the best channel performance in the last years, and stores such as D1 are pushing the fast growth of small formats and are changing the shopper dynamics. They’re taking sales from supermarkets and traditional Trade. And due to expansion plans, discounters will have the highest number of stores in modern trade in 2020.”
POCKETS OF GROWTH 2017

NIELSEN CONSUMER REPORT

CHILE
CHILE

WHO ARE THEY?

According to Claudia Escudero, “Chilean consumers are willing to pay for premium products for household consumption because in economic contractions, families reduce their activities out of home—increasing their purchases and ‘guilty pleasures’ at home. Additionally, the new label laws can help open great opportunities to develop healthier products.”

Chilean Generation X is characterized by putting their children and families first. Therefore, after covering their basic household needs, they look specifically for premium products that will give them extra benefits and make their families healthier as a whole.

Comparatively, Silent Generation housewives who do not have children and belong mainly to high socioeconomic levels, make fewer purchases for household stock. They are always looking for innovative products and are easily carried away by likes and cravings. Six out of 10 Chilean women in this age group think that premium means products with superior function or performance, and more than 40% believe premium means superior style or design, better customer experience or uniqueness.
CHILE

WHAT ARE THEY LOOKING FOR?

Premium products grew 8% in value sales in 2016, with beverages posting the most growth, lead by alcoholic beverages (22%), with non-alcoholic beverages not far behind (13%). However, four out of 10 Chilean consumers are willing to consider buying a premium offering of hair care products, meat or seafood.

TOP PRODUCTS THAT COMMAND PREMIUM PRICES

<table>
<thead>
<tr>
<th>MILLENNIALS</th>
<th>GENERATION X</th>
<th>BABY BOOMERS</th>
<th>SILENT GENERATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Batteries</td>
<td>Adult Diapers</td>
<td>Adult Wipes</td>
<td>Juices</td>
</tr>
<tr>
<td>Mouthwash</td>
<td>Juices</td>
<td>Juices</td>
<td>Cookies</td>
</tr>
<tr>
<td>Beer</td>
<td>Milk Modifiers</td>
<td>Snacks</td>
<td>Snacks</td>
</tr>
</tbody>
</table>

51% are willing to pay extra for products with higher quality and safety standards

46% are willing to pay extra for products with organic or all natural ingredients

51% are willing to pay extra for environmentally friendly and sustainable products

33% are willing to pay extra for products that provide superior function or performance

For the general Chilean population, a recommendation of friends and family is a key driver to purchase premium products, while Generation X housewives are more prone to buy premium products on impulse (28%), answering mainly to their emotional engagement with products that offer benefits for their children.

Silent Generation housewives are living in a new stage of vitality and independence and are more socially active. These households enjoy all kinds of indulgent premium products, and advertising is the best way to communicate the benefits that justify the higher prices (40% try new premium products based on TV advertising and 30% are motivated by in-store advertising).
CHILE

HOW CAN WE REACH THEM?

As family lifestyles change, the preferences of purchase place and their reasons to purchase in each one changes as well. Therefore, if we want to reach each generation with premium products, it’s not enough to understand their premium tipping points. We need to put those products in the right place at the right time.

EXPENDITURE PER CHANNEL

[Graph showing expenditure per channel for different generations and channels, including Traditional Trade, Drugstores & Perfumeries, Open Markets, Wholesalers, and Others. Supermarkets cover 100%.]
Hiper Líder is key destination for Millennials housewives, while Generation X housewives prefer A cuenta supermarkets over the rest of the population. Fifty-five percent really enjoy taking time to find bargains and researching best prices, which is why 60% look for loyalty programs and benefits.

Jumbo, Santa Isabel and Smu Unimarc have a stronger presence for Silent Generation housewives than the rest of the population. That’s because 48% enjoy shopping for groceries, which means that the retail experience is an attribute that they really value from their stores.
ABOUT NIELSEN

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