WELCOME

The fast-moving consumer goods (FMCG) market is facing a variety of growth challenges. As large consumer segments age, a new group is gaining relevance.

Making up 26% of U.S. shopping households, Millennials are the future front-runners in generational spending power.

As Millennials, we are the most diverse generational segment to date from an ethnic and racial perspective, and as a result, our perspectives about consumer spending, shopping channels, information transparency, social responsibility and health consciousness are as unique as we are individually.

Generalizing and trending the variety of perspectives and life stages present among Millennials can be a challenging task for FMCG companies. As a part of this dynamic generation, we feel uniquely positioned to analyze the data and provide insight into the distinct consumer behaviors of U.S. Millennials.

Focusing on data-driven insights and adding in personal perspectives provides a necessary rich comprehension that can influence the decisions of advertisers, manufacturers and retailers. This report provides FMCG organizations with critical knowledge they need as they compete for our attention and our dollars.

Within this report, generations are defined as follows:

- Greatest Generation: born before 1946
- Baby Boomers: born between 1946 and 1964
- Generation X: born between 1965 and 1976
- Millennials: born between 1977 and 1995, or consumers under 35 as of 2017. This is different from the Millennials on Millennials report on TV and digital news consumption, which categorizes Millennials as 21-37.

Key Takeaways

- Millennials gather information using new mediums
- Millennials care for integrated corporate social responsibility initiatives
- Millennials are more likely to put dollars behind health

Special thanks to Samantha Stricker and Ronjan Sikdar.
METHODOLOGY & REFERENCE

The Millennials on Millennials Report is led by Nielsen Millennial associates and analyzes the unique nature of this demographic group by leveraging Nielsen data-sets and fielding custom surveys to provide deeper insight into the attitudes and behaviors of Millennials in regards to purchasing behavior. The intent of this primary data collection was to complement information obtained on these topics from other existing Nielsen primary and secondary datasets.

Utilizing BASES E-Panel, 1,058 interviews were obtained among U.S. residents ages 18+. Millennials were defined as 18-34 year olds. Data is weighted by age and gender to ensure adequate demographic representation.

Nielsen’s Homescan Panel is a nationally based and geographically representative panel of households who continually track purchase data and their household demographic information. Panelists use mobile app or in-home scanners to record all product purchases for household use. Panelists are then weighted and projected to represent U.S. Census estimates.

For the purpose of analysis we will be using index figures to better understand Millennial spending relative to the spending of the total population.

Generations were defined as follows unless where otherwise noted:

SEGMENT DEFINITIONS

- GREATEST GENERATION – BORN BEFORE 1946
- BOOMERS – BORN BETWEEN 1946 - 1964
- GENERATION X – BORN BETWEEN 1965 - 1976
According to U.S. Census projections, Millennials and younger will account for 57% of the U.S. population by 2020, up from 50% in 2014, and female Millennials will slightly outnumber male Millennials.

Note: MM = million.
Compared with previous generations, Millennials are living their lives differently and, overall, they’re reaching milestones later in life. For example, in 2016, only 8% of Millennials were parents, which is notably lower than the 22% of consumers of the same age back in 1975.

**PERCENTAGE OF ADULTS 25-34 TO HAVE REACHED “MILESTONES”**

<table>
<thead>
<tr>
<th>Milestone Description</th>
<th>2016</th>
<th>1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL FOUR MILESTONES</td>
<td>24%</td>
<td>45%</td>
</tr>
<tr>
<td>Lived away from parents, ever married, lived with child</td>
<td>8%</td>
<td>22%</td>
</tr>
<tr>
<td>Lived away from parents, in labor force, ever married</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Lived away from parents, in labor force</td>
<td>6%</td>
<td>23%</td>
</tr>
<tr>
<td>Other combinations</td>
<td>9%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Note: ‘Other combinations’ data includes percentage of Adults 25-34 who reached none of the above key milestones.
CURRENT STATE AND SHOPPING DYNAMICS

Millennials represent 26% of households across America, a figure that's grown 2% since 2016. And not only do Millennials hold great potential as the new wave of parents, they also carry their fair share of weight when it comes to FMCG spending—which will grow as they progress in their careers. Therefore, capturing their attention and spending is of growing importance.

But even though this generation's spending will increase over time, Millennials already spend more per trip than any other generation, with an average basket size of $57. Despite the big individual baskets, however, Millennials spend the least in aggregate each year, with each shopper spending an average of $5,716 per year. Considering their larger-than-average basket sizes, Millennial households spend less per year because they make fewer shopping trips. Comparatively, Generation X and Boomers spend more annually, driven by more frequent trips, likely to meet the needs of their larger, more established families.

In looking across the generations, U.S. Millennial households are the most racially and ethnically diverse generation: 20% are Hispanic (the most of any generation to date), 12% are African American, 7% are Asian, and 12% comprise a selection of other races. Millennial households also hold more college degrees than other generational households, leading to a higher percentage (40%) that are part of the professional/managerial workforce, with the majority making over $50,000 per year. As more Millennials reach parenthood, household size continues to grow. In 2017, more than 62% of Millennial households consisted of three or more members.

Source: Nielsen Homescan Panel; Total U.S., 52 weeks ended 12/31/2017.
MILLENNIALS ARE TRANSITIONING TO FAMILY LIFESTAGES

Reflective of their entrance to parenthood, Millennial spending habits are shifting. Notably, they're spending a greater amount of their income on baby care and family planning categories. And as their families grow, they're buying more food as well, with Millennials spending more than other generations on easy and convenient products for families.

However, some stereotypes also shine through. Millennials tend to spend more on newly growing categories. For example, they spend 80% more than the rest of the population on alcoholic cider.

**TOP CATEGORY BUYING INDEXES AMONG MILLENNIALS**

**BABY CARE**

- **Baby Food**: 331
- **Disposable Diaper & Training Pant**: 326
- **Baby Formula & Child Nutritional Drink**: 311
- **Baby Accessory**: 276
- **Baby Hygiene and Body Care**: 225
- **Family Planning**: 223

**FOOD CONSUMPTION**

- **Frozen Breaded Chicken**: 183
- **Lunch Combination**: 176
- **Shelf Stable Conveniency Breakfast**: 160
- **Shelf Stable Chocolate Drink**: 160
- **Insulated Containers**: 150
- **Boxed Prepared Dinners**: 150

Source: Nielsen Homescan Panel; Total U.S., 52 week ended Dec. 31, 2017. Millennials identified as household’s with head of household under 35 years of age.

Index value can be read as: Millennials spend 76% more of their $ than expected on Lunch Combination compared to the total population.
But Millennial spending varies beyond basket size and total spend. For example, despite being in the earlier stages of their careers, many are paying full price for FMCG items. In fact, Millennials, perhaps surprisingly, spend just 21% of their FMCG dollars on deal*, compared with the average household, which spends 23% of their FMCG spend on deals. Millennials aren't looking for occasional deals; they shop with value retailers frequently. And as a result, they spend a higher percentage of their disposable income in value-related channels rather than convenience-related channels (i.e., drug, convenience and gas stores).

**SHARE OF CONSUMER SPENDING BY CHANNEL**

- **Convenience / Gas Store**: 2% (Millennials), 4% (Total Population)
- **Dollar Store**: 3% (Millennials), 3% (Total Population)
- **Drug Store**: 4% (Millennials), 5% (Total Population)
- **Premiere Fresh Grocery**: 7% (Millennials), 9% (Total Population)
- **Value Grocery**: 9% (Millennials), 11% (Total Population)
- **Mass Merchandiser**: 8% (Millennials), 11% (Total Population)
- **W/O Supermarket**: 18% (Millennials), 19% (Total Population)
- **Club**: 18% (Millennials), 19% (Total Population)
- **Super Centers**: 30% (Millennials), 25% (Total Population)
- **Conventional Grocery**: 33% (Millennials), 32% (Total Population)

Source: Nielsen Homescan Panel; Total U.S., 52 weeks ended 12/31/2017.

*Note: “deal” in panel refers to perceived deal.
THE GENERATION OF RESEARCHERS

While consumers have myriad channels and options to meet their FMCG needs, retailers shouldn’t underestimate the importance of brick-and-mortar operations. In fact, the latest Nielsen Category Shopping Fundamentals study found that 60% of consumers’ FMCG decisions are still made at the shelf. Millennials are, however, more active than older generations on social media, which affects the way they look for information when shopping. For instance, Millennials are significantly more likely to conduct an online search than the broader population when shopping for common items such as food or cleaning products.

Additionally, the way consumers seek out information tends to differ across categories. In 2017, we conducted a custom E-Panel survey to probe on shopping behaviors and motivations among Millennials and the broader population. When it comes to health/beauty products, most people ask family members for guidance and opinions; Millennials, however, are more inclined to trust friends and social media when researching in this category. They’re also more likely to check user reviews than they are to ask a family member or their friends.

MILLENNIALS ARE DRIVING THE GROWTH OF ONLINE SHOPPING

Millennials are driving much of the growth in online shopping, with 61% saying they buy FMCG products online. As they enter adulthood and become parents, Millennials buy more household items, baby care and meal kits than the norm.

PERCENT WHO PURCHASED FMCG PRODUCTS ONLINE IN THE PAST THREE MONTHS

<table>
<thead>
<tr>
<th>Millenials</th>
<th>Gen X</th>
<th>Baby Boomers</th>
<th>Greatest Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>61%</td>
<td>55%</td>
<td>44%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Source: Nielsen Homescan Panel; Total U.S., 52 weeks ended 05/13/2017.

Across generations, all consumers prefer to receive the items they buy online directly at their homes instead of picking them up in store or curbside. In terms of online shopping preferences, however, Millennials are more likely to consider an e-tailer if it offers a subscription service. In fact, three out of the five categories that Millennials purchase online are subscription based.

TOP ONLINE CATEGORIES PURCHASED BY GENERATION [ON LAST ORDER]

<table>
<thead>
<tr>
<th>Millenials</th>
<th>Generation X</th>
<th>Baby Boomers</th>
<th>Greatest Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diapers</td>
<td>Vitamins etc.</td>
<td>Vitamins etc.</td>
<td>Vitamins etc.</td>
</tr>
<tr>
<td>Vitamins etc.</td>
<td>Chips</td>
<td>Pet Treats</td>
<td>Pet Treats</td>
</tr>
<tr>
<td>Toilet Paper</td>
<td>Toilet Paper</td>
<td>Pet Supplies</td>
<td>Toilet Paper</td>
</tr>
<tr>
<td>Chips</td>
<td>Cosmetics</td>
<td>Dog Food (dry)</td>
<td>OTC Remedies</td>
</tr>
<tr>
<td>Wipes</td>
<td>Shampoo etc.</td>
<td>Toilet Paper</td>
<td>Dog Food (dry)</td>
</tr>
</tbody>
</table>

In addition to leading the way in online FMCG purchasing, Millennials are active mobile buyers, as this generation makes 40% of its purchases via mobile phone. They do half of their online shopping using a desktop/laptop. When it comes to smart home devices, Millennials are slightly more likely (3%) to use them than other generations, even though they are rarely used by any generation.

Millennials care about integrated social responsibility

Millennials are willing to pay extra for sustainable offerings. When we surveyed Millennials in 2017 about the importance of corporate social responsibility (CSR) to their purchasing decisions, significantly more Millennials responded by saying that CSR is extremely or very important than the broader population.

And as a result, Millennials are more likely to purchase from socially responsible brands, as 70% indicated that they would be more likely to purchase from a brand if it handled a social issue well. Alternatively, however, Millennials are no more sensitive to a brand’s mishandling of an issue than the broader population. More surprisingly, they claim to be less punishing of a brand remaining neutral on a social issue than the general population. When probed directly on how they would respond if a brand did not respond to a social issue, only 26% claimed they would be less likely to buy and only 4% of Millennials claimed they would be much less likely to buy.

Millennials realize that brands can’t strive to solve all of the issues going on in the world. They do, however, look to brands to address the issues and topics that they do have control over. We saw evidence of this during several ads that aired during the yearly football event. While being modern and relevant has its benefits (as ads that leverage current events on average had strong TV scores), brands must appear authentic when tying advertising back to an important social issue or cause. T-Mobile, for example, leveraged a particularly salient and relevant social issue—equality—in its football spot. However, viewers across age groups found the ad to be confusing; and it was among the most polarizing on YouTube. On the other hand, Budweiser’s work around natural disaster relief was portrayed in an authentic fashion that demonstrated a tangible outcome (providing water). As a result, Budweiser drove a high level of interaction and online views with normative sentiment and rose to the top as the No. 1 ranked yearly football event ad on Nielsen’s TV Media Index.

TOP 10 SOCIAL ISSUES RANKED BY MILLENNIALS

<table>
<thead>
<tr>
<th>GENERALLY IMPORTANT</th>
<th>IMPORTANT FOR BRANDS TO ADDRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOW IMPORTANT ARE THE FOLLOWING SOCIAL ISSUES TO YOU?</td>
<td>THINKING ABOUT HOW BRANDS ENGAGE WITH SOCIAL ISSUES, WHICH OF THE FOLLOWING, IF ANY, DO YOU THINK ARE IMPORTANT FOR BRANDS TO ADDRESS?</td>
</tr>
<tr>
<td>1. Education</td>
<td>1. Food &amp; Hunger</td>
</tr>
<tr>
<td>2. Food &amp; Hunger</td>
<td>2. Environmental Sustainability</td>
</tr>
<tr>
<td>3. Water &amp; Sanitation</td>
<td>3. Education</td>
</tr>
<tr>
<td>5. Poverty</td>
<td>5. Racial Equality</td>
</tr>
<tr>
<td>7. Environmental Sustainability</td>
<td>7. Animal Welfare</td>
</tr>
<tr>
<td>8. Bullying</td>
<td>8. Water &amp; Sanitation</td>
</tr>
<tr>
<td>10. Animal Welfare</td>
<td>10. Bullying</td>
</tr>
</tbody>
</table>

Source: Custom E-Panel survey

In our 2017 E-panel survey, consumers were asked to rank social issues they found generally important and social issues they found important for brands to address. In comparing the lists of social issues ranked by Millennials, the data highlights discrepancies about which issues are most important for brands to address. Paired with Millennial responses to open-ended questions, these differences reflect which social issues Millennials feel brands are best equipped to address. Overall, Millennial respondents expressed that brands should engage with social issues associated with the business they conduct. For example, a Millennial respondent had this to say about when brands should engage with social issues, “Brands should engage with issues related to the product. I don't care if a candy company cares about net neutrality, but a telecom company better be on the right side of the issue.” Consistent with this sentiment of brand aligned engagement, our custom survey data showed that the positive impact on Millennial purchase interest was nearly even when the brand supported specific social issues Millennials care about (74% claimed more likely to buy) or when the brand handled social issues well in general (70% claimed more likely to buy).

74% OF MILLENNIALS WERE MORE LIKELY TO BUY THE BRAND SUPPORTING SOCIAL ISSUES THEY CARE ABOUT, ON PAR WITH THE 70% WHO CLAIM TO BE MORE LIKELY TO BUY A BRAND HANDLING SOCIAL ISSUES WELL IN GENERAL.
MILLENNIALS ARE PART OF THE HEALTH CRAZE

Millennials as a group are drivers of health conscious claim growth. In our custom E-panel survey, 47% of Millennials considered “simple” to be a very important attribute for their food ingredients. For example, marketed as clean, whole food protein bars, RX Bars sees 43% of sales come from Millennials. Millennials and the broader population rate these claims in the same order, preferring simple ingredients over free-from and sustainable claims. This claimed preference translates to disproportionately higher purchasing for a number of healthy label claims. Millennials are spending more than expected on products with health and wellness claims such as “organic,” “natural,” “GMO free,” “probiotic” and “nut free.”

DOLLAR INDEX BASED ON CLAIMS

Source: Nielsen Homescan Panel; 52 W/E 12/30/2017

Source: Nielsen BASES E-Panel; 10/27/2017 - 11/10/2017. Millennials identified as household’s with head of household under 35 years of age. Nielsen Homescan Panel; 52 W/E 12/30/2017
Index value can be read as: Millennials spend 48% more of their $ than expected on Organic products compared to the total population.
LOOKING FORWARD

Millennials are already a driving force in the FMCG world, and their influence and spending prowess will grow as they advance in their careers and grow their families. This highly diverse and well-educated generation spans across multiple life stages, and on average, continues to enter parenthood slightly later than previous generations. Millennials are less-likely to purchase products that are on a temporary promotion and instead shop in value channels more often. Although value is important, Millennials still spend more per trip than any other generation. Understanding retailer preferences, basket metrics and shopper influences is critical to capitalize on these trips.

Despite being heavily influenced by on shelf options, this tech savvy cohort proves much more comfortable searching online and consulting social media when researching products to purchase. They are also the heaviest adopters of online FMCG purchases and subscription based services, driving home the importance of keeping up with current trends to remain both relevant and competitive.

Millennials care about integrated social responsibility significantly more than the broader population and report being more likely to put their dollars towards brands with well aligned socially responsible initiatives. In addition to being ethically conscious, Millennials are also health conscious, as demonstrated by their high spending on products with healthy label claims. FMCG retailers, manufacturers and advertisers must continue to pay close attention to the evolving attitudes and behaviors that guide Millennials to their purchase decisions as the already sizable reward for winning with this generation grows each year.
ABOUT THE MILLENNIALS ON MILLENNIALS REPORT

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The insights in this report were derived from the following sources:

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ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global measurement and data analytics company that provides the most complete and trusted view available of consumers and markets worldwide. Our approach marries proprietary Nielsen data with other data sources to help clients around the world understand what’s happening now, what’s happening next, and how to best act on this knowledge. For more than 90 years Nielsen has provided data and analytics based on scientific rigor and innovation, continually developing new ways to answer the most important questions facing the media, advertising, retail and fast-moving consumer goods industries. An S&P 500 company, Nielsen 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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