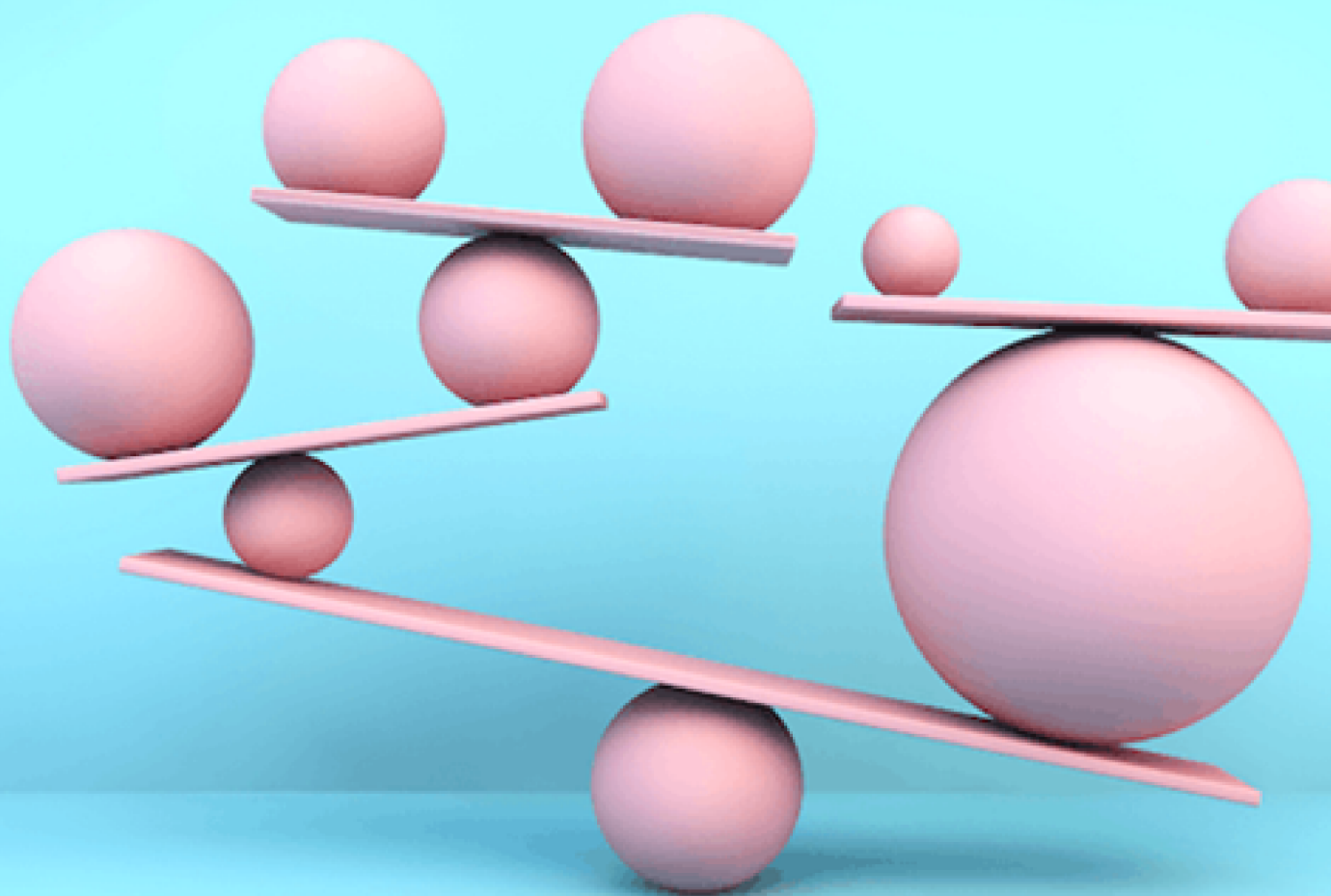




THE BRAND BALANCING ACT

A GLOBAL PERSPECTIVE



PREPARED BY Food Distribution Guy
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Small and medium-sized businesses are the backbone of the Global economy. Nielsen IQ recently completed a study to shine a light on core facets of brand choice with a particular focus on how consumers perceive and prioritize smaller brands. The results of their global data investigation form the backbone of a simple and essential framework to guide the strategy of small and medium-sized businesses in 2022 and beyond.

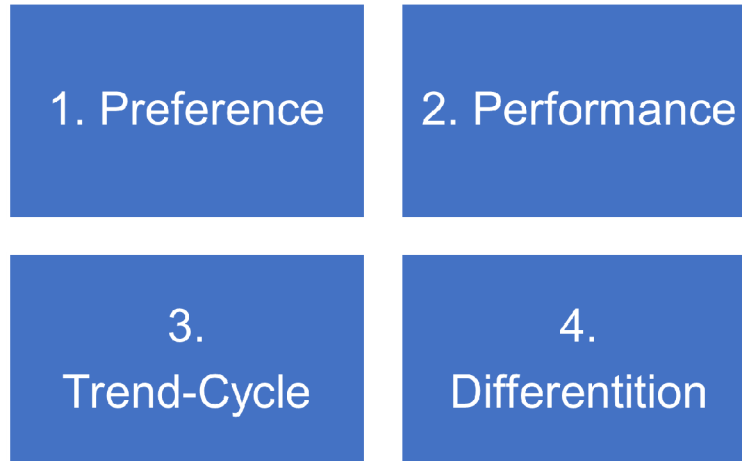
This report summarizes Nielsen IQ's review titled "The Brand Balancing Act". A Global Perspective.

SHIFTING POINT FOR ENTRY

- Consumers are shopping broadly and searching deeply for brands they need. In fact, 51% of global consumers are purchasing a greater variety of brands today than before the pandemic.
- 67% of consumers feel that if they look hard enough, they can find a brand that fits their exact needs.
- When asked what is the most important criteria to consumers when choosing a brand to purchase:
 1. 86% - Functional reasons. Specific offerings within a brand's value proposition.
 2. 71% - Emotional reasons. Reputational value of a brand.
 3. 66% - Brand Resonance. Aspects that align to one's personal or cultural resonance/identity.

FOUR BASES FOR SUCCESSFUL BRAND STRATEGY, 2022 AND BEYOND

- Nearly 60% of consumers indicate a preference for buying smaller or larger brands.



CONSUMER BRAND PREFERENCES

- When asked to identify their usual approach to buying across the consumer goods space, global consumers fit into one of four key groups of brand buyers:
 1. Agnostic buyer: 41%
 2. Unintentional small buyer: 26%
 3. Exclusive small buyer: 12%
 4. Exclusive large buyer: 21%

AGNOSTIC BUYER

- Perceived lack of brand differentiation drives their purchase indifference, very price sensitive.
- 41% of global consumers say they are agnostic in brand preference (not particular to larger or smaller brands).
- High Purchase Motivators
 - Functional: 93%. Brand is affordable / good value for the money.
 - Emotional: 80%. Memorable experience with the brand. Only 16% will change brands if the price of the preferred brand rises

UNINTENTIONAL SMALL BUYER

- Cost-conscious, but open to paying a little more.
- High Purchase Motivators
 - Functional: 91%. Brand is affordable.
 - Brand Resonance: 82%. Benefits me socially or environmentally. 20% purchase the lowest priced product from considered options.

EXCLUSIVE SMALL BUYER

- Feel deep personal and local connections to brands.
- 47%: Small brands are more authentic, trustworthy, and likely to put brand values over profit vs. big brands.
- In the face of inflation, likely to downsize to small pack sizes or opt for private label/store brands
- High Purchase Motivators
 - Functional: 87%. Brand meets my specific health needs.
 - Emotional: 82%. Brand supports local community.
 - Brand Resonance: 78%. Reflects how I feel about myself.

EXCLUSIVE LARGE BRAND BUYER

- Expect superior quality, notoriety, and direct communication.
- These consumers are eager to seek online channels for better deals and will upsize to save money.
- 61% Like knowing a brand's story, origin, reasons for being
- 57% Like when brands contact them directly in an informal or personal way
- High Purchase Motivators
 - Functional: 96%. Brand with superior quality.
 - Emotional: 86%. Brand that is most well known in its category.
 - Brand Resonance: 81%. Proud to recommend it.

Key Take Aways to Capitalizing on Consumer Brand Preference.

- Nearly 4 in 10 global consumers have some preference to buying smaller brands.
- Meanwhile, 41% are agnostic brand buyers, a key opportunity for brands of all sizes to engage and convert.

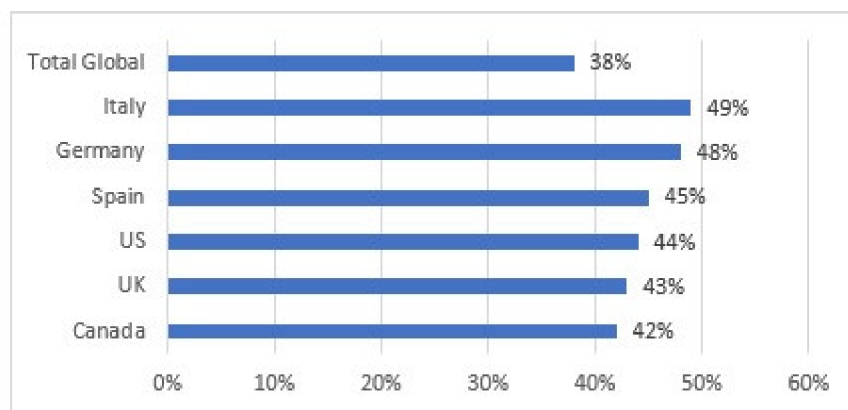
Keys To Succeed

1. Motivate purchase: Highlight what is new, different or locally unique about your brand to cater to small brand buying preferences.
2. Resonate: Align products to specific claims or environmental/social benefits that personally matter to consumers.
3. Bridge to affordability: Ensure smaller pack sizes are available for downsizing, and prices compare to private labels.

BENCHMARKING PERFORMANCE

- As larger manufacturers often do, continuous measurement and benchmarking of performance is a key step to assessing and seizing brand growth potential.
- For small and medium-sized businesses (SMBs), the pace has not been the swiftest compared to larger companies, but growth-driving influence, or contributions to regional sales growth, have been significant. Manufacturers outside of the top 100 have contributed 52% of their region's annual FMCG growth in North America.
- To succeed, SMBs need to use regional benchmarks to assess their brand performance, prove their worth to retail/brand partners, and set their achievable growth targets according.
- Understanding where consumers seek smaller brands is as important as understanding which regions across the world are leading the pace of brand growth.

Chart 1
Consumers' Preference to Buy Small



Where Consumers Usually Shop for

	Small Brands	Large Brands
Independent grocer	25%	15%
Specialty store	21%	22%
Convenience store	18%	19%
Dollar store	17%	16%
Discount retailer	13%	24%
Grocery store	12%	25%
Drug store	12%	27%
Mass Merchant	8%	32%
Club store	7%	26%

Key Take Aways From Benchmarking Performance

- SMBs are growth contributors, not pace leaders: Smaller manufacturers (outside Top 100) are not leading the pace of global growth, but are contributing strong share of sales to regional FMCG growth.

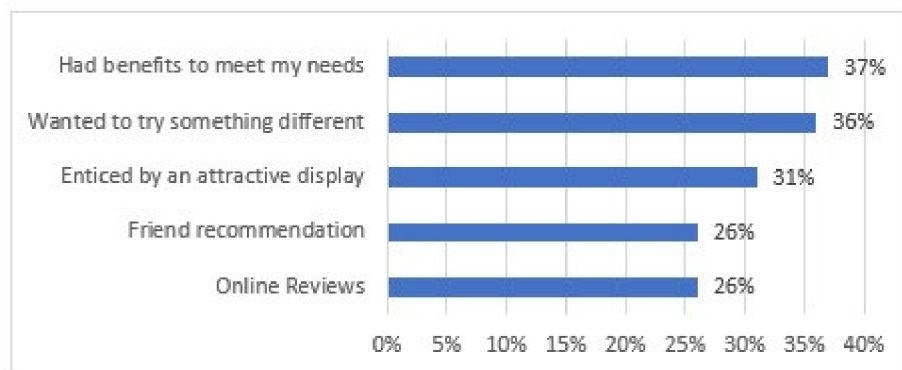
Keys To Succeed

1. Assert your value: Use regional benchmarks to assess your brand performance, prove your worth to retail/brand partners or set achievable growth targets accordingly.
2. Maximize small retail: Unleash your potential within small-format independent retailers, which are high-traffic extended pantries in the eyes of many consumers.
3. Win agnostic buyers: Tap into those with “no brand preference”, a large and open opportunity to convert.

INNOVATION TREND CYCLE

- Staying relevant to consumers today requires a continual focus on new brand innovation.
- In the face of inflationary pressures, global disruption, and cautious consumers, many brands may naturally hold back on innovation, particularly small and medium businesses.
- Yet only 6% of surveyed respondents across the globe are averse to trying new things

Chart 2
Top 5 Factors That Enticed a New Brand Purchase



- Majority of consumers today actively seek out what's new and trendy.

TRENDSETTING DISPOSITION



- Many Canadians take comfort in the mainstream. 42% of Canadian consumers don't go out of their way to seek new things.
- Many small brands have paved the way to scaling niche → mainstream.
- Knowing that only a fraction of global shoppers are averse to new products right now, it's important to think conceptually about the cycle to which trends can initially appeal to consumers. Intrigue is likely to start with trend leaders.
- Shoppers are hyper-aware of the product claims and benefits offered by the brands they buy. With consumers worldwide prioritizing health and wellness, brands have the opportunity to introduce innovative ways for consumers to meet their unique wellness needs.

Key Takeaways to Capitalizing on Trend-Cycle Timing

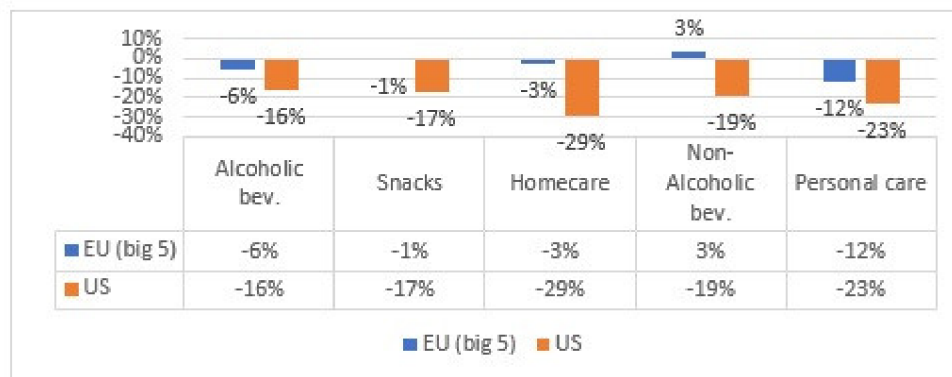
Keys To Succeed

1. Lean into local: Identify ways to localize your product or offering to build rapport among consumers.
2. Approach premium uniquely: In today's inflationary climate, premiumization must be justified with unique benefits.
3. Appetite for change: Tailor your messaging to your consumers' trendsetting mentality and how change-adverse or change-inclined they are in your category.

MEANINGFUL DIFFERENTIATION

- For small brands, success in the coming years will be driven not by "being better" than competitors, but by "being different" in today's diverse marketplace. Yet, in this challenging economic climate, smaller brands have run from innovation at the exact moment that running toward it would benefit them the most.
- Given that 94% of surveyed consumers across the globe say they are open to trying new things when shopping, the pace of innovation should be increasing, rather than decreasing.
- The reality among most smaller brands is that the pace of innovation has slowed dramatically as outlined in Chart 3.

Chart 3
% Growth # of Small and Medium Brand Innovation by Category



“Small brands are starting to see the tides turn in their favor—not necessarily by reinventing the wheel, but by owning one facet of differentiation and owning it boldly. From single-ingredient innovation to compelling educational messaging or adoption of new technology, simple but thoughtfully communicated differentiation sets winning brands apart from the rest”. ~ Jenna Movsowitz, editor at Startup CPG

Hallmarks for Small and Medium Differentiation

- Concept Revival:** Smaller brands can bring new interest and demand to stalwart categories or concepts.
 Example: Re-defining cereal: Creating cereals that are high protein, low-sugar, gluten-free, and clean label.
- Societal change:** Smaller brands are uniquely armed to tackle cause-related education & awareness and to courageously inspire societal change.
 Example: SMB's show their heart with commitments to the sustainability of the planet, but also to people.
- Transforming systems:** Smaller brands can be nimble and creative with how they utilize the resources at their disposal – often transforming something from nothing.
 Example: Making something from nothing is how many small brands are creating new avenues. Refillable packaging, turning wasted by-products into a new product.

Keys To Succeed

1. Extend old runways: SMB change agents are infusing new ideas into stagnant categories and product concepts.
2. Unite passion and purpose: Brands are differentiating through commitments to passion and purpose-driven product use cases.
3. New markets within a market: Transforming something from nothing with upcycling, metaverse consumption, and revitalizing local food systems with regenerative farming.

THE ROAD AHEAD

Navigating inflation, global disruption, and consumer change.

1. Win the Favour of Agnostic Brand Buyers: 48% of trend leaders are agnostic buyers. The most indecisive can be the most eager to try new things.
2. Invest in Factors Most Expected of Your Brand: Prioritize resources around factors that are proven to matter most by brand type. For small and medium brands, that's: Being interesting or different, supporting local, specific alignment to claims/causes/ health needs.
3. Balance Inflation with Appetite for Innovation: 93% of consumers prioritize 'affordability' in brand purchases. Nearly 70% of global consumers actively seek what's new and trendy.

FUTURE OPPORTUNITIES FOR SMALL AND MEDIUM BRANDS

1. PREFERENCE

Engage the SMB captive audience

38% of global consumers indicate some preference for buying smaller brands.

How?

Align to purchase motivators and bridge to affordability with preferred saving strategies.

2. PERFORMANCE

Level-set your growth

N. America is the only region where companies outside the Top 100 are growing the fastest compared to other tiers

How?

Set achievable growth targets for your brand aligned to local benchmarks.

3. TREND-CYCLE

Embrace trend-seeking needs

Appeal to the 7 in 10 global consumers who actively seek out what's new and trendy

How?

Understand what's likely to entice new trial and how others have brought niche trends to the mainstream successfully.

4. DIFFERENTIATION

Continuously innovate

Benefit from meaningful differentiation –stand out from the-20% slowdown in innovation items among US and major European markets.

Why?

Because new paths to growth are being paved across 3 different hallmarks of SMB innovation today.

FOOD DISTRIBUTION GUY PROFILE



Richard Baker, President

Food Distribution Guy's mandate is to ensure our principles' success is sustainable long-term. Providing our clients with industry sights, we assist them with their "Go-To" market strategy that helps them break through the competitive landscape to "Getting and Staying" listed in Canada's grocery sector.

WE ARE OUR PRINCIPLES' **"ONE-STOP"** RESOURCE.

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