AGENDA

1. Introduction to IRI
2. The State of our Nation 2017
3. Top Trends in FMCG for 2017
4. Key Considerations
5. Key Takeaways
IRI DELIVERS INSIGHTS, ANALYTICS AND CONSULTING IN OVER 60 COUNTRIES...

**IRI Offices**

- Partnership & Analytics Coverage

- Analytics in 30+ countries through IRI's Analytics Center of Excellence - ACE
- Coverage of 60+ countries leveraging partnerships
- 11 offices in North America, 12 in Europe, 3 in Asia-Pacific and 2 in Africa
- Global Operations Center in India

**750+ Retail Partnerships Worldwide**

**250+ Customers in New Zealand**

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Unemployment
4.5%
-0.8pt vs Q4 YA
-0.1pt vs Q3 17

CPI Inflation Rate
1.6%
Chg. vs Q4 YA

Food Price Index
0.8%
Chg vs Yr. to Jan-17

Population Growth
2.1%
vs 2016

World Bank's stock at all-time high

US rate rise chances recede as jobs growth slows

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WHO WE ARE AND HOW OUR POPULATION IS CHANGING, IS IMPACTING WHAT WE VALUE AND BUY

Migration
- Perm/Long-Term: 129k
- Population Growth: +100,200
- Net Migration: 72k
- Asian Population: 25%
- Asian Population (2038): 37%
- Migrants: 1/2 move to Auckland
- Population: 1/3rd of NZ
- Diverse: European 59%, Asian 23%, Pacific 15%, Maori 11%
- Median Age of Mother: 30.3
- Educated: 56.8%
- Labour Force: 64.5%
- Single Person Household: 24%
- Global Workforce: 75% (2023)
- Fertility Rate: 1.85
- Median Age: 33.5
- Married Rate: 11.0
- Single Person Household: 24%
- Median Age: 33.5
- Single Person Household: 27%

Population Growth: +100,200
Net Migration: 72k
Asian Population: 25%
Migrants: 1/2 move to Auckland
Population: 1/3rd of NZ
Diverse: European 59%, Asian 23%, Pacific 15%, Maori 11%
Median Age of Mother: 30.3
Educated: 56.8%
Labour Force: 64.5%
Single Person Household: 24%
Global Workforce: 75% (2023)
Fertility Rate: 1.85
Marriage Rate: 11.0
Single Person Household: 27% (+35% Growth (+156k HH))

Ageing
- 65+: >1.14M (2051)
- 65+: +71.5k (from 1996)

Millennials
- Population: 1.4M
- Global workforce: 75% (2023)

Families
- Marriage Rate: 11.0
- Fertility Rate: 1.85
- Single Person Household: 27% (+35% Growth (+156k HH))
NEW ZEALAND TOTAL RETAIL
$80.6B

NZ SCAN SALES

Grocery
3.2b
-4.1%
$13.5b
+2.4%

Petrol
184.0m
+5.1%
$1.3b
+3.1%

Pharmacy*
32.7m
+0.3%
$593m
+0.1%

Route*
+15.4%
+10.6%

*defined sample
1 – Stats NZ (Excl. Motor Vehicles & Parts and Fuel)
<table>
<thead>
<tr>
<th>Rank</th>
<th>Category</th>
<th>Revenue</th>
<th>Growth Rate</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Prepaid Service</td>
<td>$123M</td>
<td>+7.1%</td>
<td>+$8.1M</td>
</tr>
<tr>
<td>2</td>
<td>Natural Health</td>
<td>$83M</td>
<td>+6.7%</td>
<td>+$5.2M</td>
</tr>
<tr>
<td>3</td>
<td>Nappies</td>
<td>$115M</td>
<td>+4.3%</td>
<td>+$4.8M</td>
</tr>
<tr>
<td>4</td>
<td>Plasticware</td>
<td>$28M</td>
<td>+13.1%</td>
<td>+$3.2M</td>
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<tr>
<td>5</td>
<td>Respiratory Tract</td>
<td>$42M</td>
<td>+7.6%</td>
<td>+$3.0M</td>
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<table>
<thead>
<tr>
<th>Rank</th>
<th>Category</th>
<th>Revenue</th>
<th>Decline Rate</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Magazines</td>
<td>$82M</td>
<td>-7.0%</td>
<td>-$6.2M</td>
</tr>
<tr>
<td>2</td>
<td>Stationery</td>
<td>$14M</td>
<td>-18.1%</td>
<td>-$3.1M</td>
</tr>
<tr>
<td>3</td>
<td>Apparel</td>
<td>$10M</td>
<td>-22.4%</td>
<td>-$2.9M</td>
</tr>
<tr>
<td>4</td>
<td>Light Bulb</td>
<td>$16M</td>
<td>-14.2%</td>
<td>-$2.7M</td>
</tr>
<tr>
<td>5</td>
<td>Gardening</td>
<td>$8M</td>
<td>-17.8%</td>
<td>-$1.8M</td>
</tr>
</tbody>
</table>
TOP 5 PHARMACY GROWTH/DECLINE

1. Natural Health
   - Revenue: $140M
   - Growth: +8.9% (+$11.5M)

2. Cough & Cold
   - Revenue: $62M
   - Growth: +2.9% (+$1.8M)

3. Suncare & Repellents
   - Revenue: $16M
   - Growth: +11.5% (+$1.6M)

4. Weight Mgt & Sports Nutrition
   - Revenue: $11M
   - Growth: +4.3% (+$444k)

5. Digestive Care
   - Revenue: $22M
   - Growth: +1.4% (+$311k)

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1. Skincare
   - Revenue: $64M
   - Decline: -7.2% (-$5.0M)

2. Make-up
   - Revenue: $48M
   - Decline: -8.5% (-$4.5M)

3. Hair Care
   - Revenue: $20M
   - Decline: -6.6% (-$1.4M)

4. Beauty Accessories
   - Revenue: $14M
   - Decline: -8.7% (-$1.3M)

5. Fragrances
   - Revenue: $21M
   - Decline: -4.6% (-$1.0M)
NATURAL HEALTH CATEGORY PERFORMANCE
COMBINED GROCERY + PHARMACY

National Combined: +8.1%
National Grocery: +6.7%
National Pharmacy: +8.9%

Dollars Growth Actual YA

+$16.8M
+$5.3M
+$11.5M

Value sales:
$225M

Share:
62% share
38% share

+1.8% growth (MAT to 29.01.17)
+8.1% growth (MAT to 28.01.18)
NATURAL HEALTH SEGMENTS

TOP 10 SEGMENTS | NATURAL HEALTH
DOLLARS GROWTH ACTUAL YA

1. COLD, FLU & IMMUNITY +$3.2M
2. DIGESTION +$2.6M
3. JOINTS +$1.8M
4. GENERAL MULTIS +$1.5M
5. MUSCULAR PAIN/CRAMPS +$1.5M
6. ENERGY +$0.2M
7. GENERAL FISH -$1.0M
8. SKIN, HAIR/NAILS +$2.5M
9. INSOMNIA +$0.6M
10. HEART HEALTH +$0.9M

% $ Share
- COLD, FLU & IMMUNITY: 16.1%
- DIGESTION: 9.5%
- JOINTS: 9.4%
- GENERAL MULTIS: 9.0%
- MUSCULAR PAIN/CRAMPS: 6.8%
- ENERGY: 6.7%
- GENERAL FISH: 5.8%
- SKIN, HAIR/NAILS: 4.0%
- INSOMNIA: 3.5%
- HEART HEALTH: 3.3%

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Top Trends in FMCG Retail for 2017
HOLISTIC APPROACH TO HEALTH & WELLNESS

Physical
- Diet & Nutrition
- Exercise
- Beauty & Personal Care
- Less Tobacco & Alcohol

Emotional
- Social
- Financial Indulgence
- Experiences
- Ethics/Sustainability

Feel Good
Do Good
Live Better
Desire for Pureness
Peace & Harmony
Whanau
Feel Good
Do Good
Live Good
WELLNESS HAS BECOME A MAJOR GROWTH LEVER

The keys to following healthy nutrition...

- 71% 🍎 Eat more fruit & vegetables
- 27% 📈 Pay attention to nutritional facts on the label
- 38% 📜 Read product ingredients
- 18% ✅ Dedicate more time to the right food choices / cooking

64% “I actively take steps to look after my health regardless of whether I feel ill or not”

+12% 2013

70% shoppers buy health food products for general wellness

NZ IRI Regional Shopper Survey 2017
THERE ARE VARIED INTERPRETATIONS OF WHAT ‘HEALTHY’ IS

Consumer research in the US illustrates the fragmented nature of health

Question: what does being “healthy” mean to you?

Consider this: how does your core target shopper define healthy?

Source: International Food and Information Council Food & Health Survey, 2017

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WITH CONSUMERS ADOPTING A 360° HOLISTIC HEALTH & SELF CARE APPROACH

- Over the Counter Products
- Alt Medicine & Services
- Natural Products
- Food & Beverages

TREAT

- Prescription Medication
- Dietary Supplements
- Devices
- Home Remedies

PREVENT

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INGREDIENT BELIEF DRIVES CHOICES

$4.5M
value sales
Turmeric Supplements

+$2.8M
Turmeric Supplements
growth

Active Products
Turmeric Supplements

Inflammation fighting
properties
PERSONAL CIRCUMSTANCES ARE ALSO DRIVING A CHANGE IN BEHAVIOUR

“ALL DISEASE BEGINS IN THE GUT”
- HIPPOCRATES

Gut health is a prevalent and growing concern in NZ
WE SEE THIS WITH THE RISE IN DIGESTIVE MEDICINE

Digestive Care Category
+2.2%
+$772k

LAXATIVES
$11.0m
+1.9%
(+$202k)

ANTACIDS
$14.8m
+2.7%
(+$396k)

ANTIDIARRHOEALS
$4.5m
+2.6%
(+$116k)

Probiotics
$12.9M
+9.7%
growth (+$1.1M)

Prebiotics - Phloe
$2.1
+3.1%
growth (+$64k)
Desire for Pureness
CONSUMERS ARE INCREASINGLY AND ACTIVELY SEEKING TO LIVE LESS TOXIC, MORE NATURAL LIVES

- 34% consider NH supplements to be safer than traditional OTCs
- 28% believe they are gentler on the body
- 17% believe they address root cause vs symptoms
- 32% view NH supplements as more effective vs. traditional OTCs
- 34% of consumers perceive equal efficacy between NH supplements and traditional OTCs
- 72% of parents give their children NH supplements first vs. traditional OTCs

CONSUMERS ARE INCREASINGLY AND ACTIVELY SEEKING TO LIVE LESS TOXIC, MORE NATURAL LIVES
COLD & FLU – SHIFT FROM OTC TO NATURAL REMEDIES

Flu rates three times higher than last year as dominant virus mutates

MICHIELLE DUFF
Last updated 12/32, August 4 2017

District health boards from New Zealand’s most populated cities have experienced a big increase in the number of influenza hospital admissions. (File photo)

New Zealanders are catching the flu at three times the rate of last year, as the dominant strain of the virus begins to mutate.

$4.8M
Cough & Cold OTC

+9.6%

$3.2M
Cold & Flu Segment Natural Health

Dollars Growth Actual YA
Natural Health Cold, Flu & Immunity

17.9%

17.3%

2.0%

-1.9%

$2,884,316

$494,941

$37,341

-233,801

Vitamin C

Olive Leaf

Garlic

Other
HERBAL IS ON THE RISE...

$56.2M
Value sales

+$6.7M
growth

+13.5%
% growth
BEAUTY COUNTERS ARE GETTING CLEANER

Women are now reading the labels on their beauty products as carefully as food labels. They’re scanning moisturizers for ingredients to avoid and seeing skin care as an extension of their health. As a result, chic, cleaner beauty products are getting way more accessible.

"Women come into our store having done a lot of research on ingredients and are hungry to know more," says Annie Jackson, VP of merchandising at Credo Beauty, one of an expanding number of non-toxic beauty stores across the country.

Natural and organic brands are sprouting up almost daily, and becoming a very viable industry that’s estimated to reach $16 billion by 2020.

All of this is why mega stores like Target, Millennial lifestyle retailers like Urban Outfitters, and chains like Sephora are rapidly expanding their clean beauty offerings. "We’ve definitely seen an increase in the use of natural ingredients," says Priya Venkatesh, Sephora’s VP of skin and hair merchandising. "Brands such as Herbivore Botanicals and Drunk Elephant have an enthusiastic fan base."

And, for the first time since 1938, a discussion about cosmetics regulation is happening on a governmental level. If passed next year, the Personal Care Products Safety Act would empower the Food & Drug Administration to evaluate skin-care ingredients for safety.
AND NATURAL & ORGANIC IS KEY WITHIN SKINCARE

Dollars Growth % YA

18.8

Top Value Growth Brands Grocery

Facial Care
Hand & Body
Personal Wash

Top Value Growth Brands Pharmacy

Swisse
BURT’S BEES
B.O.N
Antipodes
Colour by TBN

Total Category

Hair Care
Personal Wash
Baby Toiletries

Hair Care

24.2%

Personal Wash

31.7%

Baby Toiletries

11.0%
TREND INTENSIFICATION, ACTIVELY SEEKING LESS TOXIC MORE NATURAL

Lack of trust, concern about transparency; product/ingredient safety and efficacy is driving a movement to homemade/ DIY, back to basics with simple ingredients.
Peace & Harmony
AND GOING BEYOND JUST WHAT WE EAT, BUT ALSO OUR STATE OF MIND

2009 World Health Organisation study placed NZ 3rd in the world for lifetime prevalence of suffering from an anxiety disorder

1 in 4 NZer’s will experience an anxiety disorder at some point in our lives

15,500+ kiwi children are diagnosed with anxiety, up from 2,800 five years ago

Google Search: “Anxiety” NZ
WITH SLEEP PLAYING AN IMPORTANT ROLE IN OUR PHYSICAL HEALTH

1/4
Nzer’s have a chronic sleep problem

$7.9M
value sales

+$560k
actual growth

+$139k
growth

+$119k
growth

+$112k
growth

55%
of Kiwis say they never wake up feeling refreshed

+$7.6%
growth
CONSUMERS FOCUS ON WHAT CONSTITUTES ‘GOOD’ FOR THEIR CHILDREN

$14.0M
Kids Natural Health value sales

6.3%
value share of Natural Health

+$3.3M
actual growth

+30.8%
growth

KIDS NATURAL HEALTH SEGMENTS | TOP 10 (BY VALUE)

- COLD, FLU & IMMUNITY: $4.6M
- GENERAL MULTIS: $4.1M
- BONES/TEETH: $1.7M
- DIGESTION: $3.71M
- BRAIN HEALTH: $1.4M
- IRON DEFICIENCY: $1.4M
- INSOMNIA: $0.4M
- MUSCULAR PAIN/CRAMPS: $0.4M
- STRESS: $0.1M
- SKIN/HAIR/NAILS: $0.1M
- REST OF KIDS: $0.1M
PARENTS ATTEMPT TO FULFILL DIETARY DEFICIENCIES

$7.5M
Iron segment
value sales

+$200k
Kids Iron
actual growth

+$502k
actual growth

+7.2%
growth

$335k
value sales
+$195k
actual growth

1 in 20 young children are deficient in iron

Anemia is the most common nutritional deficiency in the US among children

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Four precursors to winning in health and wellness are that consumers...

Monitor beliefs as they drive consumer need in the changing domain of health

Champion ‘hero’ ingredients and invest in ingredient understanding

Emphasise what the product inherently delivers, rather than deprives

Place an additional onus on authenticity as a core brand value to engender trust

Therefore, winning in health and wellness......

...and that retailers/suppliers target the right shopper segment to win

Source: IRI analysis
FUTURE OPPORTUNITIES IN PHARMACY

Key Considerations
SOCIAL & ENVIRONMENTAL ISSUES INCREASINGLY CONSIDERED & VISIBLE

- New Zealand made has become more diverse & specific with significant growth of products across three areas:
  - Provenance & Locally Crafted
  - Heritage & Kiwiana
  - Native Botanicals

- As we look to support the smaller players in our stores
SOCIAL & ENVIRONMENTAL ISSUES INCREASINGLY CONSIDERED & VISIBLE

83% of New Zealanders worry about the future and whether we’re doing enough to keep New Zealand a safe and healthy place to live.
THE CHANGING CONSUMER FUTURE IMPLICATIONS

• The functional benefits of products will become increasingly important
• Brands need to address the demands of the older generation as range, experience and enjoyment will not be compromised with this group as they desire fuller lives for longer

• Brands must appeal to Millennials core values of good health, family and physical fitness
• For this group wellness is a daily, active pursuit and one they are willing to spend on
• Millennial parents are very conscious of the impacts of products on their children and Brands must deliver to this
• They are digital natives and brands must extend their reach

• Time is the new currency, consumers shopping behaviour heavily influenced by convenience factor
• Consumers have never had so much information at their fingertips, gifting them with more power when purchasing products
• Onus is on brands to offer shopping shortcuts
QUESTIONS

FOR MORE INFORMATION

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ABOUT IRI

IRI is a leader in delivering powerful market and shopper information, predictive analysis and the foresight that leads to action. We go beyond the data to ignite extraordinary growth for our clients in the CPG, retail and over-the-counter healthcare industries by pinpointing what matters and illuminating how it can impact their businesses across sales and marketing. Move your business forward at IRIworldwide.co.nz

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