The Future of Retail

Natural Products EXPO WEST®

Co-located with Fresh Ideas ORGANIC MARKETPLACE

Product Discovery Powered by Beacon DISCOVERY™

New Hope NETWORK

By Informa Markets

The Future of Retail

Sherry Frey
NielsenIQ

Krystal Dawson
NielsenIQ

Brandon Galindo
NielsenIQ

Jack O'Leary
NielsenIQ

Nicholas Walker
UNFI

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New Hope NETWORK. By Informa Markets

The Future of Retail

Expo West 2025

NielsenIQ

We deliver understanding and insights that make up *the Full View.*

WHAT IS HAPPENING

What consumers do and buy

WHY IT'S HAPPENING

What consumers think and feel

WHAT TO DO ABOUT IT

How to capitalize on opportunities & mitigate risks

About today…

1. **The online opportunity:**
   Emerging brands defining digital excellence
2. **Right consumer + right distribution strategy**
   for your brand in today's retail landscape
3. Exploring the **tailwinds for wellness** impacting the future of natural product retail

Today's Speakers

Brandon Galindo

Managing Director, Emerging Brands

NIQ

Jack O'Leary

Director, eCommerce Thought Leadership

NIQ

Krystal Dawson

VP, Strategic Analytics & Insights

NA Cluster Leader

NIQ

Sherry Frey

VP, Total Wellness

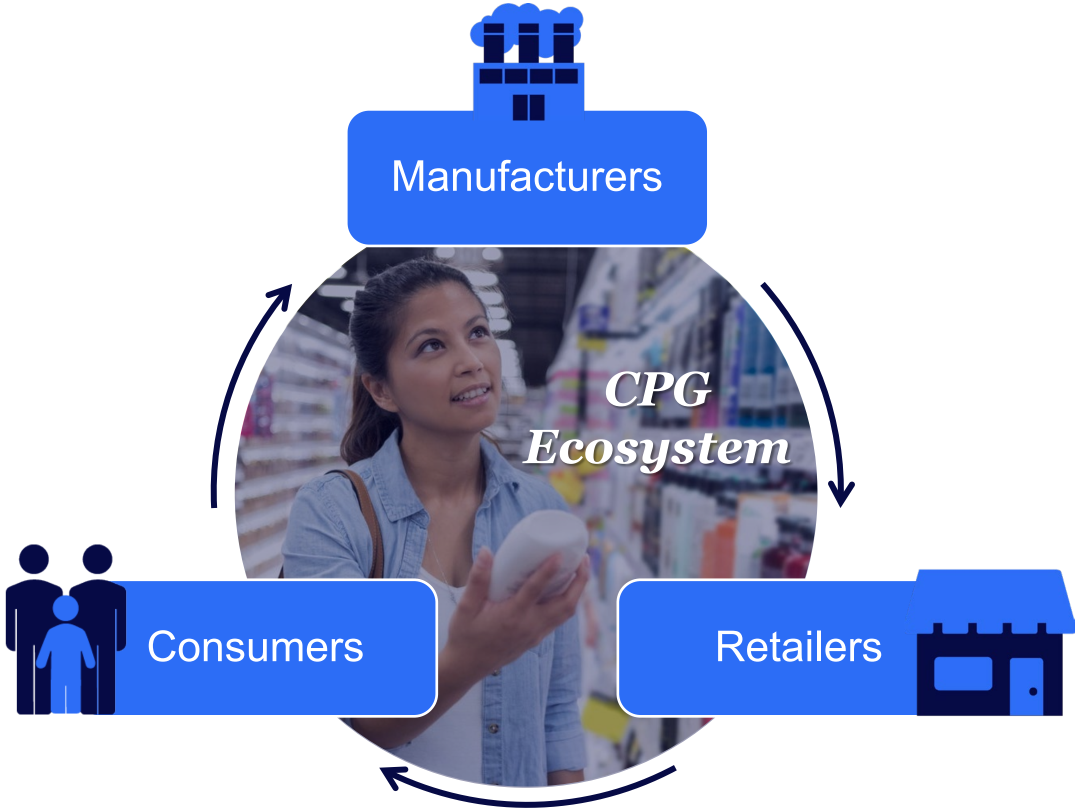
NIQ

Nicholas Walker

VP, Strategic Business Intelligence

UNFI

Pivotal Moment as the CPG Ecosystem Absorbs Multiple, Foundational Shocks



Shocks and Transformations

Institutional (Financial / Political)

- It takes $133 to buy what cost $100 in 2019
- Shifting political and regulatory environment around health

Cultural

- By 2030 most of Gen X will be over 55
- Diversity conversation increasingly important with non-white spend and buyer growth outpacing white

Technological

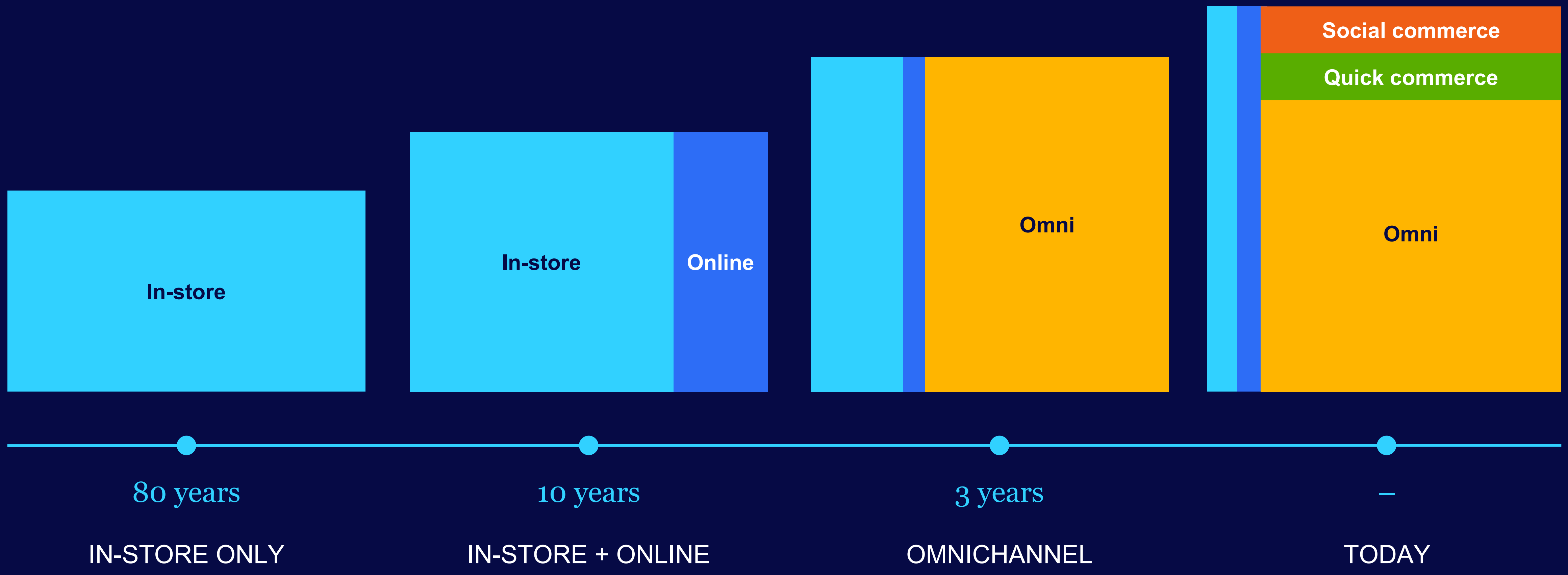
- 93% penetration of online shopping
- ChatGPT hits 1M users in 5 days
- 47% of millennials would accept AI-generated recommendations

Sources: Consumer Confidence Board, Latest Update: February 2024; Federal Reserve Bank of St. Louis | Latest Update: February 2024
NIQ Omnishopper Data - Company announcements via Business Insider/LinkedIn. NIQ Mid-Year Consumer Outlook, World Data Lab, NIQ xAOC, Total US

The online opportunity: Emerging brands defining digital excellence

Jack O’Leary
Director | eCommerce Thought Leadership

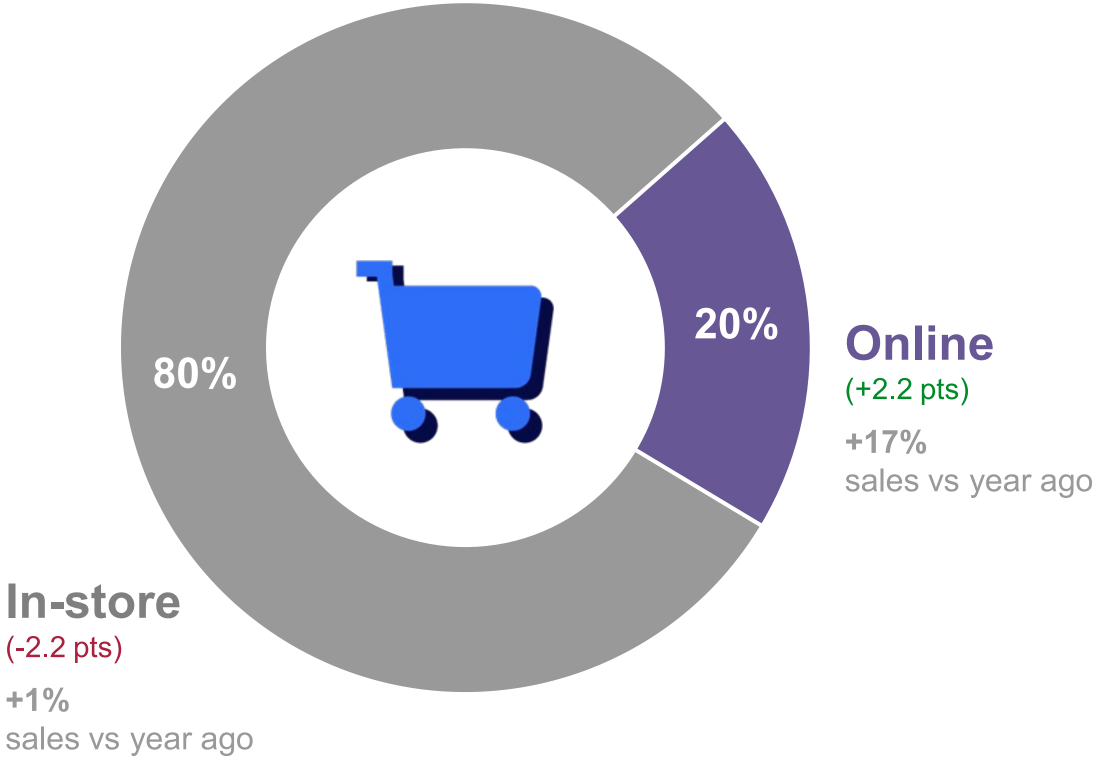
The pace of change *is accelerating rapidly*



The shift to online continues to impact the US CPG space with online growth outpacing in-store by almost 3x the rate

Omni Share of CPG Total Dollar Sales

Total CPG Dollar Sales: +5% vs year ago



Online Share and $ Growth

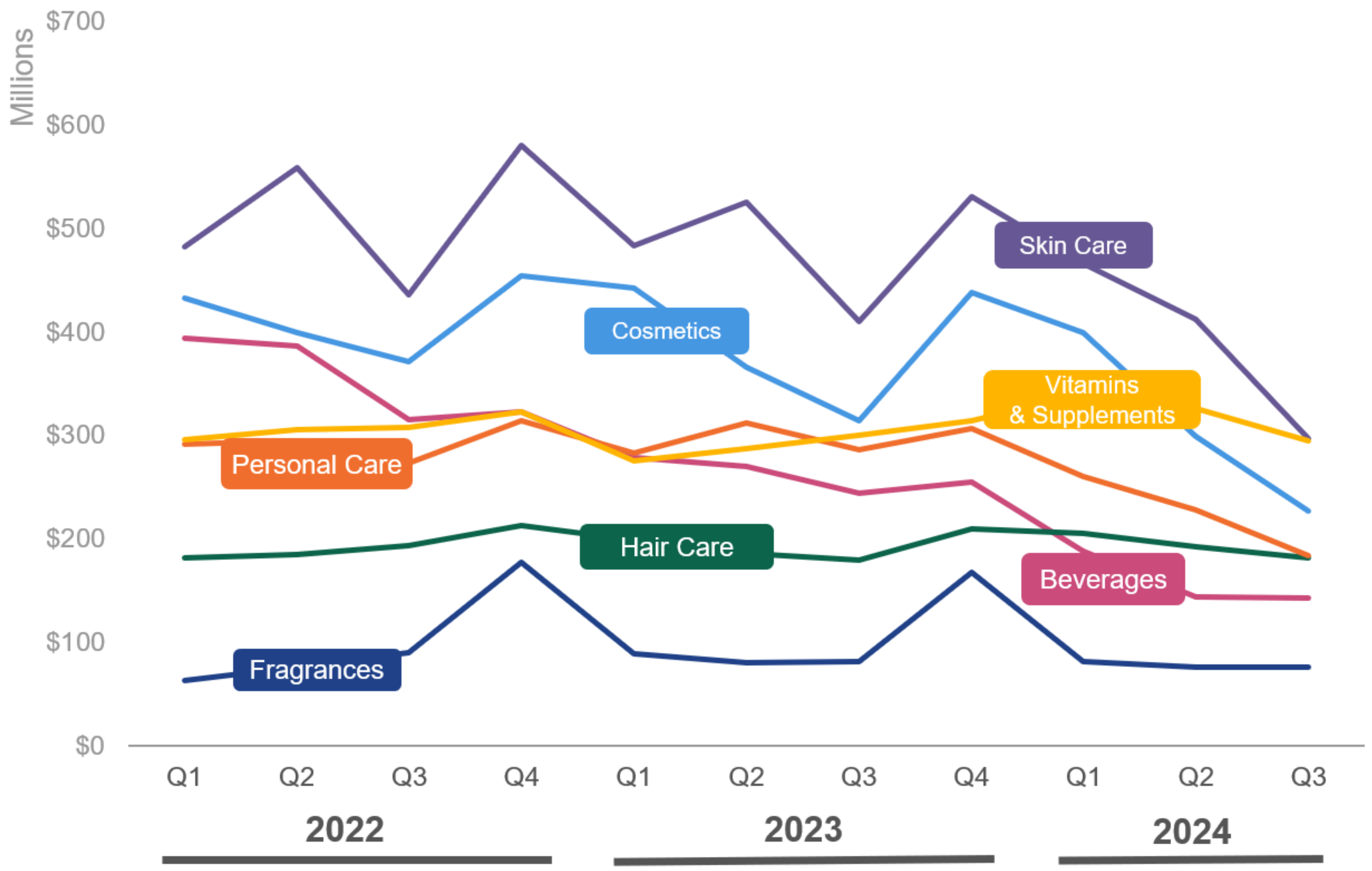
	Online Share	Online	In-store
Baby Care	47.9%	+16%	+0%
Health & Beauty	46.0%	+19%	+1%
Personal Care*	39.4%	+24%	+1%
Pet Care	40.2%	+9%	-2%
Household	23.5%	+19%	+0%
Food	10.5%	+18%	+1%
Alcohol	4.8%	+23%	+23%

* Personal Care = Adult Incontinence, Ear Care, Eye Care, Feminine Care, First Aid, Foot Care, GI Care, Itch Relief, Medical Accessory, Oral Hygiene, Pain Relief, Sexual Health, Sleeping & Alertness Aids, Sun Care, Upper Respiratory, Vitamins & Supplements

Source: NIQ Omnisales+; Total US Omni; Total Store; $ Share of Total Omni, $ % change vs year ago; 52 weeks ending December 28, 2024

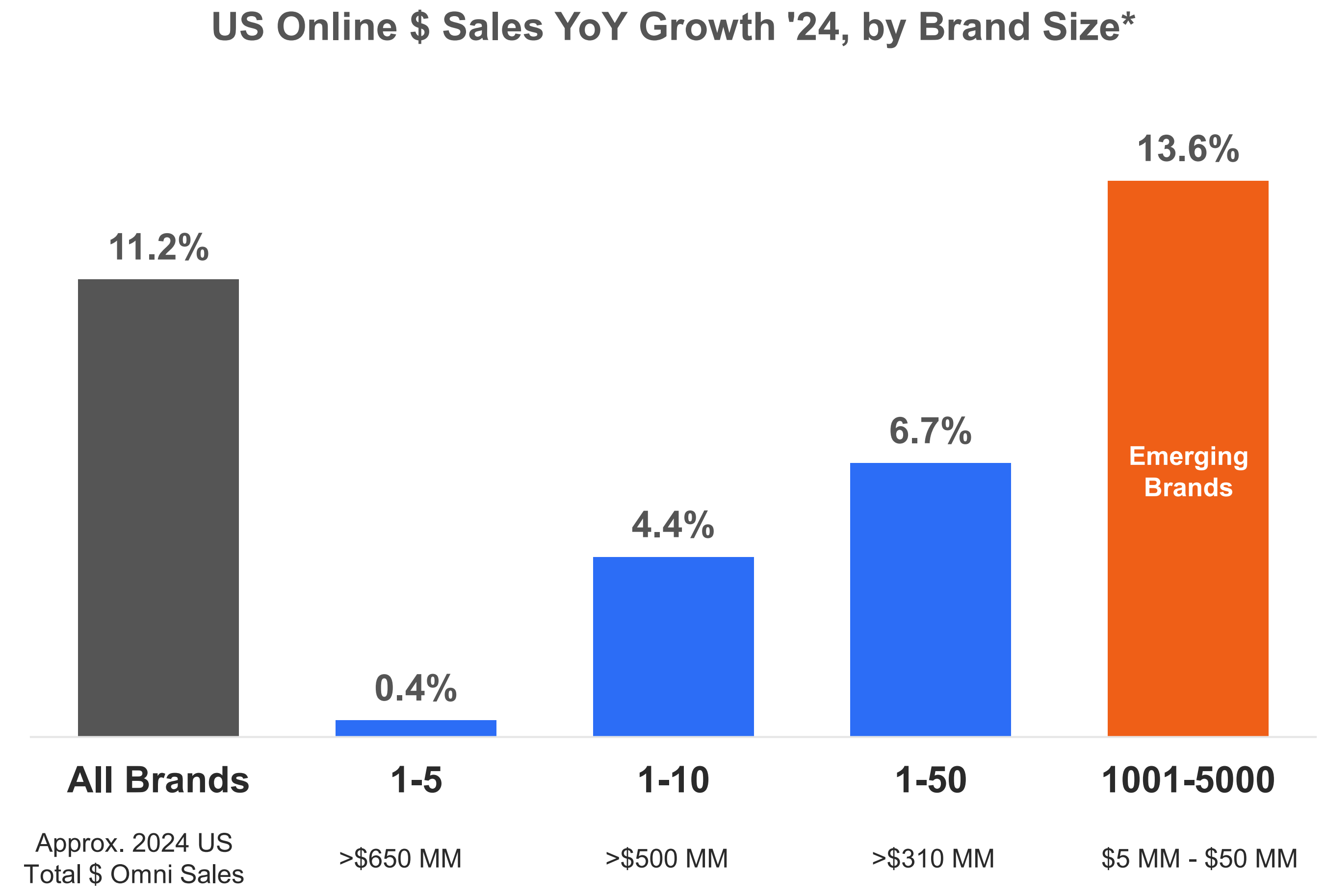
85% order from a pure play or online retailer for home delivery

Direct-to-consumer impacted by shifting dynamics



Source: Source: NIQ 2024 Consumer Outlook, NielsenIQ eCommerce Panel, Latest 3 years ending November 2024

Emerging brands are eCommerce leaders

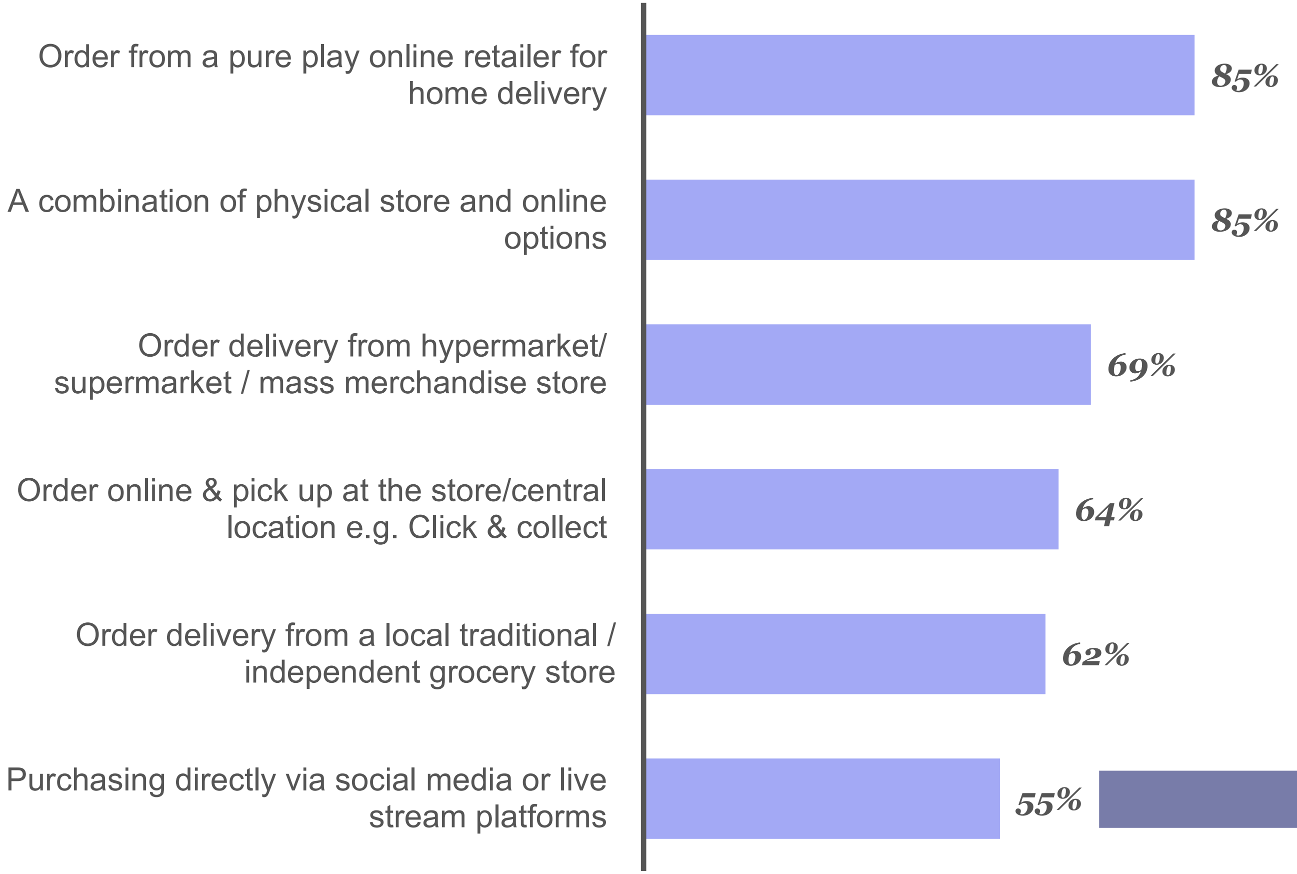


- Overall, emerging brands online sales growth ***outpaced in-store sales growth by 10.8% in 2024***
- ***21.1%*** of emerging brands saw ***over half*** of 2024 total sales come from ***online***
- ***48.9%*** of emerging brands saw ***online sales growth outpace in-store sales growth*** in 2024

Source:
*Brand Size rank by 2024 Total $ Omni Sales

New Capabilities: Social shopping is emerging to challenge traditional retailers

Where do you normally shop for grocery & household items?
% respondents who shop at this channel – U.S.



79% *of TikTok dollar sales are from health and beauty*

#8 *TikTok Shop is already the Health and Beauty ecommerce retailer since its launch in September 2023*

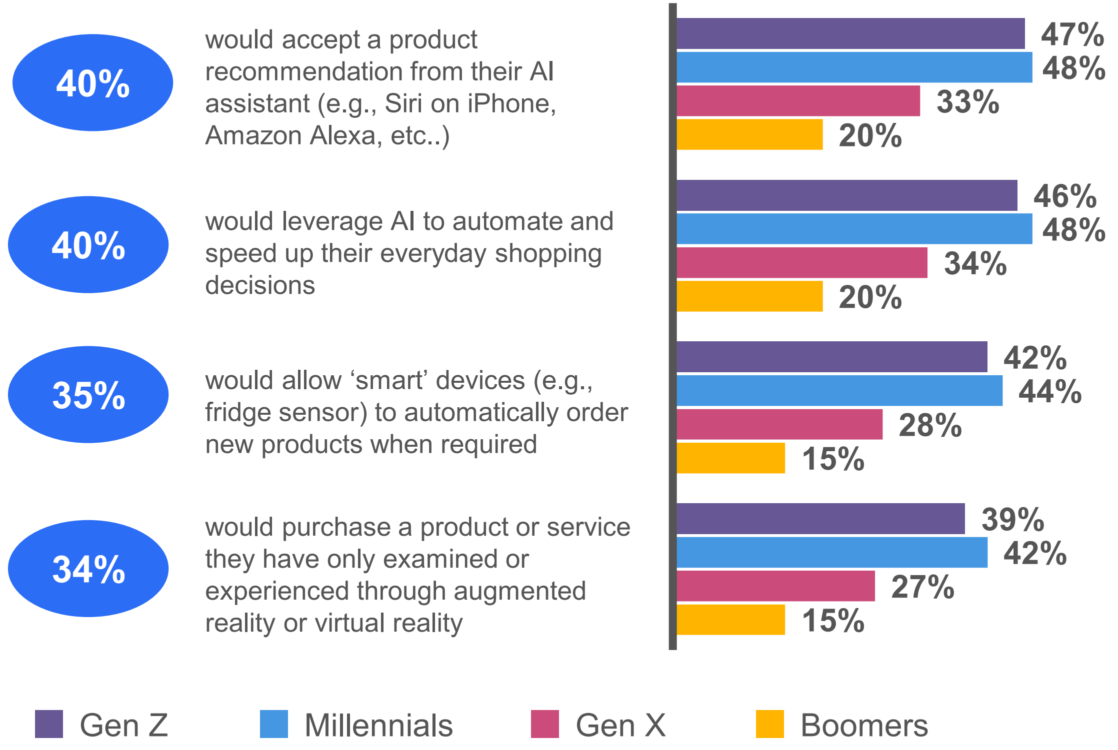
#23 *Food retailer in the online space*

Source: NIQ 2024 Consumer Outlook, U.S.
TikTok Shop sales, NIelsenIQ Omnisales 52wks ending 9/30/24

NIQ

New Capabilities: AI becoming further embedded across the entire retail value chain

Consumers are more open to AI involvement in their shopping decisions, but generational variances are clear.



AI will embed across the entire retail value chain, going beyond just shopper use cases.

- AI Shopping Agents
- AI Chatbot Assisted Search
- Review Summaries
- Content Creation
- Pricing and Promo Management
- Merchandising Audits
- Product Substitution Recommendations
- Small Vendor Negotiations
- AI Agent Product Testing

Source: NIQ Mid Year Consumer Outlook: Guide to 2025

New Capabilities: The explosive growth of retail media will only accelerate through 2026

CPG Retail Media Spend Projections

$27 billion

By 2026

17.9% 2-Yr Forecasted CAGR

Driven by

Evolution of Consumer Expectations

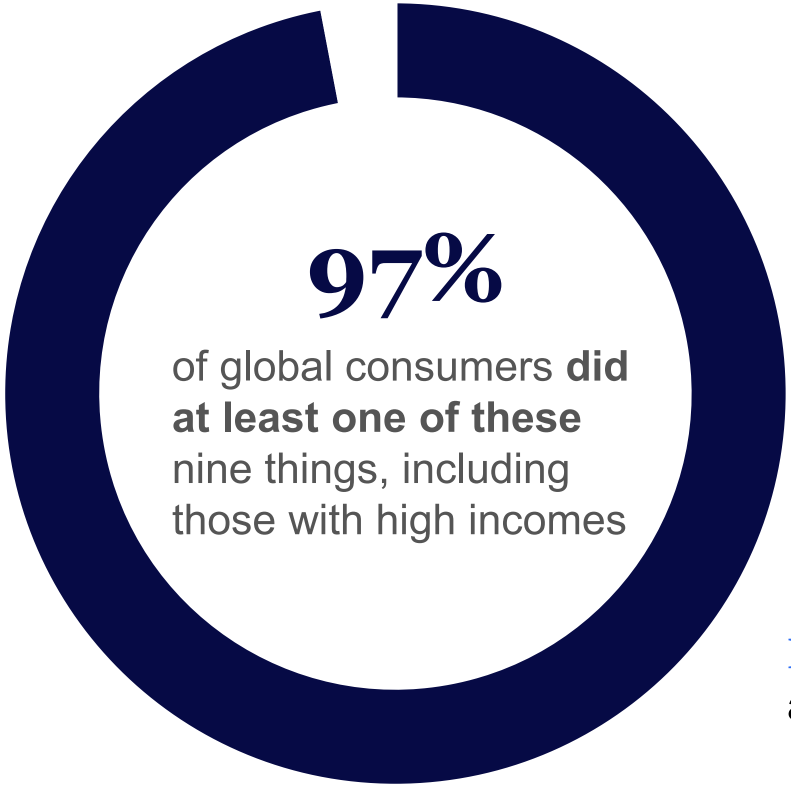
Retailer Profitability Needs

Technological Development

Source: The Evolution of Retail Media: Decoding What Works – And What Doesn't | FMI | NielsenIQ | Think Blue

Right consumer + right distribution strategy for your brand in today's retail landscape

Krystal S. Dawson
Vice President, NA Cluster Leader | NIQ Strategic Analytics & Insights



Shopped more carefully for everyday necessities

Bought something second-hand instead of new

Postponed a purchase until the product was on sale/special offer

Switched from name brands to less expensive brands

Shopped more at **discount stores**

Bought in bulk to get a discount

Used a **coupon**

Borrowed money to maintain living standard/pay bills

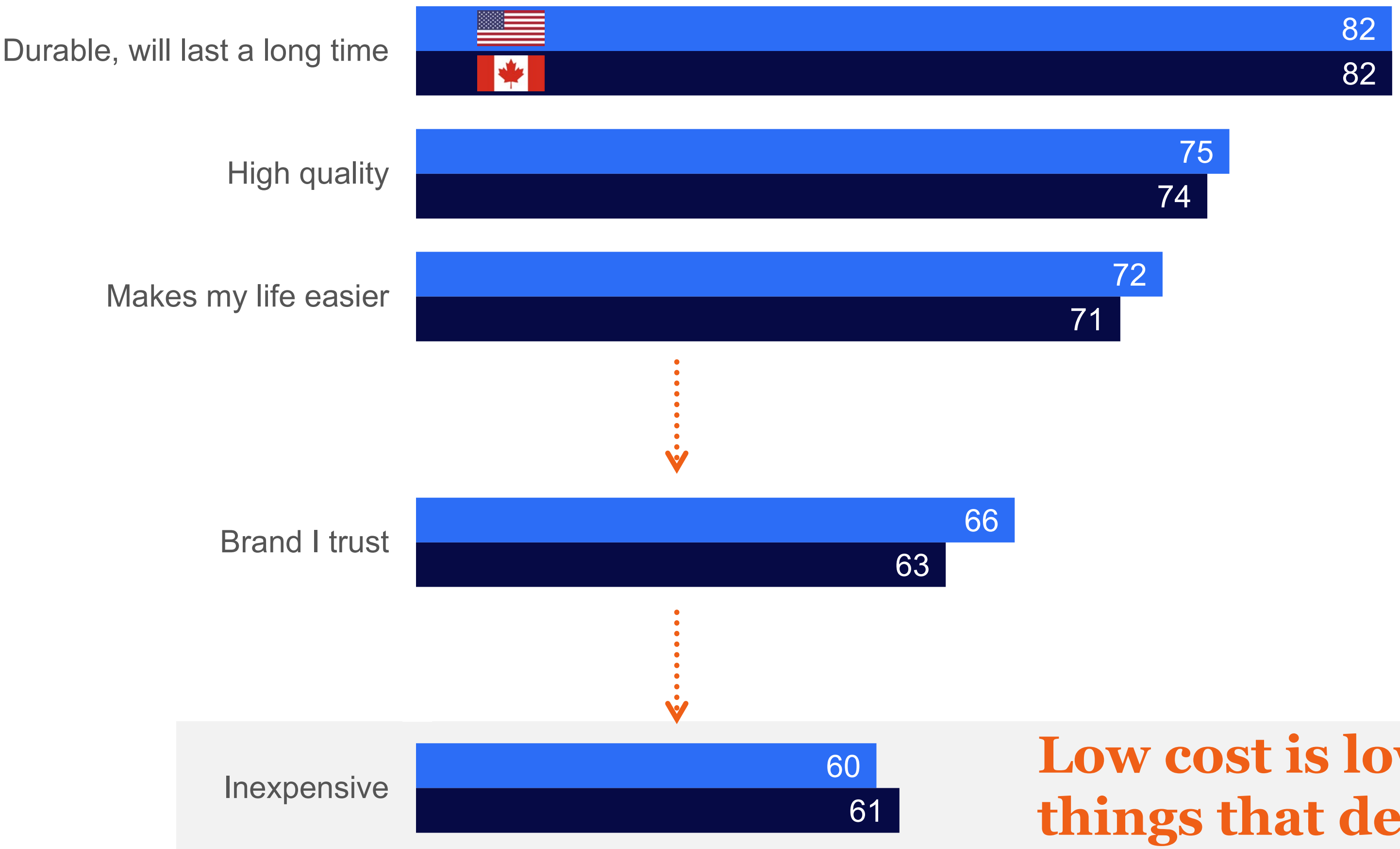
Purchased **energy-saving products** to save money in the long run

NIQ Consumer Life Global 2024

Value *for* their money is paramount

But value is not always, or even usually, ***about*** money

% who say factor is important when thinking about getting value from a product or service



Low cost is low on the list of things that define "value"

NIQ Consumer Life Global 2024

About 2/3 of FMCG marketers wait until *Launch + 10 weeks* to assess new launch performance*

Waiting until 10 weeks or more after a launch limits the possibility to course correct:

Is distribution falling short of expectations and needs to be ramped up?

Is there opportunity to revise advertising flighting to drive greater awareness?

Can planned in-store feature/ display and promotional activity be adjusted to drive trial?

* BASES State of Innovation Survey, June 2022; (n=794 global CPG professionals; 5-point scale, top 2 box).

Align your distribution strategy with your ***brand & launch to maximize potential***

NIQ BASES
Breakthrough Innovation
2024

Retailer Exclusive: Products that launched primarily with an exclusive retailer partnership

Tailored Distribution: Products that launched in a specific channel or subset of channels, often category specialty stores

Exclusive → National: Products that launch in 1 retailer/channel before expanding rapidly

National: Products that launched with wide availability in multiple channels

Determine distribution strategy depending on brand awareness & marketing support levels to reach the right audience the most effectively

	Retailer Exclusive	*Tailored Distribution*	*Exclusive → National*	*National*
Brand Awareness	**Low** Lesser-known brands that don't have established retailer connections	**Low** Lesser-known brands or small extensions of larger brands	**Mid** Typically small brands backed by large investments or parent companies	**High** Large manufacturers or owned/acquired by large parent companies
Marketing Support	**Strategic ad spend**	**Strategic ad spend** with **stronger promotional activity**	**Higher ad spend** to capitalize on growing distribution	**High ad spend & promotional activity** (above category average)
Benefits	Incentivizes retailers to want the launch to succeed; better shelving & promotions	Tactical distribution can better reach the right interested shoppers	Helps build awareness & interest before expanding	Broad distribution backed by significant marketing support helps drive rapid awareness

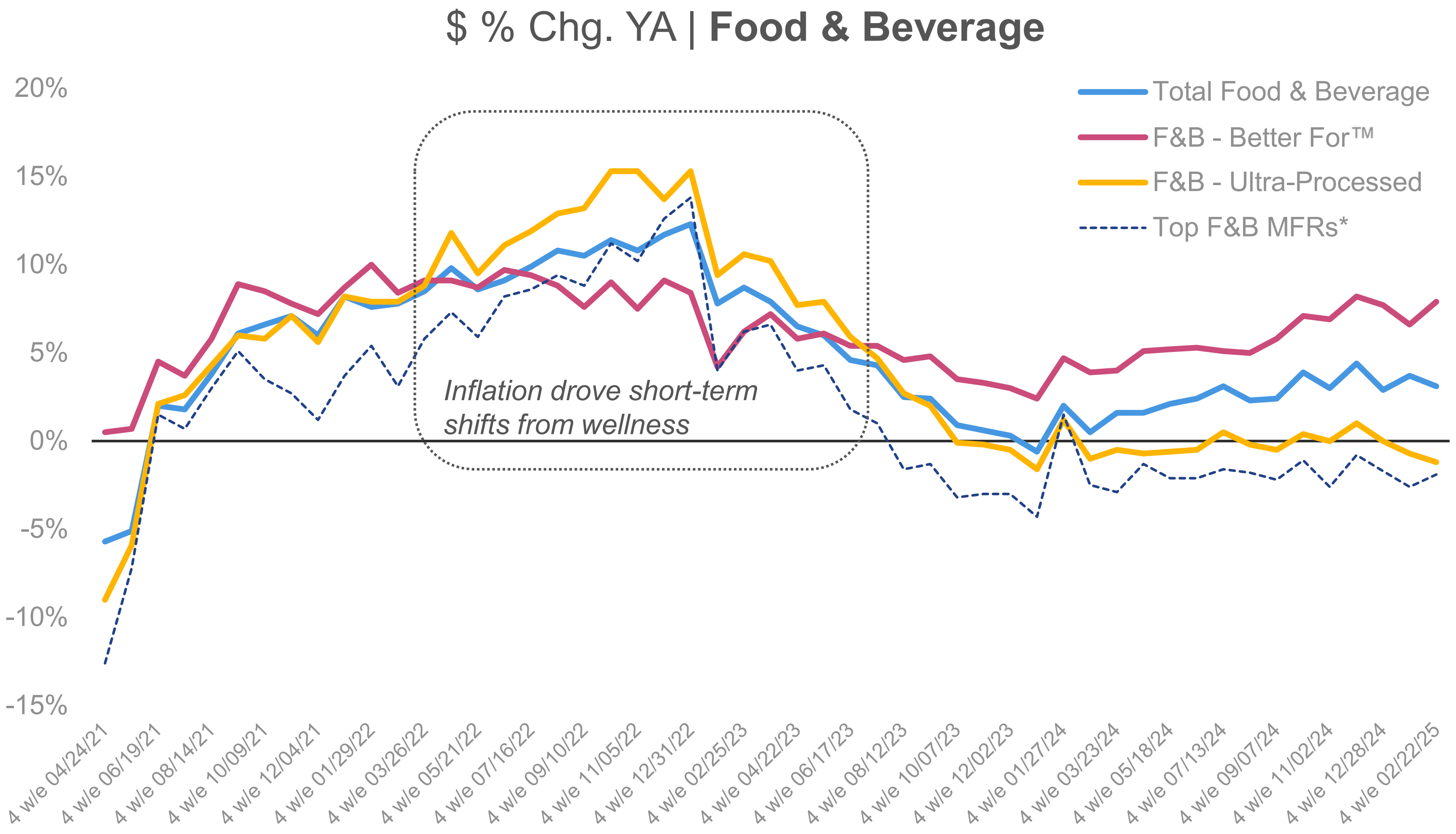
NIQ BASES
Breakthrough Innovation
2024

Exploring the tailwinds for wellness impacting the future of natural product retail

Sherry Frey
Vice President | Total Wellness

NIQ *Better For™...*

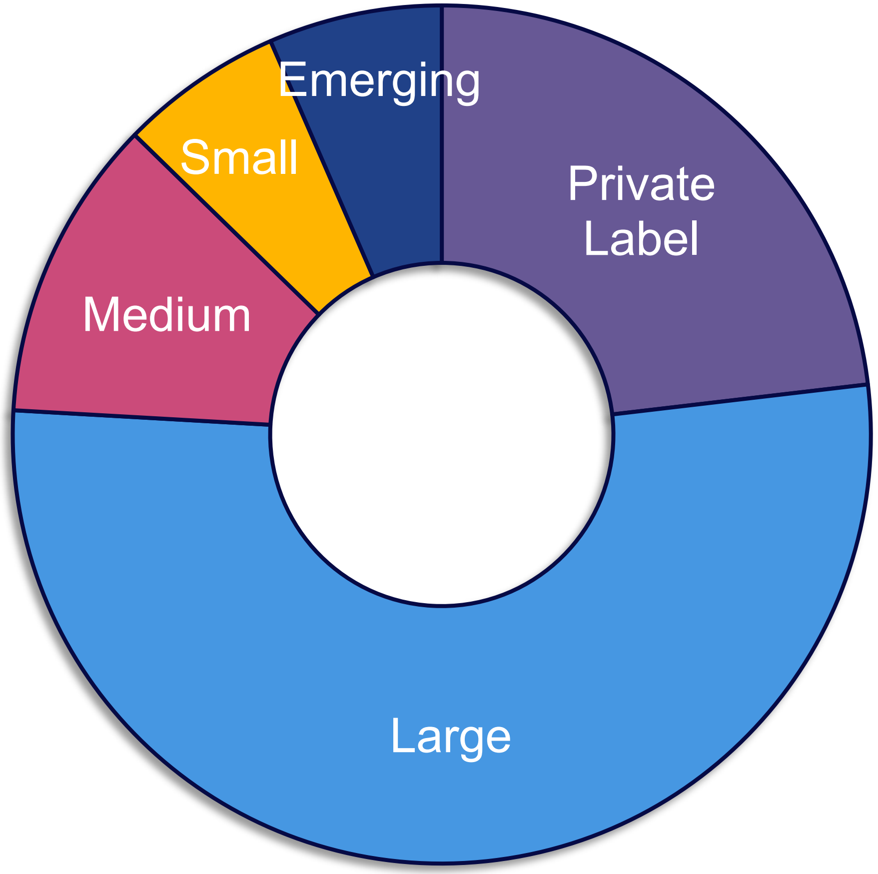
Better For™ is a bellwether of wellness trends and consumer priorities



Source: NIQ, Retail Measurement Services – NIQ Product Insight, powered by Label Insight; Total US xAOC; Total Food & Beverage vs Better For segment; $ % Change vs year ago; 4-week trended through week ending February 22, 2025

While large manufacturers make up most of Food & Beverage sales

Total Food & Beverage Sales | Size of Manufacturers



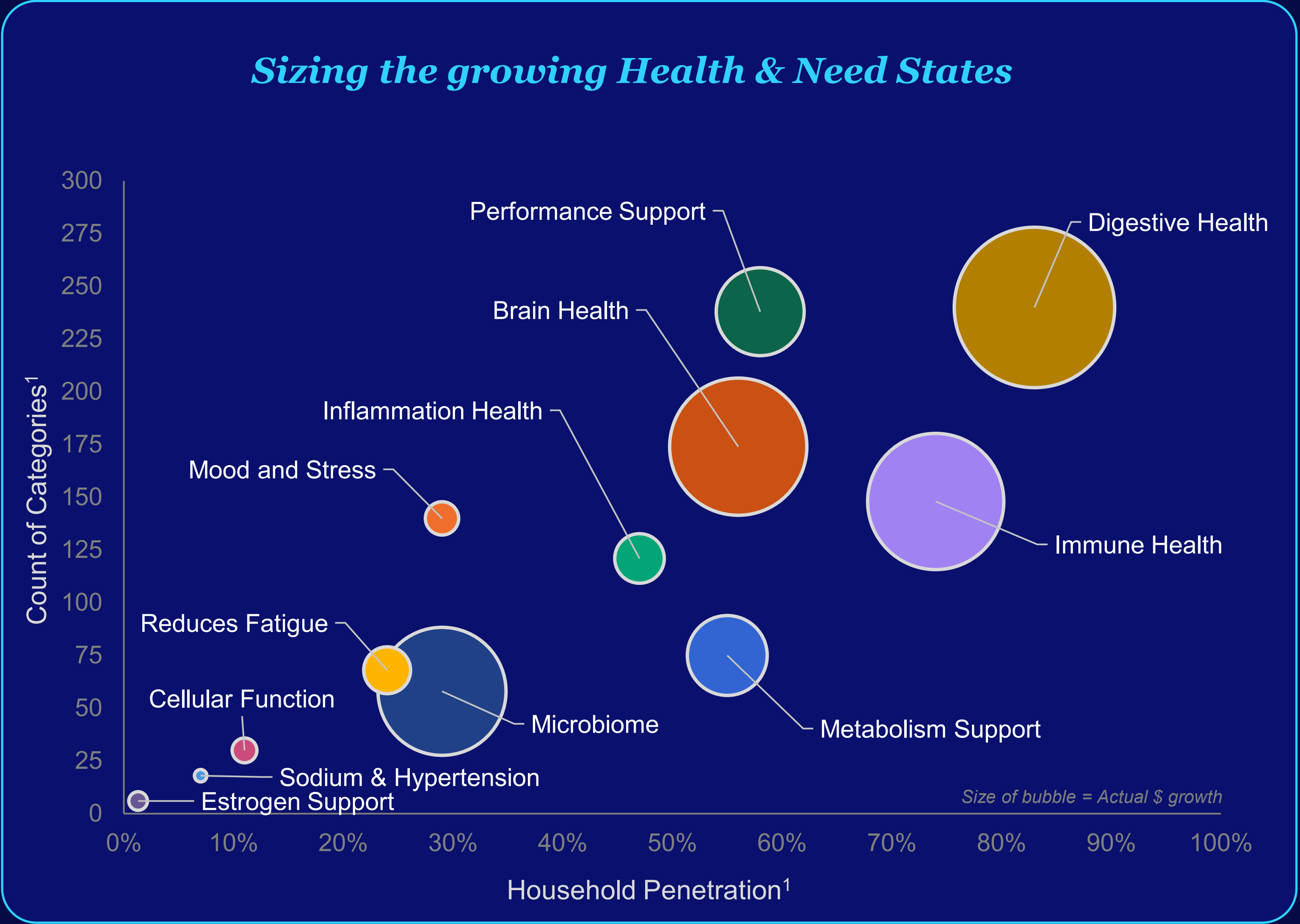
Source: NIQ, Retail Measurement Services – NIQ Product Insight, powered by Label Insight; Total US xAOC; Total Food & Beverage; Total Food & Beverage $ sales by size of manufacturer; Latest 52 weeks ending September 7, 2024

Small manufacturers growing the most in Better For™

	Better For™ Share of total $ sales	**Better For™** 4yr CAGR
Private Label	9%	+4.4%
Large (>$1BN)	6%	+4.9%
Medium ($200MM to <$1BN)	17%	+8.5%
Small ($50MM to <$200MM)	26%	+10.4%
Emerging ($10K to <$50MM)	24%	+8.1%

Source: NIQ RMS – NIQ Product Insight, powered by Label Insight; Total US xAOC; Total Food & Beverage; NIQ Better For Segment™; Better For™ $ share of Food & Beverage and 4yr $ CAGR; Latest 52 weeks ending September 7, 2024

Consumers indicating their top health priorities across the store



Functional Beverages[2]

Microbiome *(Soft Drinks)*
Digestive health *(Soft Drinks)*
Immune system health *(Soft Drinks, Sp. Water, Energy beverages)*
Metabolism support *(Energy beverages, Sports Drinks)*
Sleep support *(Soft Drinks)*
Inflammation health *(Kombucha)*

Top claims in Pet Care[2]

Mood and Stress
Hair, Skin, Nail Support
Microbiome
Brain health
Immune system health
Joint health
Muscle health
Obesity support

Vitamins, Minerals, Supplements[2]

Hydration supplement*
Headache & migraine
Performance supplement*
Electrolyte supplement*
Obesity support
Immune system health
Cholesterol support
Reduces fatigue

**Supplements sub category*

1 – Source: Count of Categories and Sales growth = NIQ RMS, 52 weeks ending November 30, 2024; Household Penetration – NIQ Homescan; Total US, Total Store - Health & Need States NPI claims, 52 weeks ending November 23, 2024
2 – Source: NIQ, Retail Measurement Services – NIQ Product Insight, powered by Label Insight; Total US xAOC; Pet Care, Health & Need States NPI claims within VMS, Beverages; 4 year $ CAGR; 52 weeks ending November 30, 2024

Increased focus on need states has shifted focus from brands to attributes and ingredients

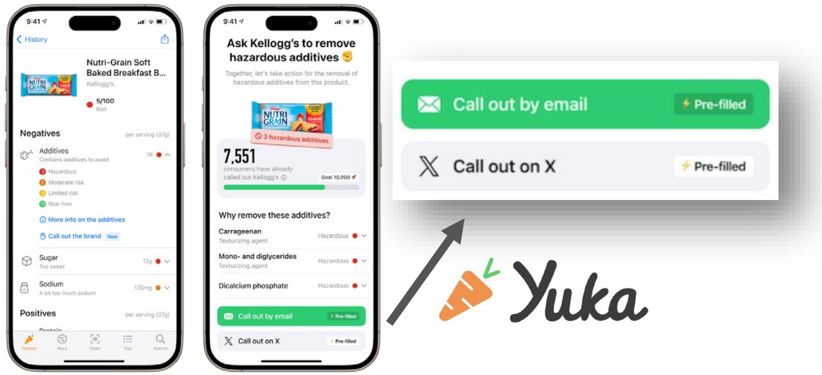
More consumers paying attention to ingredients than ever and technology will enable discoverability

NIQ Brandbank + RANGEme

Retailers: Discover and source wellness-focused products with NIQ Brandbank and RangeMe

NIQ Brandbank has partnered with RangeMe to revolutionize how retailers discover and source wellness-driven products.

By combining NIQ Brandbank's verified product attribution with RangeMe's industry-leading product discovery platform, this collaboration ensures that retailers can easily find and stock products that meet evolving shopper health trends.



Yuka

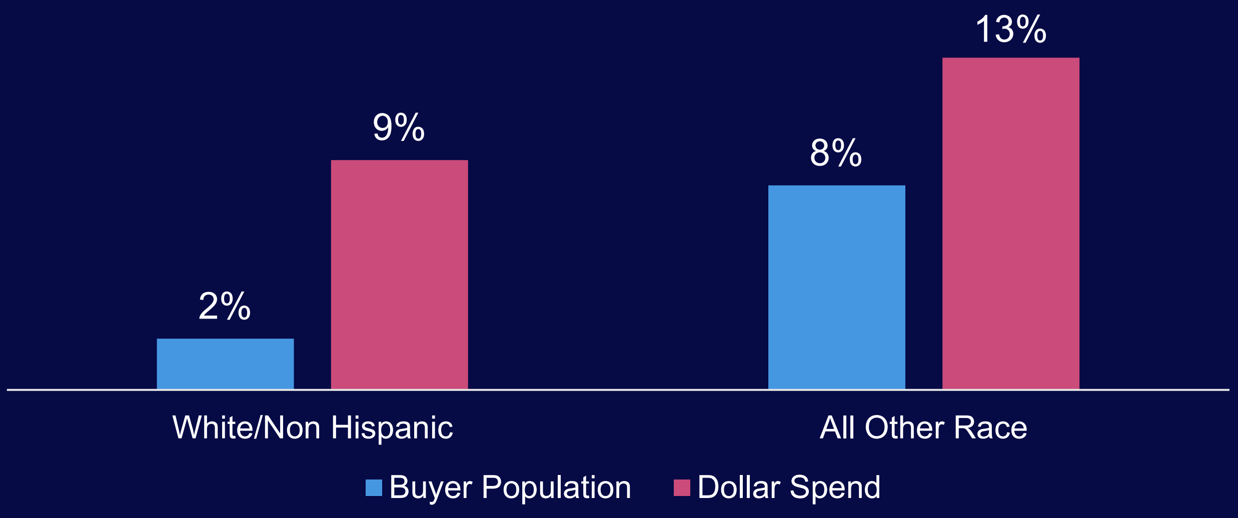
Brands:
Product drop-off at booth!

Brands can drop off their products at our NIQ booth, and we will code them into our NIQ system free of charge.

NIQ BOOTH #723

The business case to support diversity in the natural products industry

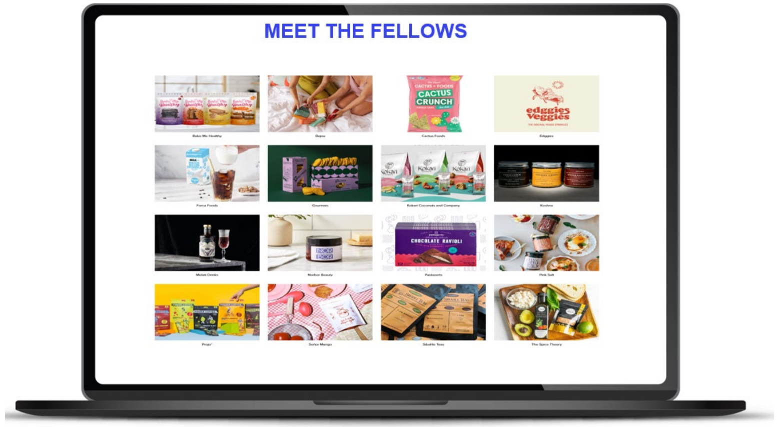
Non-white consumer population and sales outgrowing white among retail shoppers and dollar spend



Opportunities to support minority-owned presence at Expo West:

- ✓ Wed-Friday: **Table-top showcase - Hilton, California D**
- ✓ Wed- Naturally Network – **VIP network w M/O Fellows**
- ✓ Naturally Network – **M/O breakfast**

Naturally Network's Minority-Owned Fellowship, powered by **NIQ**, in partnership with **The Angel Group** and **UNFI**, is a program built to support the success of racially and ethnically underrepresented business CPG founders.



Source: *NielsenIQ Omnishopper panel, two-year growth in buyer population/dollar spend*

What it all means

1. Develop digital capabilities to capture the online opportunity

2. Set distribution strategies to reach consumers in the most effective way possible – grabbing the eyes of your target consumers but also being available where they're likely to seek you out.

3. Harness this catalyzing time for wellness to meet consumer needs and drive retail opportunities

NIQ

NIQ Founders Pitch Slam 2025

The 2025 NIQ Founders Pitch Slam is coming soon!

Applications open February 3th – March 29th, 2025

The 3rd annual NIQ Founders Pitch Slam will bring together some of the **most innovative and transformative** emerging CPG brands, challenging an elite set of founders to pitch their companies to industry insiders and business leaders as they vie for a first-place award of more than $700k including a **$50,000 cash prize** and in-kind prizes.

<u>Entry criteria</u>

- Have an **annual revenue not to exceed $20 million** in US$ in qualifying departments
- Products must currently be **available for U.S. sale**
- You must be available to participate in the **Virtual Pitch semi-finals on May 1, 2025**
- You must be available to attend the NIQ C360 conference in Hollywood, FL, for the **Live Pitch session on June 2-5h (all expenses paid)**

Learn more at niq.com/pitchslam

Past NIQ Pitch Slam Finalists

DAILY CRUNCH™

Lemongrass FARMS

TRUE MADE FOODS

Lil' Gourmets

Root & Splendor®

DOKKAEBIER

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