

NielsenIQ

A global perspective on

# The brand balancing act

Navigating the big world of  
small businesses



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# Introduction

The NielsenIQ global study, the 2022 Brand Balancing Act, shines a light on core facets of brand choice with a particular focus on how consumers perceive and prioritize smaller brands. The results of this global data investigation have formed the backbone of a simple and essential framework to guide the strategy of small and medium-sized businesses in 2022 and beyond.

For many small and medium-sized businesses it's hard enough to survive, let alone scale, in today's world of fast-moving consumer goods. But brands of all sizes are navigating a wave of challenges with unique strengths to lean on.



# It's tough to be a brand today

Uncover opportunities within this global brand-sized study

With limited analytics budgets available for most small and medium-sized businesses, it is important to identify the opportunities that are within reach and focus on the approaches that will matter most.

With that in mind, NielsenIQ has developed a framework to help smaller brands scale growth. Amid supply chain challenges, inflationary pressures, and cautious consumer spending intentions, brands need to orient their strategies around a strategic playing field of four key insight bases: consumer brand preferences, performance benchmarking, trend-cycle timing and meaningful differentiation. Successful brands today are those that take each of these baseline considerations to heart to win with consumers.



**The traditional pathways to brand distribution have evolved at the same time where consumer needs and reasons for choosing a brand have fragmented. There's a world of nuances and unique opportunities within today's strategic playing field for small and medium-sized businesses. Success requires quite the balancing act, with a focus on the specific value consumers expect and associate with the brands they've chosen to buy."**

-Lauren Fernandes, Global Director of NielsenIQ Thought Leadership

## Businesses and consumers face unprecedented change

### New global concerns

- Current and future sanctions; disruptive trade agreements
- Increased domestic protectionism
- Ukraine crisis

### Consumer impacts

- Soaring inflation
- Consumer values and attitudes
- Tech adoption

### Shifted operating costs

- Worker shortages
- Increased interest rates
- Rising raw material costs
- Supply chain delays & disruptions (China lockdown)

### Ongoing disruptors

- Shifted retail landscape
- Environmental changes
- Continued pandemic conditions

# Shifting points of entry for FMCG brands today

Consumers are shopping broad and searching deep for brands they need

Inflationary pressures are changing the game for how brands can justify their worth and remain aligned to the core values sought by consumers. The good news for small and medium-sized businesses is that despite being largely “unfamiliar” in terms of notoriety, consumers are considering a wider variety of brands when deciding what to buy.

In fact, more than half of global consumers surveyed (51%) say they’re buying a greater variety of brands than they were before COVID-19. This increases the potential for consumers to actually purchase smaller brands that may have previously only been considered for purchase.

Consumers are also largely dedicated to finding their perfect brand match— where 67% of global respondents feel that if they look hard enough, they can find a brand that fits their exact needs. When it comes to understanding these needs, at a global level it’s clear that among a list of reasons to purchase from a brand, functional reasons are of utmost importance for an average of 86% of surveyed consumers. As prices continue to rise across categories, affordability is a top reason backing this trend in functional buying.

Prioritizing functionality is key to motivating purchases and many smaller brands are already proving their worth by aligning to consumer values. In fact, 48% of global respondents say they plan to buy more from smaller brands in the future as they’re better suited to their needs. The small and medium-sized businesses who can secure willingness to spend, and alignment to top motivators for purchase, are most likely to benefit from these updated preferences.

**51%** **Broader brand consideration**  
of global consumers say they’re buying a greater variety of brands (across multiple categories) than before COVID-19

**67%** **Need-based brand choice**  
feel that if they look hard enough they can find a brand that fits their exact needs

## Globally, what is most important to consumers when choosing a brand to buy?

Avg. importance, % global respondents:



**86%**

### Functional reasons

Specific aspects or offerings within a brand’s value proposition.



**71%**

### Emotional reasons

Intangible or reputational qualities/value of a brand.



**66%**

### Brand resonance

Aspects that align to one’s personal or cultural resonance/identity.

# The strategic playing field for smaller brands to scale growth

There are key learnings found within each of the four bases of NielsenIQ's strategic playing field for smaller brands.

Beginning with consumer preferences, the data highlights unique motivators and values that emerging businesses can leverage for success. From the lens of performance, we will review the “reshuffled deck” of manufacturers globally, assessing where smaller manufacturers have outperformed and where growth has favored big brands. Lastly, we explore two important angles within the scope of innovation. Here, we identify opportunities and hallmarks of innovation both past and present, which can serve as inspiration beacons to innovating brands of all sizes.

- **Preference:** Nearly 60% of consumers indicate a preference to buying smaller or larger brands. We review the differences in consumer mindset across the spectrum of brand preference, from the most Agnostic of brand buyers to those with Exclusive brand preferences in mind.
- **Benchmarking performance:** Learn where small and medium-sized businesses have outperformed their large brand counterparts.
- **Innovation trend-cycle:** What are the trendsetting mentalities of consumers today? Explore case studies of smaller brands who have navigated the road to key niche markets that reached the mainstream.
- **Meaningful differentiation:** Unleash the signature style and standpoints of a brand differentiated in the right ways. Review three hallmarks of smaller brand differentiation that are indicative of demand shifts to come.



# Four bases to successful brand strategy in 2022 and beyond

## 1. Preference

**Uncover opportunities within the consumer preference playground**

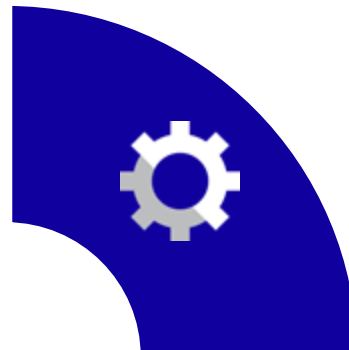
Agnostic vs. exclusive brand buying



## 2. Performance

**Understand who is setting the pace for growth**

Global benchmarks for manufacturer growth performance



## 3. Trend-cycle

**Compare trend-setting mentalities and examples of niche-to-mainstream innovation trends**

Trend-leading vs. routine-seeking consumption



## 4. Differentiation

**Hallmarks of smaller brand differentiation today that will influence trends of tomorrow**

Signature style and standpoints of differentiated brands



# Consumer brand preferences

## What motivators and considerations form the drivers of brand choice?

1

When asked to identify their usual approach to buying across the consumer goods space, surveyed global consumers fit into one of four key groups of brand buyers:

- **Agnostic brand buyers**, or, those who don't think deeply about which brand is behind their purchase
- **Unintentional small brand buyers** who form the middle-ground of demonstrating "some" preference to buying smaller brands, but only when it's convenient to do so
- **Exclusive small brand buyers** who claim they prefer to buy smaller brands
- And, **Exclusive large brand buyers**, who prefer buying well-known large brands whenever possible

Consumer needs and reasons for choosing a brand have fragmented while the retail landscape has grown more polarized. With that in mind, it's imperative to dive deeper into the mindset of these different brand buyers. Strategies fueled around the specific motivators and values across the brand preference spectrum are most likely to succeed. With such narrow margins to spare in managing the branded balancing act, small and medium-sized businesses cannot afford to waste resources trying to appeal to core consumers. The good news for brands is that consumers are conserving costs in similar ways across the board.





Ongoing price pressures felt by consumers are having a unifying effect on approaches to saving. Across the globe, 93% of respondents say that a brand's affordability, or ability to provide good value for money, is important to them, a top factor across all four brand preference segments. Furthermore, the top global savings strategies include:

- 25% monitoring the overall cost of one's basket of goods
- 25% shopping online to get better deals
- 21% buying whatever is on promotion

Of particular note to small brands: unique savings strategies exist between those who say they exclusively buy small or large brands.

Exclusive large brand buyers are more likely to prefer shopping online to get better deals (32%) and buying larger/economy sizes of their products of choice (27%). Comparatively, exclusive small brand buyers are more likely to opt for private label/store brands (17%) and buy in smaller pack sizes to save money (15%).

### Brand preference spectrum - % global respondents

	<b>Agnostic buyers</b>	41%
	<b>Unintentional small buyers</b>	26%
	<b>Exclusive small buyers</b>	12%
	<b>Exclusive large buyers</b>	21%



# Understanding brand buyers across the spectrum of brand preference



**Agnostic**



**Unintentional small**



**Exclusive small**

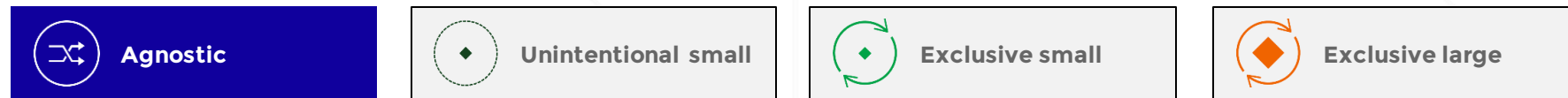


**Exclusive large**

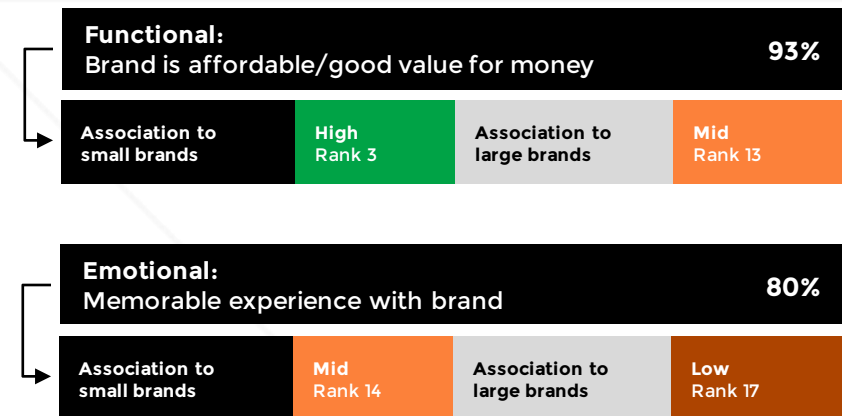
## Agnostic brand buyers feel the paradox of brand choice

Perceived lack of brand differentiation drives their purchase indifference, very price sensitive as a result

### Understanding “agnostic” brand buyers



### Highly important purchase motivators



### Preferred saving strategies

**23%**

Buy whatever brand is on promotion

**16%**

Only change brands if the price of preferred brand rises

### Buyer perspective

**43%**

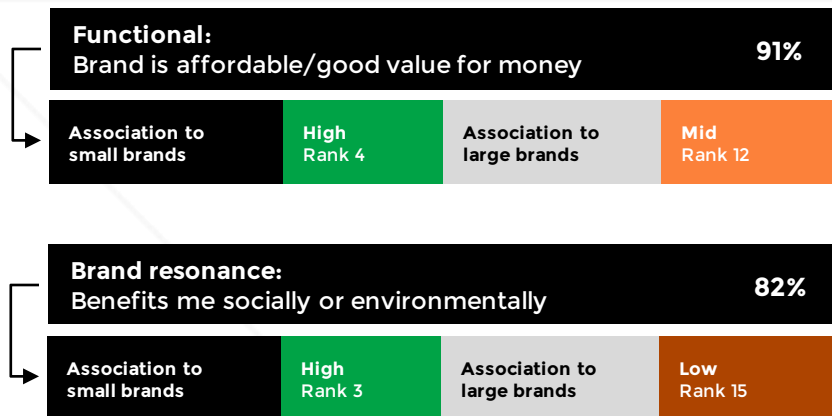
Find it hard to differentiate between various brand options available to them

**Unintentional small brand buyers are cost conscious, but open to paying a little more**  
Small brands should strive to provide environmental and social benefits that personally resonate

## Understanding “unintentional small” brand buyers



### Highly important purchase motivators



### Preferred saving strategies

**26%**

Monitor cost of overall basket of goods

**20%**

Select lowest priced product from considered options

### Buyer perspective

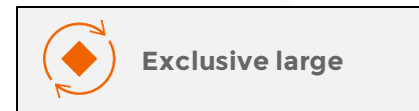
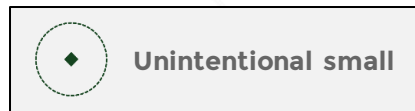
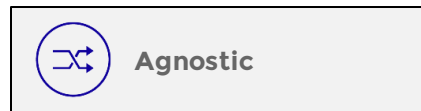
**49%**

Small brands usually more expensive, but prepared to pay a bit more

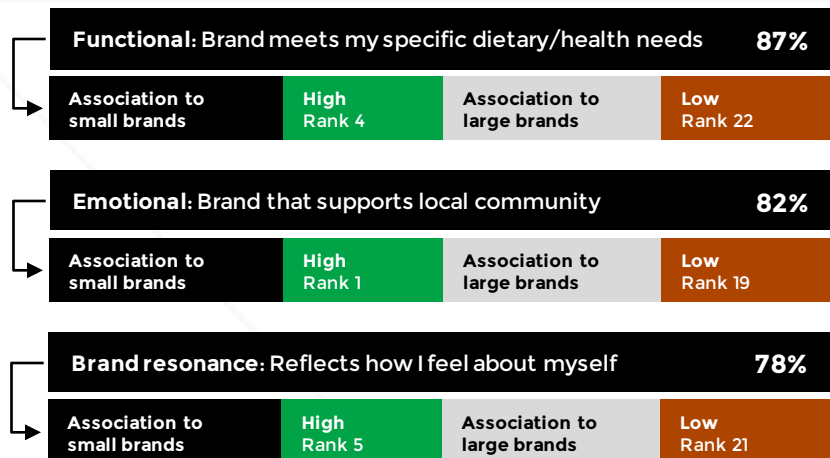
## Exclusive small brand buyers feel deep personal and local connections to brands

In the face of inflation, likely to downsize to small pack sizes or opt for private label/store brands

### Understanding “exclusive small” brand buyers



#### Purchase motivators uniquely important to segment



#### Preferred saving strategies

17%

Opt for private label/store brands

15%

Buy a smaller size of my preferred brand

#### Buyer perspective

61%

Less likely to continue to buy a small brand after it's bought by a multinational, big brand

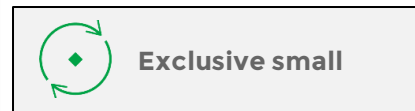
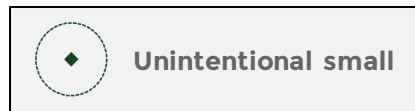
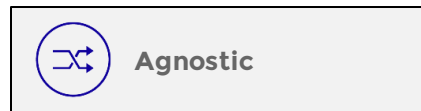
47%

Small brands more authentic, trustworthy and likely to put brand values over profit vs. big brands

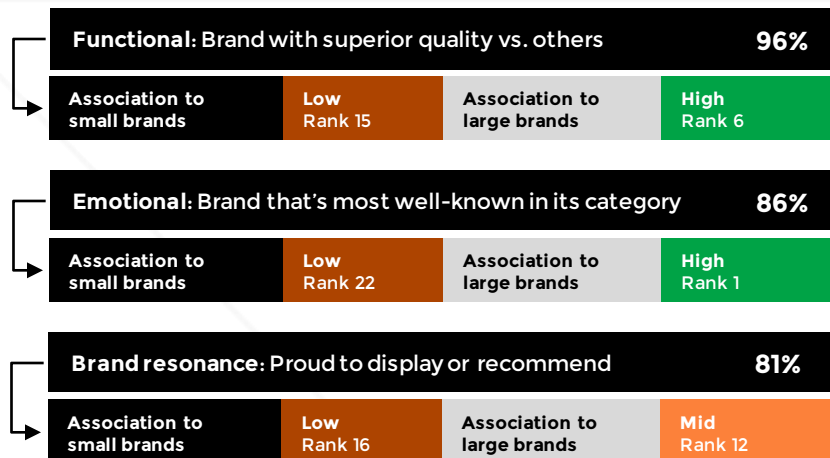
# Exclusive large brand buyers expect superior quality, notoriety and direct communication

These consumers are eager to seek online channels for better deals and will upsize to save money

## Understanding “exclusive large” brand buyers



### Purchase motivators uniquely important to segment



### Preferred saving strategies

**32%**

Shop online to get better deals

**27%**

Buy a larger size of their preferred brand (economy pack)

### Buyer perspective

**61%**

Like knowing a brand's story, origin, reasons for being

**57%**

Like when brands contact them directly in an informal or personal way

# Key takeaways to capitalizing on consumer brand preference

The first of four bases to successful brand strategy in 2022 and beyond

Uncover opportunities  
within the consumer  
preference playground

Agnostic vs.  
Exclusive  
brand buying



Preference

1

## SMB's captive audience:

Nearly 4 in 10 global consumers have some preference to buying smaller brands

## The broader opportunity:

Meanwhile, 41% are agnostic brand buyers, a key opportunity for brands of all sizes to engage and convert

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

## Benchmarking performance

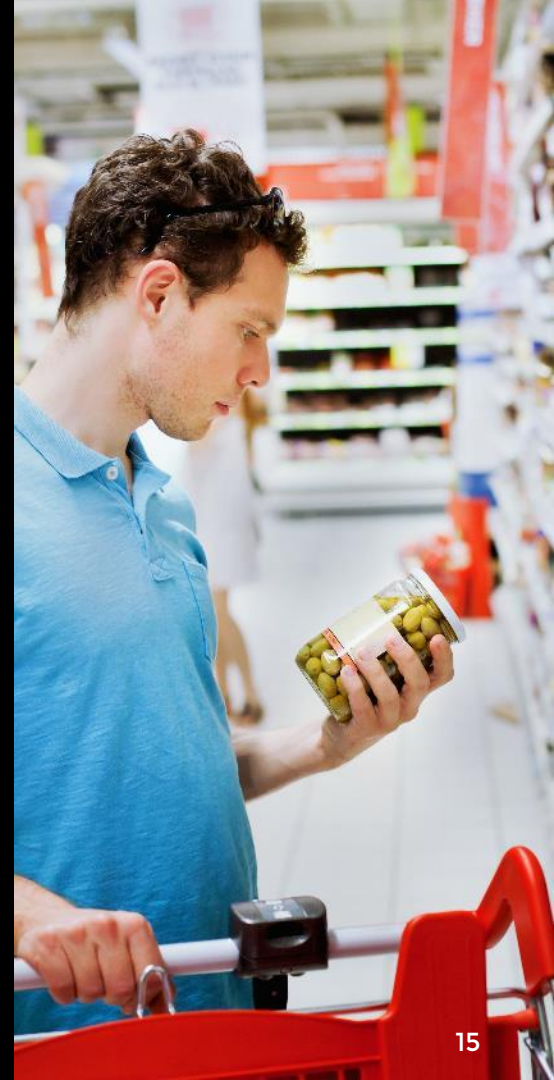
Where have small brands out-performed their large brand counterparts?

### 2

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), pace has not been the swiftest compared to larger companies, but growth driving influence, or contributions to regional sales growth, have been significant.

In fact, manufacturers outside of the top 100 have contributed 52% of their region's annual FMCG growth in North America and 31% in the Asia-Pacific region.

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 accordingly.

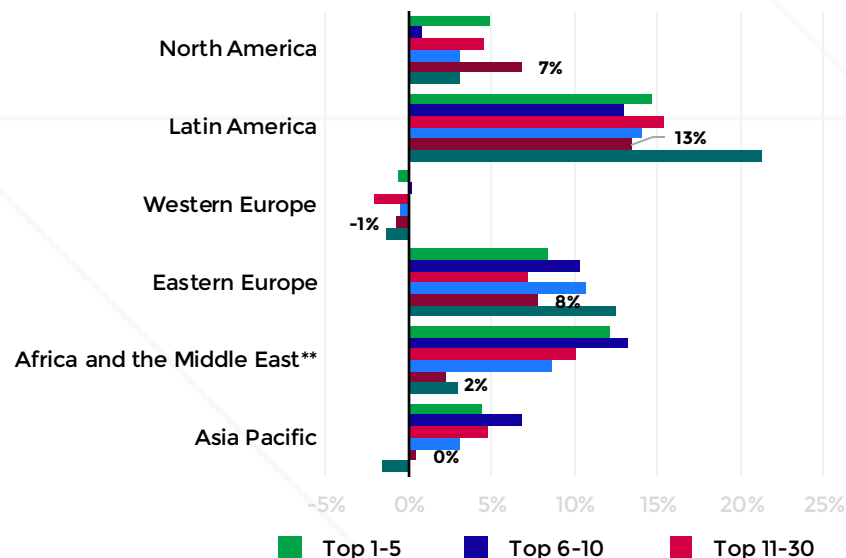


## How are smaller brands performing relative to other brands?

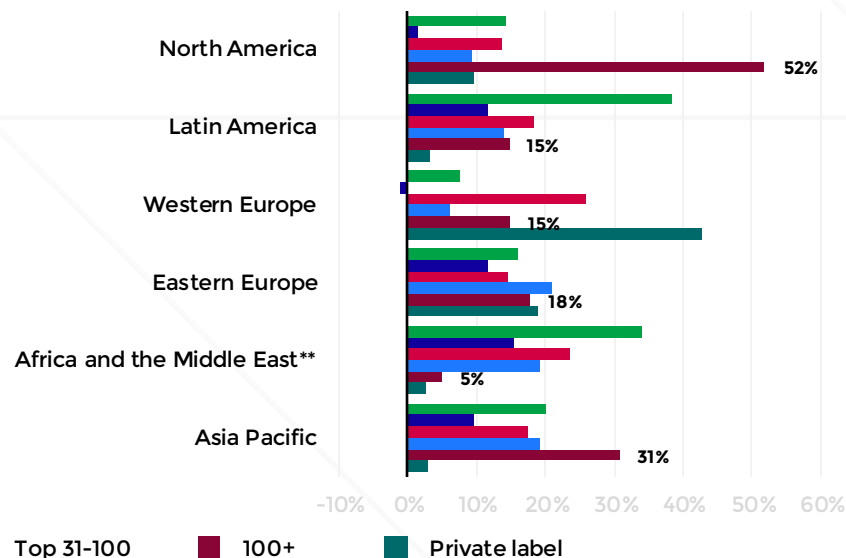
Not pace leaders, but important contributors to FMCG bottom line

Small and medium-sized manufacturers (those ranking outside of the top 100) are not leading pace of growth, but still deliver more than fair share of FMCG growth contributions in most cases.

**Pace of growth** among manufacturer tiers by region  
% Value growth



**Growth driving influence** among manufacturer tiers by region  
% Value of growth contributed to regional FMCG

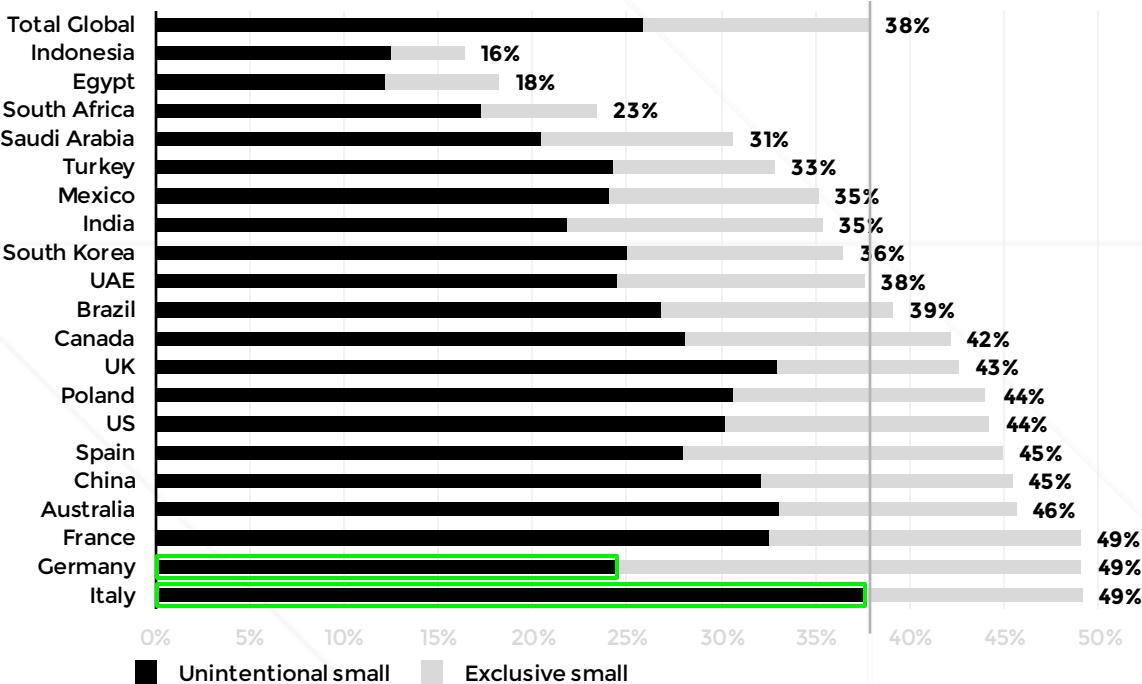


Source: NielsenIQ Retail Measurement Services via NIQ Quarter By Numbers Report, Latest annual period ended Q1 2022 vs. sameperiod year-ago. Note: grouping of markets by region may differ from other sources. China is included with APAC, \*AME Regional Total inclusive of UAE, S Africa, Saudi Arabia, Nigeria, Kenya, and Jordan, excludes Turkey which is included within E. EU



# Markets like Germany and Italy have an abundance of consumer preference towards buying smaller brands

38% of global consumers have some preference to buying small



Understanding where consumers seek smaller brands is as important as understanding which regions across the world are leading the pace of brand growth.

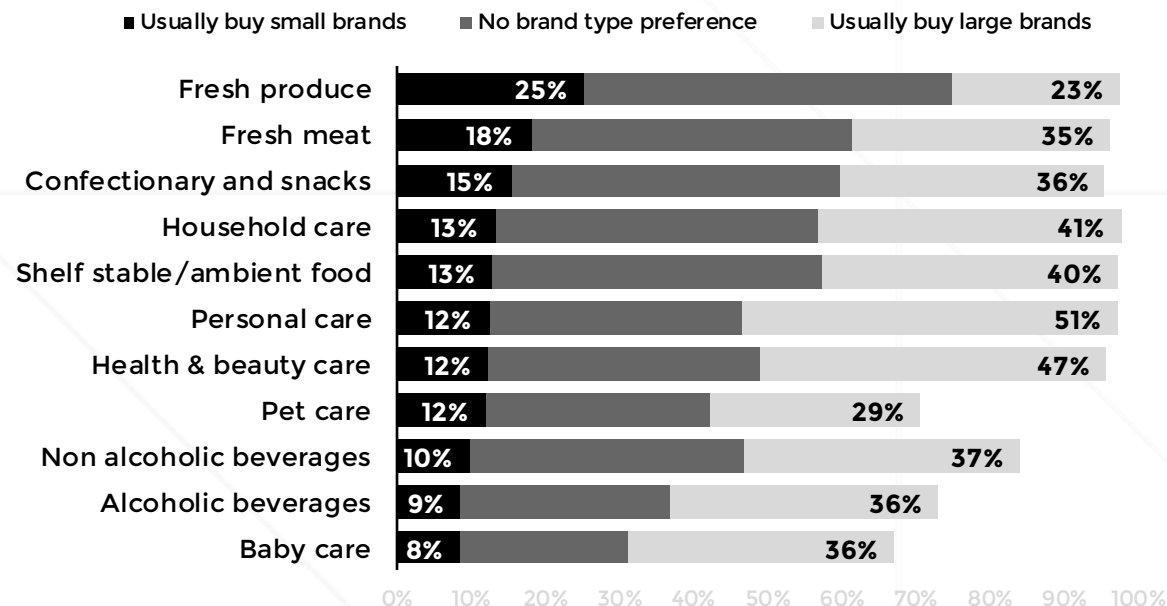
According to our global survey, at the market level, respondents in Italy, Germany and France say they are the most likely to shop smaller brands.

Source: NielsenIQ 2022 Brand Balancing Act Survey, May 2022- Q15. When you think about how you shop for the majority of your everyday food and household items, which one of the following approaches best describes your buying behavior?

# From a category lens, small brands challenged to overcome “large-brand” or “agnostic” buying preferences in most categories

Small brand buying preferences strongest in snacks and fresh foods

Brand preference by category - % global respondents



At the category level, one of the top product types where consumers seek out SMBs is when buying confectionary and snack products (15%). More notable in this category is that 44% of consumers indicate they have no brand preference when shopping for these types of products. This further adds to the open opportunity for smaller brands to convert and build loyalty among category buyers.

# Consumers most familiar with buying 'small' from smaller retail channels, large brands lead the way online

Brand preference in **offline channels** - % global respondents

	"Where I usually shop for..."	
	...small brands	...large brands
Street vendor or farmers' market	37%	11%
Mini-market /bodega/small or independent grocery store	25%	15%
Specialty store	21%	22%
Convenience store	18%	19%
Dollar store	17%	16%
Discount retailer	13%	24%
Supermarket/grocery store	12%	25%
Pharmacy/drug store	12%	27%
Pet store	10%	18%
Mass merch/hypermarket	8%	32%
Warehouse club store	7%	26%

Brand preference in **online channels** - % global respondents

	"Where I usually shop for..."	
	...small brands	...large brands
Direct from social media/ community buying	15%	16%
Online purchase from a retailer	12%	23%
Online purchase directly from a brand's website	12%	25%
Subscription services	9%	22%

Shoppers in search of SMBs tend to lean on smaller outlets, like street vendors/farmers markets (37%) and minimarkets/bodegas/independent grocery stores (25%).

Large brands have a distinct advantage online, but the playing field is nearly even among consumers buying direct from social media or community buying. In this case, 15% say they usually shop for SMBs through the social media and community buying channel, compared to 16% who usually seek the channel for large brands.

# U.S. spotlight: Think beyond what's expected with small- independent retail shoppers



With sources from National Retail Solutions (NRS) Insights, a U.S.-based expert in the measurement of small-format, independent retailers, and a member of the NielsenIQ partner network.

## Small-independent retailers: Evolving role as “the extended pantry” for consumers

In order to understand how consumers in the U.S. view small and medium-sized businesses, it is important to identify the specific outlets that they seek these products in. According to NielsenIQ survey data, the top three outlets that show a small buying preference are street/farmers' market vendors (38% of respondents), specialty stores (29%), and mini-markets, bodegas, and small/independent grocery stores (23%). While it should come as no surprise that small brands are sought in small retail channels, the role that these corner stores play in consumers' lives are evolving in an interesting way.



**U.S. shoppers have come to think of the small-independent retail channel as natural extensions to their at-home pantries. Often with reliable local supply networks and a unique assortment that differs from the norm, these stores are now trusted and familiar partners serving the needs of everyday American consumers.**

-Brandon Thurber, Director of Insights and Media Measurement at NRS Insights

Sources: 1) NielsenIQ Discover, Omnishopper Panel, Total US, 52 weeks ended May 21, 2022 vs. year ago,  
2) NRS Insights, a member of the NielsenIQ Partner Network

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## Small-independent retailers: Evolving role as “the extended pantry” for consumers



### High growth

**+6% growth** in average basket total among U.S. small-independent retail shoppers  
vs. 2.5% growth in basket size at a Total U.S. level



### High frequency

**3.8 times/week** in frequency of store visits for U.S. small-independent retail shoppers  
vs. 3.7 trips/week that the average U.S. omnishopper makes across all outlets



### Diversifying shelf sets

**Top categories** sold in the U.S. small-independent retail channel **reflect broader pantry needs**: from soft shell tortillas to supplements, milk and more

Comparing NielsenIQ Omnishopper data against findings from National Retail Solutions (NRS) Insights, a US-based expert in the measurement of small-format, independent retailers, some interesting patterns emerge. Consumers in the U.S. are essentially utilizing their corner store as an extended pantry. In fact, small independent retailers are seeing 6% growth in average basket total, compared to 2.5% growth in basket size at the total U.S. level. They're also seeing a high frequency of store visits, logging a visit an average of 3.8 times per week. The categories of products being shopped in these corner stores reflect a broader pantry need, from soft shell tortillas to supplements, milk, and more.

## Small retailers carrying a broader selection of items in some cases

For certain categories, small-independent retail could be a source for new distribution

While keeping in mind the evolving ways that consumers view small retailers—and the unique products they seek when shopping there—there is reason to believe that certain categories could see a revitalized source of distribution.

For instance, gum sales in the U.S. have declined 13% over the last 3 years, resulting in companies narrowing their distribution of gum SKUs, with an average 8% reduction in items carried in major U.S. stores. In this same time span, however, the small-independent retailer space has seen a 3% increase in gum sales compared to 3 years ago, and the average number of items carried has remained steady at +1% year over year. Similar gaps in sales and offering can be found in categories like candy, energy drinks, and potato chips, which indicates that consumers arrive at corner stores with specific product needs that they don't bring to larger retailers.

While small and medium-sized businesses may lack resources to easily lead the pace of global growth, future success lies in owning what's different and embracing unique opportunities to drive growth. It boils down to understanding who their consumers are, how they prefer to utilize smaller shopping outlets, and what kinds of products they expect to be there when they shop. Smaller businesses have the potential to fill a profitable niche in the gaps that exist in today's current small-independent retail marketplace.

### U.S. item growth in stores

Some shelf sets grow in small-independent retailers

	Avg items carried % chg		% Sales growth vs. 3 years ago	
	Small-format retail	Total U.S.	Small-format retail	Total U.S.
Candy/confection	+5.6%	-5.3%	+63%	+58%
Energy drinks	+2.5%	+0.7%	+55%	+24%
Gum	+1.1%	-8.0%	+3%	-13%
Potato chips	+1.1%	-3.7%	+37%	+19%

# Key takeaways from benchmarking manufacturer performance

The second of four bases to successful brand strategy in 2022 and beyond

## **SMBs are growth contributors, not pace leaders:**

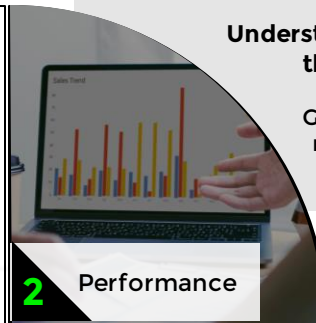
Smaller manufacturers (outside Top 100) are not leading pace of global growth, but are contributing strong share of sales to regional FMCG growth.

*North America is only region where SMBs are leading pace of growth*, but globally, SMBs have brought in 5-52% of regional FMCG growth.

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

## **Understand who is setting the pace for growth**

Global benchmarks for manufacturer growth and performance



**2** Performance



**Keys to succeed**



## Innovation trend-cycle

What are the trendsetting mentalities of consumers today? What are some key niche-no-more trends that began with smaller brands?

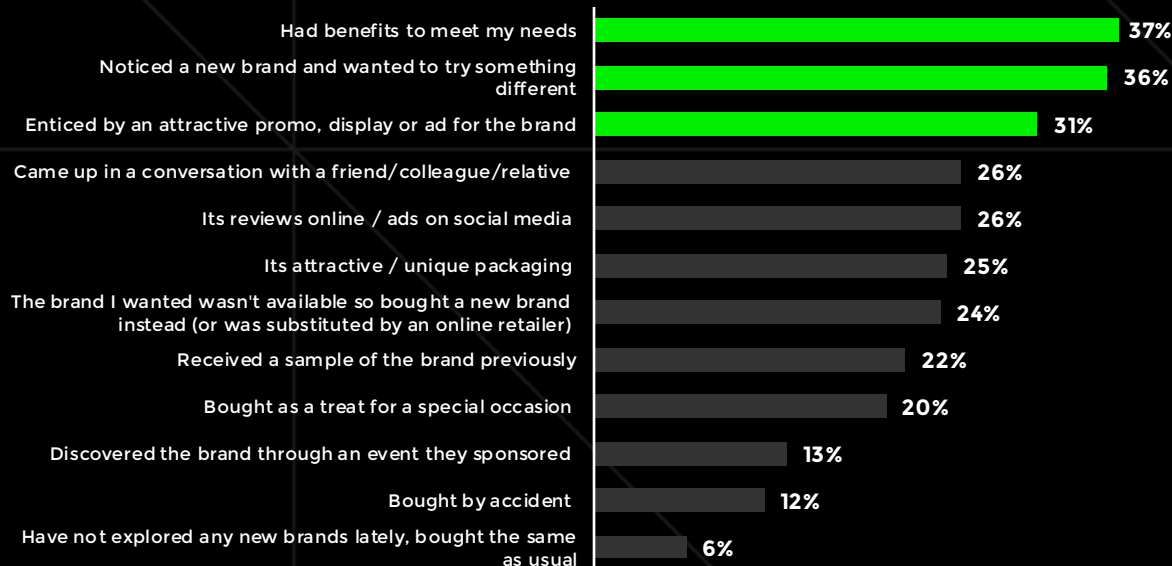
### 3

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.

While it's essential to understand opportunities with consumer brand preferences and which brands are setting the pace for growth, it's equally important to align efforts with the trendsetting mentalities of your consumers. Knowing your consumers' openness to trying something new will guide how much nurturing is needed to entice brand trial.

Findings from our survey confirm that a majority of consumers today are actively seeking new and trendy products in the FMCG space.

#### Recent factors that enticed a new brand purchase % global respondents



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

Unlock new growth by understanding how open your consumers are to trying your brand

## Trendsetting disposition

**29%**

### Trend leaders

Enjoy being **the first** to try new things. They love to keep "ahead of the curve" and tell others about new products.

Egyptian consumers seek the leading edge

66% of Egyptian consumers strive to keep "ahead of the curve" in FMCG innovation.

**40%**

### Innovation-seekers

Enjoy trying new things. They **try to keep up** with what's new and often look out for new products.

A majority of Brazilians keeping up with what's new

57% of Brazilian consumers are keen to try new things.

**25%**

### Mainstream followers

**Sometimes** try new things - but don't go out of their way to seek them.

Many Canadians take comfort in the mainstream

42% of Canadian consumers don't go out of their way to seek new things.

**6%**

### Routine-seekers

**Seldom** try new things. They find it far better to know what you want vs. risking buying something that may not work out.

A notable number of Germans favor routine

11% of German consumers seldom try new things.

Localize new product nurturing to the **trendsetting disposition** of your consumers.

## Many small brands have paved the way to scaling niche → mainstream

Learn from past Breakthrough Innovations that have succeeded in converting trial and driving loyalty

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, and some brands may bridge interest to a share of innovation-seekers as well. But for many, it is difficult to scale true mainstream interest. The few brands who can sustain momentum must keep a sense of newness for the most trend-savvy while attempting to earn the trust of mainstream followers and routine-seekers.

In many cases, some of the newest and most specific product concepts have started with small brands owning niche opportunities. NielsenIQ identified several recent small brands that have successfully scaled from niche markets to mainstream interest. Learning from past examples around the globe can help today's smaller brands, and interested larger brands, better identify opportunities that hold the potential to scale beyond their niche.

All of the following small brand examples have found success from scaling niche values. Each has earned recognition as a BASES Top Breakthrough Innovations award winner in 2021.

These case studies show us that when honing in on opportunities, there are extremely specific shopper needs that have often been fulfilled uniquely by smaller brands. A key growth driver was their ability to cater to one of the following trend-enabling strengths:



## Niche no more: Case studies



### Uniquely approaching premiumization

Product quality and claim alignment were particularly important to the most trend-seeking consumers. Our exemplary small brands resonated with a broad spectrum of consumers due to their “value added” and premium-for-all approach.



### Reshaping healthy thinking

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. Our product examples leveraged bold messaging to educate consumers on a unique offering that filled a void in the space.



### Leaning into local

56% of respondents said they prefer to buy locally-made products from small businesses in their area. This was especially important to trend leaders (67%) and innovation seekers (57%). Our case study example used this strength to recruit new shoppers into their category and identify where they have advantages over large multinationals.

## Leveraging probiotic trends for premiumization of toothpaste in China



**Children's Probiotic Toothpaste**  
by SakyKids

### Consumption polarization:

- Consumers historically polarized in their purchasing of either budget or premium offerings.
- Linkage to best-in-class ingredients and consumer needs (e.g. probiotics to prevent tooth decay) are essential to success as a premium-priced product.

### Research and development focus:

- **Appealing to core users:** 2 years developing and improving the taste and smell of the toothpaste, aligned to children's preferences .
- **Align to use cases:** Adjust product formulation to account for the location where the toothpaste is used (i.e. a typical bathroom has different humidity compared to the lab).
- **Added selling points:** Leverage UA rays to inactivate probiotics in the toothpaste to provide a long-lasting product.

## Embracing “fats” in a positive way with ‘Love Good Fats’ bars in Canada



### Consumers wanted ...

- Gluten-free
- Keto-friendly
- Vegan
- Clean ingredients

### Winning concept:

Iterative concept testing helped refine core selling messages (e.g. Fats has a more positive connotation than Fat)

### ... Love Good Fats delivered

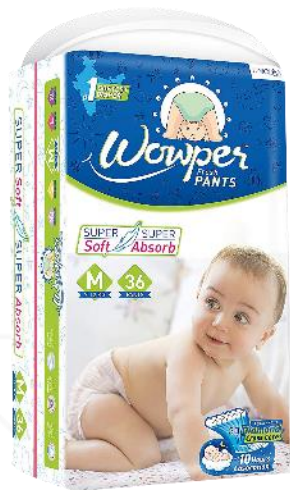
- Revised recipes to meet gluten free & keto certified requirements
- Launched 2 plant-based SKUs
- Refined ingredient lists (e.g. grass-fed whey protein, ethically sourced palm oil, etc.)
- Punchy messaging to build awareness and drive trial (e.g. “Fat is back”)

### Unique differentiator:

Delighted consumers in a way no other in-market bar currently did (i.e. a fat-based, great-tasting, shelf stable, convenient bar)



## Overcoming barriers to brand entry with baby diapers in India



**Wowper™ Fresh PANTS**  
by Uniclan Healthcare Pvt. Ltd

### ▶ A market of large multinationals:

Challenged to enter a market where the sector for baby diapers is dominated by 3 multinational brands.

### ▶ Resonating with mothers:

Packaging designed to meet aspirational values for “world class, imported” diapers. Product features designed to solve key problems with diapers (rashes, leakage and incorrect fit).

### ▶ Key differentiators:

- **“India’s 1st softest baby diaper”**
- **Designed for the Indian baby’s body structure:** Wowper diaper sizes are a little bigger compared to multinational diapers (e.g. small sized diaper in Wowper compares to other brand’s medium sized diapers)
- **Quality product at an affordable price:** Innovative product features with a “me too” approach in product pricing
- **Conventional distribution strategy:** Ensures product availability with a focus on tier two and tier three cities

# Key takeaways to capitalizing on trend-cycle timing

The third of four bases to successful brand strategy in 2022 and beyond

Keys to  
succeed



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

Trend-cycle

3

Compare  
trend-setting  
mentalities and  
examples of niche to  
mainstream innovation  
trends

Trend-leading vs. routine-  
seeking consumption



## **Trend-seekers are the new majority:**

Nearly 7 in 10 global consumers say they actively seek out what's new and trendy.

## **Factors enticing new trial:**

Benefits to meet consumer needs, desire to shake up routine and attractive promotions.



## Meaningful differentiation

What are the hallmarks of smaller brand differentiation today?  
What small-brand innovation trends are indicative of broader demand shifts to come?

### 4

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.

In this challenging economic climate, smaller brands have run from innovation at the exact moment that running toward it would benefit them most. Knowing 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.



# Pace of innovation has slowed among smaller brands

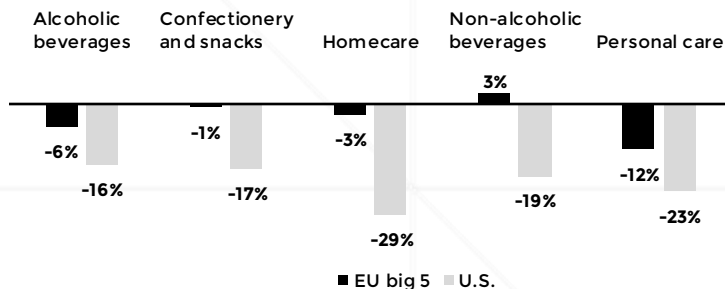
Particularly among small and medium brands in the U.S. compared to “big 5” markets in Europe

Many small and medium brands are uniquely positioned to chart new paths to growth with unique styles and standpoints backing their products. However, the reality among most smaller brands is that the pace of innovation has slowed dramatically. In fact, data from our BASES innovation measurement confirms that the number of smaller brand innovations has declined between 7–36% compared to 2019 measures in the U.S. and major European markets.

Innovative brands are best positioned to pivot around the shifting values of consumers. Smaller brands may be best equipped to leverage their nimble operations to adapt to new needs the quickest and be bold enough to position new products that change the norms of consumption. Small brands that succeed in differentiation of a key message, can serve as ‘barometers of change’ for other brands—signaling the potential demand shifts that have yet to pique mainstream consumer interest.

## % Growth # of **small and medium brand** innovations by category

### 1 Year trend (Jan 2022 vs. year-ago)

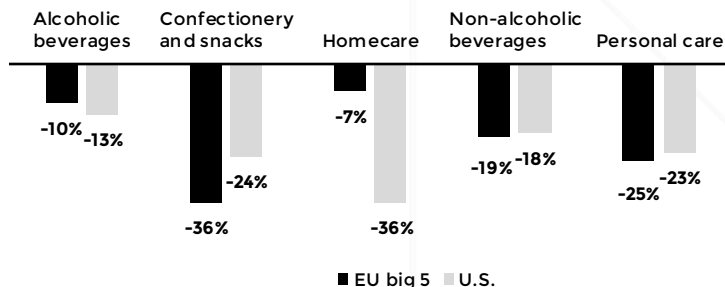


**Total FMCG benchmark [all brand sizes]**  
**% Growth # innovations – 1 year trend**

EU big 5 -20%

U.S. -19%

### 3 year trend (Jan 2022 vs. Pre-COVID 2019)



**Total FMCG benchmark [all brand sizes]**  
**% Growth # innovations – 3 year trend**

EU big 5 -13%

U.S. -19%

### 3 hallmarks of small and medium brand differentiation

1. **Concept revival**
2. **Societal change**
3. **Transforming systems**

Below is a round-up of trends at the core of new differentiators for brands today. Within each example, we can see that many small brands are already acting on new opportunities.

Some successes have been built on conceptual differentiation where brands seek to shape the meaning or viewpoint consumers associate with product consumption. Other examples center around more tactile means for differentiation through new consumer behavior development.

The three hallmarks of brand differentiation can be used in tandem with where we see demand shifts happening and which trends have the potential to scale.



**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 a new technology, simple but thoughtfully communicated differentiation sets winning brands apart from the rest.**

-Jenna Movsowitz, editor at Startup CPG

The bottom line is that brands need to find a bold way to tap into the minds and hearts of consumers. Smaller brands have, in many cases, led the charge in meaningful differentiation—nimble reacting in ways that have set themselves apart from the competition. Those that take these steps today will lead the way in setting the trends of tomorrow.

## #1 – Revival within product concepts and categories

### Breathing new life

Smaller brands can bring new interest and demand to stalwart categories or concepts.



**Re-defining cereal**

Smaller brands are shaking up the traditional claims to fame in the cereal category. New entrants are re-defining cereal category norms with products that are high-protein, low-sugar, gluten-free and clean label.



**Global flavor infusion**

From gochujang to tamarind, or, yuzu, arrabbiata and everything in between, there is a world of global flavor influences driving diverse tastes among consumers. Many small brands are at the helm of this revival.



**Indulgence**

Many small brands have inspired revival in the concept of 'indulgence'. Foods don't need to sacrifice on taste and new products in this space are taking a strong, pointed stance on pure fulfillment with consumables.

## #2 – Education, awareness & societal change

### Passion – *and* purpose-driven

Smaller brands are uniquely armed to tackle cause-related education & awareness and to courageously inspire societal change.



**Transforming fem care**

Many small brands are taking a passionate stance on de-stigmatizing menstruation and enabling sustainable, healthier and more functional period products to suit the varied lifestyles of women globally.



**Gut health awareness**

Small brands are taking creative liberties to serve up not just the product, but the education, intrigue and awareness. For many, the focus is on the physical and mental connection and benefits of improving one's gut health.



**Self-sustainability**

SMB's show their heart with commitments to the sustainability of the planet, but also to people. Helping communities help themselves with pledges to build safe living ecosystems, or partnerships to strengthen local economies.



## #3 – Transforming technology and supply systems

### Scaling with what you've got

Smaller brands can be nimble and creative with how they utilize the resources at their disposal – often transforming something from nothing.



Making something from nothing is how many small brands are creating new avenues for growth in categories like juices, chips, textiles, cleaning products and so much more e.g. refillable packaging, turning wasted by-products into new product.



Metaverse consumption is a growing arena for smaller FMCG brands, too! In one example from India, food brands and famous food icons collaborate to mint NFTs, while consumers play food-themed games and discover new products.



In light of potential grain supply issues globally, the spotlight has turned to some small brands that are leveraging regenerative crops (seeds and other grain-like products) from farms within their country of origin.

# Key takeaways to capitalizing on brand differentiation

The fourth of four bases to successful brand strategy in 2022 and beyond

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

## Learning from continuous innovators:

Overall pace of SMB innovation has slowed, but key change agents charting new paths to growth.

## *NIQ identifies 3 hallmarks to smaller brand differentiation today:*

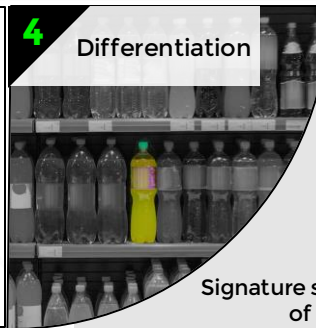
Revival, education for good, and transformational tech.

Keys to  
succeed



4

Differentiation



Hallmarks of  
smaller brand  
differentiation  
today that will  
influence trends  
of tomorrow

Signature style and standpoints  
of differentiated brands

# The road ahead

Opportunities specific to the small  
and the open growth potential for all



# Navigating inflation, global disruption and consumer change

Differentiating the path ahead for smaller and larger brands

## New global concerns

Amid war, and global/local trade disruption

## Shifted operating costs

Due to rising costs and interest rates, supply chain shifts and worker shortages

## Ongoing disruptors

From continued pandemic impacts, retail shifts, environmental change

## Consumer impacts

Surrounding values, attitudes, tech adoption and soaring inflation



## Win the favor of agnostic brand buyers

- Sometimes fluid consumer choices are driven by economic concern:
- 23% are strugglers (financially insecure), 33% are cautious spenders
- The most indecisive can be the most eager to try new things:
- 48% of trend leaders are agnostic buyers

## Invest in the 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
- For large brands, that's: brand notoriety, availability, superior quality, wide product range

## Balance inflation with appetite for innovation

- Inflation is, unsurprisingly, top-of-mind:
- 93% of consumers prioritize 'affordability' in brand purchases,
- But appetite for new things can drive increased spending intentions:
- Nearly 70% of global consumers actively seek what's new and trendy

Note: These drivers of change are not exhaustive and used as examples; often these drivers of change are linked and symbiotic.

# Future opportunities for small and medium brands

Ways to maneuver today's strategic playing field

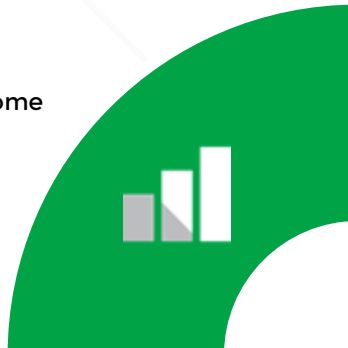
## 1. Preference

### Engage the SMB captive audience

38% of global consumers who indicate some preference to buying smaller brands

#### *How?*

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



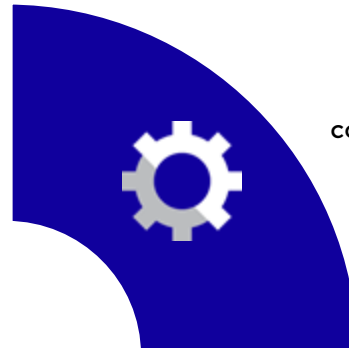
## 2. Performance

### 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



## Growth potential for brands of all sizes

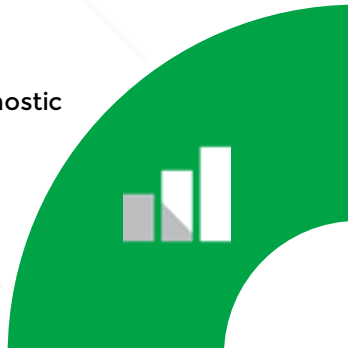
Open white space for companies, large and small, to capitalize on consumer demand shifts to come

### 1. Preference

#### Winning the swing votes

41% of global consumers say they are agnostic in brand preference (not particular to larger or smaller brands)

*Meet the needs that sway purchase decisions of open-minded agnostic buyers*

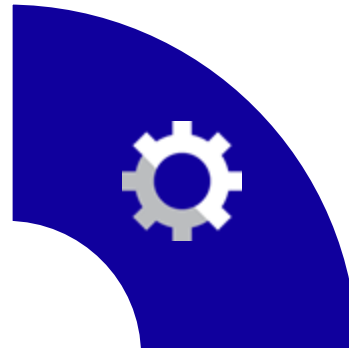


### 2. Performance

#### Assess the re-shuffled deck

Private label leads growth in E. Europe and LATAM, while the Top 6-10 companies thrive in AME and APAC

*Determine your strengths and opportunities versus the entire "deck" of key manufacturers*



### 3. Trend-cycle

#### Leverage the recent past

3 trends that have scaled to be "niche no more": leaning into local, premiumizing in unique ways and re-shaping healthy thinking

*Scale brand footprint to bridge mainstream success in one market to a new niche in another*



### 4. Differentiation

#### Take smaller brands to heart

58% of global consumers feel smaller brands lose the essence of who they are once bought by a big brand

*Differentiate through authentic connection to some of the hallmarks of smaller brand innovation*



For more insights:  
[niq.com/global/en/insights/](https://niq.com/global/en/insights/)



### About NielsenIQ

Arthur C. Nielsen, who founded Nielsen in 1923, is the original name in consumer intelligence. After decades of helping companies look to the future, we are setting the foundation for our future by becoming NielsenIQ. We continue to be the undisputed industry leaders as evidenced by our experience and unmatched integrity. As we move forward, we are focused on providing the best retail and consumer data platform, enabling better innovation, faster delivery, and bolder decision-making. We are unwavering in our commitment to these ideals and passionate about helping clients achieve success. For more information, visit: [\*\*niq.com\*\*](https://niq.com)