



NEWS RELEASE

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Grocery channel weathers lower economic growth

- *Less out-of-home consumption benefiting supermarkets*
- *Health and beauty continues to dominate 'fastest growing categories' list*
- *Nestlé moves to second largest grocery supplier in Australia*

Sydney, 4 November 2005: Australian consumers' pessimistic economic outlook coupled with their heavy focus on debt reduction and saving is having an impact on impulse purchases and could fuel Private Label growth, a report released today by leading marketing information company ACNielsen has revealed.

The **ACNielsen Grocery Report** is produced annually and provides unique insight into trends affecting the Australian grocery sector. The report covers seven key areas including the economy; retail spending; packaged grocery inflation; packaged grocery growth; Private Label trends; top 100 grocery suppliers; and retailer shares.

The report found that rising petrol prices and higher debt service levels caused retail turnover growth rates to plummet in the first half of 2005, with real growth rates (adjusted for inflation) at their lowest level since the introduction of the goods and services tax (GST) in 2000 (-0.5 percent). Supermarkets, however, were benefiting from this trend with consumers containing their discretionary spending and increasingly opting to eat at home, resulting in an upturn in growth for dry grocery (four percent).

"Australian consumers have enjoyed the benefits of strong employment, wage increases, tax cuts and very low inflation in recent years," cited Anton van den Berg, Director, Client Service, ACNielsen Australia. "However, the softening housing market,

increasing petrol prices and looming interest rate rises seem to be taking the shine off the economy and consumers are tightening their purse-strings – a reaction that could fuel the growth of Private Label products.”

The Australian grocery industry continued to battle a low inflation environment, although inflation rates had been rising steadily since the beginning of 2004. Packaged grocery inflation was sitting at around one percent and food categories, including chilled dairy and dry grocery, reached around two percent.

Sales growth for packaged grocery for the year remained stable at four percent, however, snacks, confectionary, drinks and health and beauty again upstaged other categories with around 6.5 percent growth. Health and beauty products dominated the fastest growing categories list, with ten of the top 20 items on the list. In particular, dental accessories recorded strong growth, with a massive 30.7 percent growth driven primarily by innovation and new product activity.

Looking at the top 10 suppliers (chart 1) there were a number of key changes to the listing in 2005. Nestlé moved up in rank to be the second largest grocery supplier in Australia, while Cadbury Schweppes moved up to number five after trading places with Unilever. The Coca-Cola Company also moved up a place to join Campbell Arnott's at number eight. Again highlighting the success of the health and beauty category, pharmaceutical companies performed well in 2005, making up four of the 10 fastest growing suppliers and three of the four new entrants in the top 100 suppliers ranking.

“It is important for manufacturers not to rely on price increases and population growth to fuel category value growth,” van den Berg advised. “The success in health and beauty illustrates the importance of trading consumers up to more premium segments and brands, by investing in continuous innovation, new product development and advertising,.”

The Independent grocery trade and minor chains continued to gain market share, with the ACNielsen report showing the strongest share position in over five years at 21.4

percent. The growth was primarily driven by strengthening of trade in Queensland, with Action picking up many former Franklins stores in 2001, combined with Aldi's relatively recent entrance into the Sunshine state. Share of trade for the majors – Woolworths, Coles Myer and Franklins – continued to fluctuate around 78 to 79 percent.

Chart 1: Top 10 grocery suppliers by dollar value

2005 ranking/ (2004 ranking)	Supplier	Main brands
1 (1)	British American Tobacco	Winfield, Benson & Hedges, Holiday, Dunhill
2 (3)	Nestlé	Nestlé, Nescafe, International Road, Peters, Milo, Maggi, Lean Cuisine
3 (2)	Philip Morris	Longbeach, Peter Jackson, Marlboro
4 (4)	Goodman Fielder	Mighty Soft, Wonderwhite, Helgas, Meadow Lea, Uncle Tobys, Praise, White Wings
5 (6)	Cadbury Schweppes	Cadbury, Schweppes, Cottees, Pepsi, Pascal, Solo, Freddo
6 (5)	Unilever	Streets, Flora, Omo, Continental, Lipton, Surf, Rexona, Lynx, Domestos, Pond's
7 (7)	Masterfoods ANZ	Masterfoods, Dolmio, Pal, Whiskas, Mars, Snickers, Starburst
8 (9)	The Cola-Cola Company (incl Amatil)	Cola-Cola, Fanta, Sprite, Mt Franklin, Lift, Powerade, Pump, Fruitopia, Piccadilly
8 (8)	Campbell Arnott's	Arnott's, Campbell's Soup, Tim Tam, Shapes, Thins, Kettle, Tiny Teddy, Jatz
10 (10)	Imperial Tobacco	Horizon, Drum, Escort, Champion, Peter Stuyvesant

About the 2005 ACNielsen Grocery Report

ACNielsen produces the *ACNielsen Grocery Report* on an annual basis to provide insight and analysis on key trends affecting the grocery sector. A complimentary extract of the report is available via the Company's website (www.acnielsen.com.au/grocery_report). The full report is available from ACNielsen for \$2,500 plus GST (or free for ACNielsen | ScanTrack clients).

About ACNielsen

ACNielsen, a VNU business, is the world's leading marketing information provider. Offering services in more than 100 countries, the unit provides measurement and analysis of marketplace dynamics and consumer attitudes and behaviour. Clients rely on ACNielsen's market research, proprietary products, analytical tools and professional service to understand competitive performance, to uncover new opportunities and to raise the profitability of their marketing and sales campaigns.

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