



NEWS RELEASE

Contact: Cindy Tourneur
(02) 8873 7381 / 0410 457 646
cindy.tourneur@acnielsen.com.au

New product development and innovation now more critical than ever for consumer goods manufacturers

- ***Manufacturers facing tougher macro retail environment and tightening economy***
 - ***Low inflation and population growth***
 - ***Increased competition with growth in Private Label and Aldi***

Sydney, 12 January 2006: The current Australian economic climate coupled with intense competition in the grocery sector is fuelling the growing importance of innovative new product development (NPD) to leverage existing brands and drive growth in fast moving consumer goods (FMCG) categories, a report released today by leading marketing information company ACNielsen has revealed.

The report, entitled *'The growing importance of innovation and NPD within FMCG'*, emphasised several core reasons why NPD and innovation are now more critical than ever to drive brand and category growth.

Australian consumers' pessimistic economic outlook coupled with increased petrol prices appear to have impacted spending habits, particularly in the area of out-of-home dining. The turnover for cafés and restaurants was in decline at -6.2 percent in September 2005 highlighting an opportunity for supermarket food suppliers to provide new, interesting and innovative meal options as an alternative solution.

The ACNielsen report also highlighted that grocery manufacturers can no longer rely on inflation driven price increases and population growth to drive value growth. Packaged grocery growth in 2004 and 2005 was around 4.5 percent (compared with 7% in 2002),

partly driven by an ongoing low inflation environment for grocery over the past two years. In addition, with population growth at only 1.2 percent it is now more difficult to drive growth through consumers buying more (volume growth). Therefore, it is increasingly important for both supermarket retailers and suppliers to look at introducing new premium products to increase consumer spend and drive topline dollar growth.

The growing share position of discount grocery retailer Aldi has intensified price competition amongst other supermarket chains and has fuelled the implementation of 'tiered' Private Label strategies. These factors have in turn put pressure on overall value growth in the grocery sector, which again highlights the need for manufacturers to focus on future brand investment.

"It is critical for grocery manufacturers to commit to continuous investment in new product development to drive growth," says Aaron Cross, Director, Retail Client Service, ACNielsen Australia. "Real innovation is needed to encourage consumers to increase their spend, and it is vital to maintain loyalty amongst existing brands to counteract consumers switching to Private Label options."

Cross cites a number of success stories within the grocery sector that demonstrate how innovation has driven category growth such as dental accessories and portable convenience meals.

"In many of these cases, the focus on portability and convenience has been the key to success," says Cross.

ACNielsen presented 'The growing importance of innovation and NPD within FMCG' report to the International Quality and Productivity Centre (IQPC) NPD in Food and Drink conference on 30 November 2005.

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.

To view this and other ACNielsen media releases online go to www.acnielsen.com.au