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News Release

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AUSTRALIAN FMCG SECTOR GETS SET TO BOOM

- ***FMCG business confidence on the increase in 2007/08***
- ***Trading terms the key concern for FMCG manufacturers***
- ***Local neighbourhood shopping continues to strengthen***

Sydney, 23 July 2007: Australian FMCG manufacturer confidence was at its highest levels in more than two years according to research company Nielsen's latest Retail Barometer survey. The survey found that one third (33%) of grocery manufacturers reported business conditions had improved compared to the same time last year (up 10 points since November 2006) and a further 35 percent expected further improvements in the next one to two years (up 13 points) – the strongest levels of confidence reported since the survey commenced in May 2005.

These and other findings were released by The Nielsen Company today from its latest bi-annual Retail Barometer survey which captured responses from over 100 senior leaders from top Australian fast moving consumer goods (FMCG) companies on business confidence and concerns, retailer relationships, Private Label trends and general FMCG retail environment trends.

Confidence amongst manufacturers also translated to expected sales growth with well over two thirds (70%) expecting more than four percent sales growth in the coming 12 months, one in three (33%) tipping greater than eight percent.

“The results from this latest round of the Retail Barometer are certainly bullish for manufacturers,” commented Anton Van Den Berg, Director, Retail, The Nielsen Company. “This is the strongest we’ve seen business confidence levels in the industry since we launched the Retail Barometer survey in May 2005 and the confidence also correlates with similar studies undertaken by Nielsen measuring Australian consumer confidence levels.”



Asked to rate issues of most concern in terms of the impact on their businesses, pressure on trading terms was the most likely concern to keep manufacturers awake at night, followed by Private Label growth, the ability to pass on price increases, effects of drought on pricing and unstable petrol prices (refer to Chart 1).

Manufacturers were also asked to rate Australian grocery retailers on their performance across eight categories, and the latest survey findings showed perceived retailer performance was down in six of the eight categories, particularly store compliance (down 8 points), quality of range review (down 5 points) and strategies for success (down 4 points) (refer Chart 2). In terms of what drives perceived performance, strategies for success remained the key driver, followed by quality of range review, then strength of the management team and efficient promotional planning and execution.

Of those manufacturers surveyed who hadn't commenced Private Label manufacturing, the majority (71%) were unlikely to do so in the future. Confidence in the success of premium Private Label products remained strong with more than three quarters of those surveyed (78%) believing Australians will buy premium Private Label products (up from 72% in May 2006).

Australian retail environment

More than two thirds of manufacturers (69%) believe there is a growing interest among consumers in local neighbourhood shopping, away from large shopping centres and 61 percent of those surveyed say non-supermarket channels are showing above-average growth for their businesses. Asked whether they were actively pursuing growth and distribution opportunities outside the major supermarkets, 63 percent said they were or would be within the next six months, while a further 22 percent were actively planning for it.

"The trend towards local and community based outlets has been observed by Nielsen across several sectors in the past 12 months or so," noted Van Den Berg. "In the grocery sector were seeing Australians making more frequent trips to convenience outlets, traditional grocers and specialty food stores and the one-stop shop isn't as appealing as the simplicity offered by the local retailer – ease of parking, reliable quality and a quick in and out shop guaranteed through fewer products on offer."

Chart 1: Top five manufacturer concerns

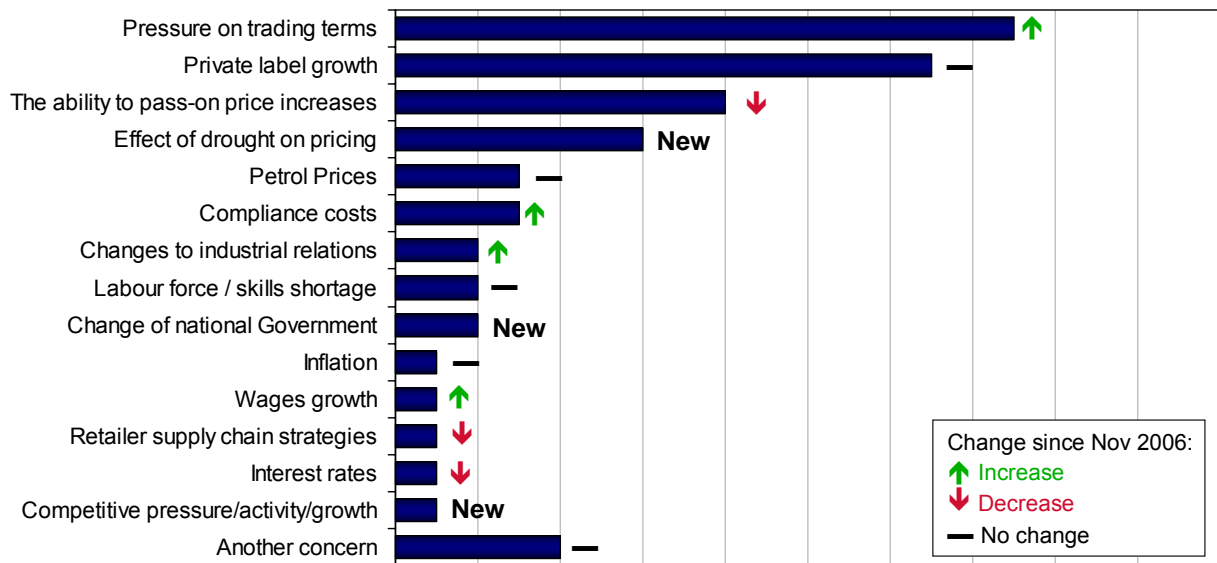


Chart 2: Retailer performance (good/excellent ratings), May 2007 vs November 2006



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