

Aussie confidence continues to ride high, but growth stifled by economic concern

Latest findings from the Global ACNielsen Online Consumer Opinion Survey

Despite rising interest rates and growing concerns about the state of the local economy, Australian consumers are still among the world's most confident and ranked the seventh highest globally. According to ACNielsen's latest Global Online Consumer Confidence Index conducted in July 2006, the Australian Index slipped three points versus November 2005 to 114, however it remained well above the global average of 96.

The survey revealed that the slight decline in the Index versus the previous six months may have been driven by growing economic concern. Over two in five consumers (42%) said the economy was a major cause for concern – up six percentage points versus November 2005, and now on par with the Asia Pacific regional average. Concerns surrounding health (40%) and job security (29%) also ranked highly.

ACNielsen's Executive Director of Retail Measurement, Ben Dixon, says that while it is apparent that consumer confidence in Australia remains high, it could be vulnerable to shifts in the local economy. This could have a flow on effect to consumers' discretionary spending as consumers typically react by tightening their purse strings when faced with uncertainty – particularly in areas like holidays, home entertainment and new technology.

On job prospects and personal finances, Australians continue to be optimistic with over three in four (76%) saying job prospects over the next 12 months looked good

or excellent, significantly higher than the global average of just 50 percent. Seventy percent believe that the state of their personal finances in the year ahead will be good or excellent, well above the global average of 54 percent.

“While consumer confidence in Australia remains high, it could be vulnerable to shifts in the local economy.”

The survey results reveal that there are a growing number of Australian consumers focussed on debt reduction with close to half (45%) allocating their spare cash to paying off debts, credit cards and loans – a four point increase from November 2005 and the fourth highest globally.

The twice-yearly global ACNielsen Online Consumer Opinion Survey, the largest of its kind, polls over 23,500 people in 42 countries and more than 500 Australian participants on their perception of the local economy, job prospects, spending habits and major concerns.

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A word from the Executive Director

Welcome to the spring edition of Marketplace, ACNielsen's quarterly publication for Australian FMCG retailers and manufacturers. As we move through the final quarter of the year, you will begin to see the benefits of the major initiatives we have been working on throughout 2006.

We have invested heavily in a major systems platform upgrade which will result in significant operational improvements, specifically around the timing and quality of your ACNielsen databases. In addition, the numerous software enhancements from the Advisor 6.2 upgrade will provide you with access to improved software usability and functionality. Watch this space for Advisor 7 in 2007.

Our True Consultancy Service (TCS) approach is also now in full swing. We currently have 28 senior industry experts who are readily available to engage with you, cover off business issues and provide the most appropriate solutions by sourcing ACNielsen's various data resources and research capabilities. This further aligns with our ongoing pursuit of bringing real and actionable insights to our clients.

Our focus on all of the above has ultimately lead to us winning a number of new ScanTrack clients including Campbell Arnott's, Heinz, National Foods, L'Oreal and Herron from our competition, in addition to renewing existing partnerships with most of our major clients.

Throughout the remainder of the year and over the course of 2007, your ACNielsen Account Manager will be arranging a demonstration of the latest software enhancements from Advisor 6.2, and also an informal chat with any of our consultants who can assist you with implementing your business objectives for next year. 



Ben Dixon
Executive Director
Retail



Look out for the 2006 ACNielsen Grocery Report, available from November.



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What do shoppers *really* want from a supermarket?

By Neil Sangster, Associate Director, ACNielsen Australia

What drives choice of store?

You know the drill. Your significant other calls as you are frantically trying to tie up loose ends in the office and asks you to pick up some milk on the way home. You grudgingly oblige as the following dialogue runs through your head, "Will I stop at the supermarket? It's Thursday – it will be packed and I'll have to park miles away. I'll stop at the corner shop – it's more expensive, but it will be quicker."

It's a common scenario and usually results in a lost sale to the supermarket as consumers are willing to trade off price, range and quality to spend a premium for items in their local convenience store. Why do consumers shop at a convenience store? Because it's convenient – in terms of its proximity, fast service, lack of queues and ease of parking.

ACNielsen research shows that shoppers want four key things from a supermarket: convenience, quality, good product range and low prices. Traditionally, a supermarket's strengths lie in its range and quality of products, and increasingly, consumers are trading off low prices in favour of the convenience factor.

How can supermarkets capitalise on this opportunity?

It's important for retailers to remember that shoppers are not only brand-loyal, but also store-loyal. If they feel a store goes out of its way to make its shopping experiences more pleasant and less stressful, consumers will show their appreciation with more frequent shopping trips and bigger sales totals.

With almost half (44%) of all packaged grocery sales being purchased outside of a supermarket, and with three in five (60%) supermarket visits being 'top-up' trips – retailers are presented with a huge opportunity to capitalise on these trends by altering business practices to focus on the growing consumer demand for convenience, personalisation and value.

In fact, UK supermarket giant Tesco has already embraced this trend by using its front of shop space to provide consumers a 'store within a store', with a rotating time of day offering. In the Tesco Express format, what's available at the front of shop depends on the time of day. For example, in the morning consumers have easy access to croissants, juice, milk and newspapers. At lunchtime there are sandwiches, soft drinks and chips on offer, and at dinner time the store sells ready meals, wine and beer.

“Consumers are increasingly trading low prices for convenience”

Another more extreme example of sophisticated convenience retailing is 7-Eleven in Japan which undertakes extensive changes to its range several times daily. The stores even track the age and sex of the customer at the checkout and identify which products to range at which time of day for men and women!

The supermarket of the future will continue to face increasing competition, and tighter margins will mean less opportunity to drive overall topline dollar growth. The key to driving growth will be through reading and addressing consumers' needs and delivering what they really want. The bottom line: supermarket retailers need to minimise what is bought from competing channels and maximise what is bought in the supermarket. 📊

About Neil Sangster



An Associate Director of ACNielsen's Customised business, Neil Sangster has over 14 years experience in market research in the UK, Asia and Australia. Neil specialises in channel management research and customised studies for FMCG retailers and manufacturers. In his current role with ACNielsen, Neil is responsible for shopper insights working with clients in a variety of industries. Neil holds a Bachelor of Arts degree in Marketing and a Graduate Diploma in Market Research.

Other news

Truly new or 'me too'? Innovation or imitation... where does the real value of innovation lie?

By Cindy Kirkby, Vice President, ACNielsen BASES Asia Pacific

Innovation seems to be one of the big catchphrases for manufacturers and retailers today. In fact, some manufacturers have whole teams devoted strictly to the area of innovation. But how many REALLY new-to-the-world products actually hit the shelves each year and where does the real value of innovation lie?

A recent Ernst & Young analysis in the US showed that less than two percent of all launches represented a true innovation. Thinking about the last few years in Australia I can think of only a handful of products that were truly new- to-the-world ideas.

Launching an innovative product does not necessarily mean that you will be successful or profitable. In fact, being a 'copycat' can be hugely lucrative. Just think about the amount of money netted by movie sequels or trilogies (eg Mission Impossible II, III.). In this light, you have to start wondering whether innovation is worth the effort.

In terms of consumer interest, just being 'different' doesn't buy you much. An analysis of over 60,000 concepts tested by ACNielsen BASES shows that imitators can garner just as much interest as an innovative idea. You can be the fifteenth orange juice on the market and still get healthy purchase interest and trial if you have 'a reason for being' or a unique selling proposition (USP) – i.e. you are cheaper, bigger, lower in sugar etc.

So why bother?

Being different does have the potential for huge rewards, but sometimes these are difficult to see at the 'gross' level. The key is to think about new products in terms of incrementality.

Less than five percent of launches generate incremental revenue to the retailer. The majority of launches simply cannibalise existing sales (albeit, sometimes at a premium price). Innovative products are attractive to retailers and manufacturers in that they tend to generate incremental revenue.

Further, offering an innovative product with no substitute means that higher pricing can be pursued and therefore higher margins achieved...at least until the first 'me too' contender hits the shelves.

The retailer can maximise the potential incrementality of innovative products in a number of ways:

- Appropriate shelving and merchandising to maximise awareness in store
- Feature advertising to attract new store shoppers
- Minimise price discounting to ensure that the product is being valued appropriately.

For a manufacturer, the advantages of innovation primarily lie in marketing execution. To maximise the benefits of innovation manufacturers should:

- Make uniqueness a key area of focus. Do not settle for average-memorability advertising when you have high uniqueness and high appeal
- Invest in quality levels of media support. ROI behind media for unique new products is typically better than for other more substitutable new items
- Ensure advertising copy clearly communicates the new idea
- Packaging should clearly communicate the new idea
- If you have an innovation story (an incremental volume story), make that case to the retailers to get their support
- Try to nurture 'word of mouth' 🗣️

About Cindy Kirkby

Vice President with ACNielsen BASES Asia Pacific, Cindy Kirkby has over 10 years experience in the market research industry in Asia, Australia and the US. Cindy specialises in the area of new product development analysis with a primary focus on forecasting sales of new products and portfolio management for existing products.

