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providing you with the bigger picture in consumer and retail insights

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Manufacturers enter 2007 with a cautious business outlook

Topline results from the ACNielsen Retail Barometer Survey, November 2006

Record sales growth in the grocery channel, driven primarily by inflationary pressure, appears to have alleviated some pessimism among manufacturers in 2006. However, the latest Retail Barometer results from ACNielsen, a division of The Nielsen Company, have revealed that the outlook for grocery suppliers for 2007 remains cautious, and is particularly weak among Private Label suppliers.

The findings extracted from ACNielsen's bi-annual Retail Barometer survey – November 2006, captured responses from over 130 senior leaders from top Australian fast moving consumer goods (FMCG) companies on business confidence and concerns, retailer relationships and Private Label trends.

According to ACNielsen, almost two in five (37%) grocery suppliers say business conditions have remained stable over the past 12 months, and 40 percent reported deteriorating conditions – down five percentage points from the previous year.

However, less than a quarter of manufacturers (22%) say business conditions have improved over the course of 2006, and future business conditions are looking tough with almost half (45%) anticipating further deterioration over the next two years. Private Label manufacturers are the most pessimistic, with 49 percent expecting declining business conditions in the future.

When it came to issues of concern among grocery suppliers, Private Label growth was first on the agenda, followed by pressure on trading terms and the ability to pass on price increases. This is consistent with grocery suppliers appearing increasingly less sceptical about the retailers' premium Private Label offerings, with close to two in five (37%) saying the instance of consumers buying premium Private Label products was very likely or will definitely occur – up seven percentage points from May 2006.

"After a long period of price compression, it is encouraging to see that manufacturers can finally adjust to the inflationary pressures driving up sales growth for total packaged grocery," says Ben Dixon, Executive Director, ACNielsen Australia.

"However, it appears that suppliers are still extremely cautious about the year ahead, and their confidence will depend on any shifts or volatility in the industry – particularly in the areas of Private Label growth, pressure on trading terms and the ability to pass on price increases."

For more information on the latest Retail Barometer results, contact your ACNielsen Account Manager.

In this issue

A word from the Executive Director

Ben Dixon
Executive Director, ACNielsen

Welcome to the summer edition of Marketplace, ACNielsen's quarterly publication for Australian FMCG retailers and manufacturers. They say change is as good as a holiday, and the New Year has certainly started with a bang for our business, propelled by a number of positive changes.

The first of these changes is that our parent company VNU has changed its name to The Nielsen Company. What this means for our clients is that we will be focussed more intently on the delivery of truly integrated marketing and media services to reveal your growth opportunities. We are uniquely positioned to provide clients with a complete understanding of consumer behaviour, and provide you with high-value solutions to answer your business issues. The Nielsen business units will be working together to deliver revolutionary products and services that bring real clarity to today's complex markets.

Aaron Cross
Executive Director, ACNielsen

Closer to home, we have made some structural changes to our senior leadership team, with the promotion of Aaron Cross to Executive Director, ACNielsen Australia (Customised and Retail Measurement) in Melbourne and Brisbane. Aaron has been with ACNielsen for more than 11 years, most recently in the role of Director, Retail Client Service for three years in Melbourne. In the past 12 months, his role was again expanded to manage the Melbourne Customised FMCG team.

In future editions of Marketplace, Aaron and I will take it in turns to provide you with the latest happenings in our business and also the latest industry trends.

welcome to the new nielsen!

vnu changes its name to The Nielsen Company

- Newly branded, streamlined company
- Focus on innovation and integrated services
- Helping clients find clarity in complex markets.

In a move that emphasizes our best-known brand name and underscores our commitment to create an integrated, streamlined global organisation, ACNielsen's parent company VNU, has recently changed its name to The Nielsen Company.

The company's branding as Nielsen captures the unmatched consumer insight and media intelligence we bring to the marketplace. It also better aligns all of Nielsen's businesses to our clients' needs. In doing so, we build on the excellence of our products and services that will enable our clients to grow.

We are in the process of turning a group of successful individual businesses into an integrated information-services company. Our goal is to make it easy for our clients to work across all of Nielsen's business units to find the information and solutions required to answer business issues.

Immediate steps to launch the new branding for the company include the introduction of a new corporate web site, (www.nielsen.com) and graphic identity. The new identity will be rolled out progressively by all Nielsen businesses during 2007.

Private Label: An opportunity for the pharmacy channel or a threat?

By Katherine Doric, Associate Director, Pharmacy, ACNielsen Australia

Within the pharmacy channel, Private Label has yet to establish its presence, however growth in various over-the-counter (OTC) categories in pharmacy highlight the possibility of a future trend

The increase in consumers trying some of the less expensive Private Label options offered by the major supermarket chains flags some danger for OTC manufacturers in the pharmacy channel. It also presents an enormous opportunity for pharmacy suppliers to differentiate their offering – particularly as health and beauty categories which have traditionally commanded a strong level of consumer trust, loyalty and emotional response.

Competition from new Private Label alternatives in supermarkets, and the resulting price compression has been extremely intense over the past year. The total health and beauty market in grocery shows modest value growth of three percent in value, compared to Private Label growth in these categories at 12.3 percent. Categories such as disposable nappies, analgesics and skin creams have all recorded Private Label value sales growth above 20 percent for the year ending July 2006.

Data from our ScanTrack Pharmacy service shows that overall Private Label presence in most OTC pharmacy categories is substantially less developed in the pharmacy channel when compared to grocery. In some categories, however, Private Label has a stronger presence. The analgesics and coughs/cold/sinus/flu categories, for example, show value share of sales at 15 percent and 15.9 percent respectively (YTD 24/09/2006).

Pharmacies and manufacturers should take note of the trends currently taking place in the grocery channel, in particular that Private Label can lead to price compression which impacts overall dollar growth. Whilst overseas Private Label trends in pharmacy suggest the possibility of a future threat for OTC manufacturers, the opportunity to retain and further develop branded offerings in pharmacy remains strong.

Experience affirms that innovative new products that command premium pricing is still the crucial element in ensuring healthy sales growth and category development.

About Katherine Doric

Katherine has a strong background in retail data management and its application to client business issues. She has been with ACNielsen's Retail Measurement Services division for more than 11 years working across a range of OTC pharmacy and health and beauty categories. Katherine has extensive experience working across ACNielsen services and across retail channels, predominantly pharmacy and FMCG. Most recently, Katherine has been instrumental in the development and launch of ACNielsen's ScanTrack Pharmacy service and the Your Pharmacy Matters retailer program.

For more trends and insights within the pharmacy channel and topline information on leading OTC categories, contact your ACNielsen Account Manager for your copy of the latest ACNielsen/Retail Pharmacy OTC Report 2006. Alternatively, contact Katherine Doric on (02) 8873 7338.

Health, freshness, convenience and value drive global food and beverage growth

What's hot around the globe? Insights on growth in food and beverage products

According to the latest study released by ACNielsen Global Services, a division of The Nielsen Company, consumers the world over are balancing health and nutrition concerns with a desire for convenience and value. The report revealed that beverages that support healthy diets were among the world's fastest growing categories, and drinkable yoghurts in particular was the fastest-growing food and beverage category purchased by consumers worldwide.

Overall, the global growth across all of the food and beverage categories included in the study was four percent. In total, nine product categories grew by double digits compared to 2005 and in six of the nine categories, value sales totaled more than US $1 billion globally. Drinkable yoghurt topped the list with 18 percent global growth followed by fresh fish and seafood, alcoholic cider, fresh ready-to-eat salad, baby formula and dairy based drinks

Freshness was a key element for consumers

Of the nine top categories listed, four categories were in the fresh arena – fish and seafood, ready-to-eat salads, soup, and herbs and spices. Many of these categories grew due to new product availability as well as more space being allocated in fresh/refrigerated sections of the store. In comparison, the frozen and shelf-stable varieties of the above items showed slower growth than their fresh counterparts did, and in the case of soup, actually showed a decline.

Top categories	mid '05 - mid '06 Growth Rate
Drinkable yoghurt•	18%
Fresh/refrigerated soup	18%
Fresh herbs	17%
Fresh fish/seafood•	12%
Alcoholic cider•	11%
Fresh ready-to-eat salads•	10%
Baby formula•	10%
Dairy based drinks•	10%
Frozen meal starters	10%

• = Categories over US$1bn

Convenience also helped drive growth

Other product categories that showed fast growth were those that made consumers' lives more convenient. Ready-to-eat salad, baby formula and frozen meal starters were all among the fastest growth categories, and each had an element of convenience to them.

About the study

This ACNielsen | What's Hot around the Globe – Insights on growth in food and beverage products report measured 66 markets around the world across more than 100 categories, comparing mid-year 2006 data with mid-year 2005. These 66 markets account for more than 90 percent of the world's real GDP and over 75 percent of the world's population. The markets were grouped regionally into five areas (in order of market size): Europe, North America, Asia Pacific, Latin America, and Emerging Markets.

The report was based on purchase information from retailers in grocery, drug and mass merchandise outlets and generally excludes kiosks or vending machines. In a few markets, sales from convenience stores may be included. Both total category and Private Label information was collected for the report.

For the full report results, contact your ACNielsen Account Manager.

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