

Australian FMCG sector gets set to boom

Topline results from Nielsen's Retail Barometer survey, May 2007

FMCG business confidence increasing, trading terms still a key concern among suppliers, local neighbourhood shopping continues to strengthen

Australian FMCG manufacturer confidence was at its highest levels in more than two years according to latest results from Nielsen's 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.

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 the latest survey are certainly bullish for manufacturers," commented Anton van den Berg, Retail Client Service Director, The Nielsen Company. "This is the strongest we've seen business confidence levels in the industry since May 2005, and the confidence also correlates with similar Nielsen studies 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.

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, quality of range review, and strategies for success. 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.

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 we're 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."

Nielsen's bi-annual Retail Barometer survey captures responses from over 130 senior leaders from top Australian FMCG companies on business confidence and concerns, retailer relationships and Private Label trends. For more information on the survey, contact your Nielsen representative. ☎

One third of grocery manufacturers believe business conditions have improved since last year.

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Welcome to the winter edition of *Marketplace*, Nielsen's quarterly publication for FMCG retailers and manufacturers. I am pleased to inform you of Nielsen's recent global strategic partnership with Cognos, the world leader in business intelligence and performance-management solutions.

Under this global agreement, Nielsen will adopt Cognos Business Intelligence solutions as a key component of the technology behind the delivery of integrated information services for our clients.

This partnership with Cognos will enhance and accelerate the growth of major initiatives including Nielsen Answers – a delivery platform that puts actionable data analysis and advice into your hands quickly and easily, allowing you to focus on the business decisions that will make your business more successful.

Closer to home, Nielsen is celebrating 21 years of our Homescan consumer panel service in Australia. Over the years, we have invested in expanding and developing Homescan to provide you with the most robust insights in consumer shopping behaviour. As trends such as channel-blurring, private label and deep discounting continue to emerge, we understand that having the most complete market coverage and the most in-depth understanding of consumer purchasing dynamics is critical in ensuring the success of your brands. 🛒



Aaron Cross
Executive Director,
The Nielsen Company



Understand the faces behind your sales and improve your brand's performance

Successful marketing decisions are based on a holistic approach to your markets and a deeper understanding of your consumers. Success today, though, is not just about who your consumers are, what they buy, and where they shop, it's increasingly about the factors that influence what they will do next.

By providing a complete view of how consumers interact with stores, brands and categories in the context of their household's consumption habits, The Nielsen Company's Homescan service will help you identify opportunities and turn them into sales.

For more information contact your Nielsen Account Manager or Shan Xifaras at shan.xifaras@nielsen.com or on (02) 8873 7317.



Shopper Modality: Why it pays to strike while the moment is hot

By Johnny Panagiotidis, Director, Customised Research, The Nielsen Company

If marketers are in the business of making a connection between their brands and their potential consumers, then they could be wasting promotional dollars if they fail to correctly read the 'body language' of the market.

Nielsen in the US recently carried out a study which looked at consumer purchasing behaviour across 30 food categories. The study revealed that shopping dynamics varied significantly across the grocery categories surveyed, with shoppers adopting one of four different 'shopping modes' as they went about their shopping.

When promotional activity and product launch information were analysed against the results, it highlighted which categories/products were being over-promoted (and therefore a waste of money), and which new products successfully engaged consumers' minds across different categories.

Depending on what kind of item or category they are purchasing – consumers experience up to four different shopping 'modes' during grocery shopping. They might be in auto-pilot mode (grab and go), seeking variety mode (seeking new tastes and formats), highly susceptible to 'buzz' mode (and open to engaging advertising), or are simply on the hunt for a bargain (price discounts and promotions).

Shoppers don't waste energy on everyday decisions. To simplify their lives, they often shop in grab-and-go mode, reaching for the brands they usually buy without reading the label or checking the price. At these times, they are on auto-pilot, brand choice is highly habitual and in these moments shoppers are not in the market to try anything new.

The key to breaking through to shoppers on auto-pilot lies in knowing when and how auto-pilot can be disrupted by external stimuli. When this happens, shoppers re-evaluate their decisions; they look at alternatives and consider new offers. The implication for marketers who are market leaders in auto-pilot categories, is to avoid radical repositioning or pack changes: you may risk disrupting habitual behaviour which drives brand choice in your favour.

The same rules don't apply in Buzz-activated categories. Customers aren't on auto-pilot when they shop for these products – instead their radar is fully turned on as they actively explore alternatives. Marketers of 'buzz'

categories need to generate 'buzz' through exciting advertising, new introductions and innovative packaging that leaps off the shelves to grab the consumers' interest and attention.

With variety-activated categories, auto-pilot is also often switched off. Consumers get bored with the same choices, or they are seeking to deliver variety and surprise when purchasing these categories. In this context, exciting and informative packaging plays a major role in purchase decision as consumers are browsing actively and on the lookout for interesting and new product innovations

Consumers experience up to four different shopping 'modes' during a trip to the grocery store

On the other hand, bargain-hunted activated categories are driven by purely price comparison and promotions. Products which one often shops for in bargain-hunter mode include canned tuna, canned tomatoes, canned fruit and pasta sauces.

For FMCG marketers it comes down to knowing what 'mode' shoppers are in when they shop for specific products or categories. The old truth about striking while the iron is hot is directly applicable.

Common categories by shopper mode

Auto-pilot	Buzz-activated	Variety-activated	Bargain-activated
Margarine	Ready-to-drink tea	Biscuits	Canned tuna
Mayonnaise	Smoothies/	Salad dressing	Canned
Bottled water	yoghurt drinks	Chewing gum	tomatoes
Nuts	Sports drinks	Salty snacks	Canned fruit
Coffee	Energy drinks	Breakfast bars	Pasta sauce
Popcorn	Chocolate	Frozen snacks	
Carbonated soft drinks		Cold cereal	
Hot cereal		Frozen desserts	
Cheese		Candy	
Cold cuts		Frozen dinners/ entrees	

For more information on shopper modality, contact Johnny Panagiotidis on (02) 8873 7318 or phone your Nielsen representative.

Other news

Nielsen: Professional commitment to the industry



Evolve Marketing Conference, June 2007

Jennifer Clarke, Director Client Service, Nielsen presented at the Evolve 2007 Marketing Trends and Issues Conference in Melbourne. Jennifer's presentation was entitled, 'Consumer evolution - marketing to the new consumer' and was presented to around 200 marketing delegates from a broad cross-section of industries.

Annual Advertising and Marketing Summit, June 2007

Gillian O'Sullivan, Executive Director, Nielsen presented at the sixth annual Australian Advertising and Marketing Summit in. Gillian's presentation was entitled, 'Is there really a new consumer?' and was presented to around 250 delegates consisting of mostly media buyers and planners.



ASMCA – Association of Sales and Marketing Companies Australia, June 2007

Anton van den Berg, Director Client Service, Nielsen presented to the ASMCA – the umbrella organisation for merchandising companies and brokers, at their annual conference in Star City. Anton presented on the changing retail landscape and the impact on small and medium enterprises.



ACCC – Australian Competition and Consumer Commission, July 2007

Anton also presented to the ACCC (including chairman Graeme Samuel) on the structure of the retail environment and competition from a consumer's perspective. 🇺🇸

Nielsen client events



Nielsen launches Brand³ in Australia, August 2007

Nielsen hosted a client event in Melbourne and Sydney to launch its latest service – Brand³ (Brand Cubed). Brand³ offers clients a three-dimensional understanding of their brands by connecting consumer attitudes and perception about a brand, with actual consumer purchasing behaviour, and the place the brand holds within a product category. Alastair Gordon, Managing Director, Customised Research, Asia Pacific (pictured) was the keynote speaker at the events, and demonstrated the power of the service with a real life case example undertaken by a leading FMCG manufacturer in the US.

Don't miss this!



Upcoming Nielsen event: Jean-Jacques Vandenheede returns to Australia

Don't miss Nielsen's upcoming breakfast seminars featuring European retailing expert Jean-Jacques Vandenheede, Retailer Services Director, Nielsen Europe. Free breakfast seminars will be held in Sydney on Tuesday, 25 September and Melbourne on Thursday 27 September. Jean-Jacques' seminars are always capacity events – spaces are limited so reserve your place early to avoid disappointment.

For more information or to RSVP, email iana.christie@nielsen.com (Sydney seminar) or alison.sumpton@nielsen.com (Melbourne seminar).