

Grocery channel weathers lower economic growth

An extract from the 2005 ACNielsen Grocery Report

Findings from the 2005 ACNielsen Grocery Report reveal that Australian consumers' pessimistic economic outlook coupled with their heavy focus on debt reduction and saving is having an impact on impulse purchases and could fuel Private Label growth.

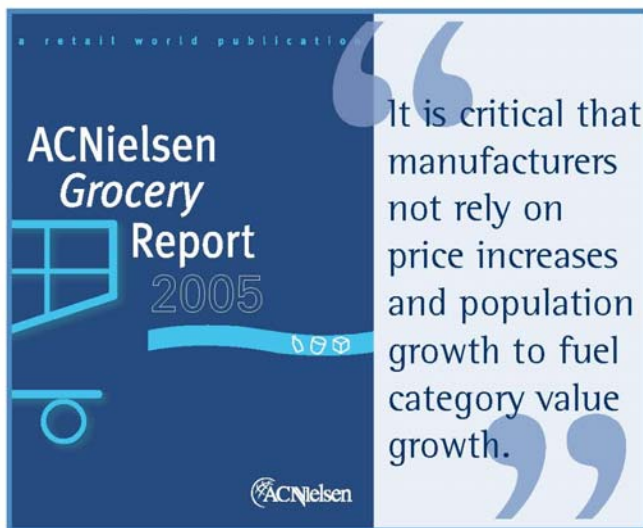
The annually produced report found that rising petrol prices and higher debt service levels caused retail turnover growth rates to plummet to less than three percent in the second half of 2005. Supermarkets, however, appear to be benefiting from this trend with consumers containing their discretionary spending and increasingly opting to eat at home, resulting in an upturn in growth for dry grocery of four percent.

Anton van den Berg, Director, Retail Client Service, at ACNielsen says that Australian consumers have enjoyed the benefits of strong employment, wage increases, tax cuts and very low inflation in recent years. However, the softening housing market, increasing petrol prices and looming interest rate rises seem to be taking the shine off the economy and consumers are tightening their purse-strings – a reaction that could fuel the growth of Private Label products.

Sales growth for packaged grocery for the year remained stable at four percent, however, snacks, confectionary, drinks and health and beauty again upstaged other categories with around 6.5 percent growth. Health and beauty products dominated the fastest growing categories list, with ten of the top 20 items on the list.

Van den Berg says it is critical that manufacturers focus on trading up consumers, and not rely on price increases and population growth to fuel category value growth. The success in health and beauty illustrates the importance of trading consumers up to more premium segments and brands, by investing in continuous innovation, new product development and advertising.

The Independent grocery trade and minor chains continue to gain market share with the strongest share position achieved in over five years at 21.4 percent. The growth was primarily driven by strengthening of trade in Queensland, with Action picking up many former Franklins stores in 2001, combined with Aldi's relatively recent entrance into the Sunshine state. Share of trade for the majors – Woolworths, Coles Myer and Franklins – continues to fluctuate around 78 to 79 percent.



The 2005 ACNielsen Grocery Report provides the critical insight required to overcome current industry challenges.

A complimentary extract of the report highlights is available via ACNielsen's website:
www.acnielsen.com.au/groceryreport

The complete 2005 ACNielsen Grocery Report contains extensive expert commentary and 130 slides, and is available for \$2,500 plus GST (or free for ACNielsen | ScanTrack clients).

For more information contact your ACNielsen Account Manager, or call Anton van den Berg on (02) 8873 7363

A word from the Executive Director

Welcome to the first issue of Marketplace, ACNielsen's new quarterly publication for Australian FMCG retailers and manufacturers. The Australian FMCG sector is facing unprecedented change at present, and I hope that the topical issues and challenges we address in this publication will help to keep you up to date with emerging business trends and research technologies.

At ACNielsen, we are constantly pioneering the development of new research technologies and techniques such as data integration, world-leading consumer panels and the most extensive market coverage ever seen in Australia. I have worked in the research sector for over 16 years, and in the six years I have been with ACNielsen, I am proud to have been part of the many product and service improvements and developments that have been implemented.

Since my appointment as Executive Director, Retail in December 2005, I have been involved in a number of planning forums which have all underlined ACNielsen's ongoing commitment to innovation, providing you with the most complete possible picture of what is happening within your marketplace, as well as powerful insights and actionable recommendations on your current business issues.

I hope you enjoy this first issue of Marketplace and I look forward to continuing to bring you news and insights each quarter. 📖



Ben Dixon
Executive Director
Retail

ACNielsen launches Australia's first industry-endorsed pharmacy scan measure

Introducing ACNielsen | ScanTrack Pharmacy

ACNielsen is proud to announce the launch of its new retail tracking service, ACNielsen | ScanTrack Pharmacy.

Designed to measure sales of over-the-counter (OTC) pharmaceutical and health and beauty products in the pharmacy channel, the service presents Australian manufacturers with the industry's most robust pharmacy scan service.

Launching with point of sale data from 400 pharmacies, ScanTrack Pharmacy is the largest pharmacy scan sample available. Sample size is important, but of equal importance is the profile of pharmacies in the sample. ACNielsen's team of statisticians has ensured that the ScanTrack Pharmacy sample accurately reflects the profile of pharmacies in the wider pharmacy channel.

Katherine Doric, Associate Director, Pharmacy, ACNielsen Australia says that ScanTrack Pharmacy delivers exactly what

the industry has been looking for – a reliable pharmacy scan service. The information made available to manufacturers via ScanTrack Pharmacy is critical to marketers and sales people in their strategic planning and business decision making.

ScanTrack Pharmacy will provide manufacturers with a unique opportunity to gain insight into consumer sales of non-ethical products at both national and state level, with sales, distribution and price data included.

ScanTrack Pharmacy is based on the Your Pharmacy Matters program, endorsed by Gold Cross Products and Services (a wholly owned subsidiary of the Pharmacy Guild of Australia).

The ACNielsen team is already working with a number of key pharmaceutical companies which have subscribed to the service.

For more information contact your ACNielsen Account Manager, or call Katherine Doric on (02) 8873 7338. Alternatively, visit www.acnielsen.com.au/pharmacy



Do you really understand what drives consumers' purchase decisions in your category?

By Tara Page, Associate Director, Analytical Consulting, ACNielsen

In the face of retailer Private Label advances, it has never been more important for manufacturers to ensure that their product portfolio offers maximum consumer appeal. The ACNielsen Analytical Consulting team introduces Market Structure, a ground-breaking research technique that identifies the choices most important to consumers when making a category purchase.

Which product attributes do consumers value most and how important is one attribute relative to another?

ACNielsen | Market Structure unravels the competitive dynamics of a category by identifying and quantifying the importance of product attributes that drive consumer purchases. Homescan* data and innovative consumer panel modelling techniques deliver a consumer purchasing hierarchy which can be used to make ranging, shelf layout and new product development business decisions.

The following three hypothetical examples illustrate the kind of insights that can be extracted from a Market Structure study:

1. With which products do I most closely compete?

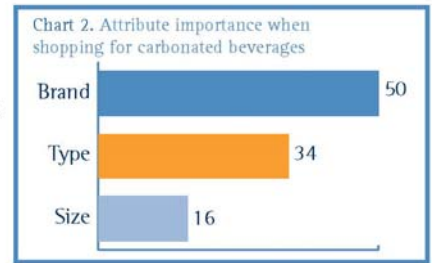
By using behavioural mapping to reveal competitive sets, Market Structure can investigate the competitive dynamics of the category (Chart 1). In this carbonated soft drinks example, consumers cross purchase on larger packs, whilst the six pack is more of a unique purchase.



In this instance, ranging another large pack variant in this category is not likely to attract new purchasers to this category. Therefore, the retailer should consider removing the 24 pack (as it has a strong cross purchase relationship with the 30 pack), and focus on ensuring adequate representation across the large, mid and smaller pack size groups.

2. What is an appropriate shelf alignment for this category given consumer preferences?

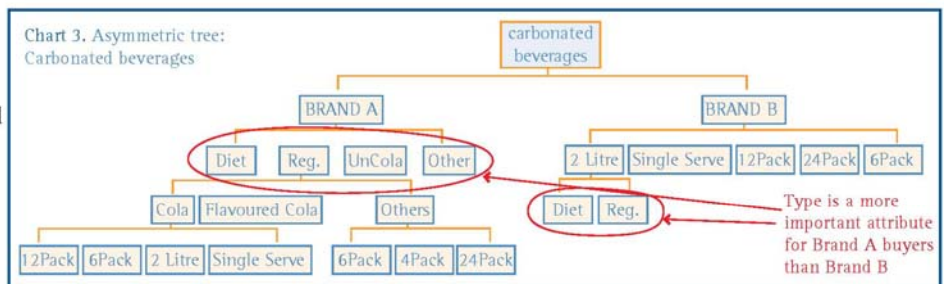
Regression modelling reports the relative importance of each attribute to consumers when making a category purchase. In this example (Chart 2), the brand is the most important driver



of consumer purchasing. From a consumer perspective, the retailer should consider relaying the shelves to be organised by brand, then type, followed by pack size.

3. Are there new product or line extension opportunities in this category?

Market Structure also incorporates regression modelling at each level of the purchasing hierarchy to deliver an asymmetric tree (Chart 3).



The asymmetric tree is important as it recognises that consumers may behave differently for different purchases within the category. In this example, the product type attribute (eg diet, regular) is more important to the consumer when shopping for Brand A than Brand B. As product type is the second most important attribute for the entire category, Brand B should consider launching new product types to its portfolio to grow its market share.

For more information on ACNielsen | Market Structure, contact your Analytical Consulting representative, or call Tara Page on (02) 8872 7332. Alternatively, visit www.acnielsen.com.au/marketstructure.

*ACNielsen | Homescan is ACNielsen's leading continuous consumer panel designed to monitor and understand household purchasing of packaged grocery.



Australian manufacturers optimistic about 2006 business outlook and retailer relationships

Topline results from Retail Barometer Survey, December 2005

Australian FMCG manufacturers are feeling more positive in regards to business confidence and their retail relationships have improved over the past six months, according to ACNielsen's latest Retail Barometer survey.

The bi-annual ACNielsen Retail Barometer captures 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 other varying topical issues.

The latest results show that 23 percent of manufacturers believe business conditions had improved compared to the same time last year (also up slightly versus May 2005 survey results), and 34 percent expect continued improvements over the next six months. The majority of participants (63%) expect at least four percent sales growth over 2006.


Increased optimism in the business sector is consistent with findings from the November 2005 ACNielsen Consumer Confidence Index, which indicates that confidence amongst Australian consumers had also risen versus May 2005, making Australia the fifth most confident nation in the world – 19 points above the global average.

When manufacturers were asked about key areas of concern for their business, the top three issues revolved around the ability to pass on price increases, continued growth in Private Label and retailer supply chain strategies.

Manufacturer relationships with retailers appear to be improving, with 63 percent rating current trading relationships as good or excellent (up 2% versus May 2005), driven primarily by gains by leading retailers Coles, Woolworths and Metcash. Conversely, the German retail chain Aldi lost satisfaction, with 65 percent of manufacturers rating their relationship with Aldi as good or excellent compared to 70 percent in May. However, Aldi was ranked the top performing retailer by the respondents when it came to areas such as understanding the needs of the consumer, fairness of trading terms and conditions, store compliance, and supply chain efficiency.

The key area driving manufacturers' performance perceptions of retailers was strategies for success, followed by strength of the management team and quality of the range review process.

The number of Australian manufacturers currently supplying Private Label products increased by eight share points to 65 percent compared to May 2005. There was also an increase in the number of manufacturers believing Australian consumers would purchase premium Private Label products. The majority of manufacturers (66%) believe Coles' Private Label share will increase by up to half the current level by 2008, compared to 62 percent for Woolworths.

Ben Dixon, Executive Director, Retail at ACNielsen said the results of the Retail Barometer survey suggest that increasing Private Label share poses some strategic challenges for manufacturers, and indicates that the Australian FMCG manufacturing sector is on the verge of an unprecedented level of change in the next few years. It is critical for manufacturers responding to the growth of Private Label products to focus on product innovation and matching that innovation with consumer needs. 

Are you seeing the bigger picture?

Grain of dust at 800x magnification, as seen through a scanning electron microscope



Things always look a little different when examined up close. Market information is no exception – hard data doesn't always reveal the things you *really* need to know about your consumers. ACNielsen goes beyond simple data delivery and provides clients with actionable consumer insights. And with our combination of local knowledge and global reach, we can help you see the world in a grain of dust.



Contact your ACNielsen Account Manager to receive your free 2006 calendar, outlining ACNielsen's extensive reports schedule for 2006.