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News Release

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**SUPERMARKETS LOSING 'SHARE OF STOMACH' AS CONFIDENT CONSUMERS
OPT FOR OUT-OF-HOME DINING: NIELSEN GROCERY REPORT FINDINGS**

- *Fastest growing categories reflect increasing consumer demand for 'fresh and natural'*
- *Top five grocery suppliers account for nearly one-quarter of packaged grocery sales*
- *Private label share heading towards 20 percent*

Sydney, 11 February 2008 – Sustained consumer confidence in 2007 has translated into continued growth in out-of-home dining and a loss of 'share of stomach' for Australian supermarkets and grocery stores, a report by Nielsen has revealed.

The annual Grocery Report, compiled by leading researcher The Nielsen Company, highlights that while retail sales enjoyed strong gains in 2007 (up 6.8% for the year ending September 2007), packaged grocery saw an increase in sales of just 4.7 percent. In contrast, cafes and restaurants enjoyed another year of double digit sales growth, up 11.1% off the back of 11.2% growth in 2006.

Within the grocery sector, although overall growth was slower than the previous year, certain departments experienced solid gains, particularly frozen foods, dairy and confectionery/drinks. Conversely, household products saw the slowest growth in 2007, up just 1.9 percent, due to increased pressure on shelf space from Private Label as well as heavy pricing activity. (See chart 1).



Private Label share of total packaged grocery reached a record high of 19.9 percent in the quarter to June 2007. This was driven primarily by packaged cakes, eggs and fresh milk. By demographic, the strongest take-up of Private Label is among young, low income families with four to five person households, with Private Label products making up around 34 percent of these families' total grocery bills.

“Among FMCG manufacturers there is a growing consensus that premium Private Label will continue to gain traction with consumers as the roll-out into new categories continues,” says Glen Murphy, Managing Director, Australia, The Nielsen Company. “However, growth remains slower than anticipated across the industry and Private Label has declined as a cause for concern for many FMCG manufacturers.”

The Nielsen Grocery Report demonstrates a continued trend amongst consumers to seek out fresh and natural products, with fresh chilled baby foods, fresh soups, pre-packaged salads and fresh pasta and sauces all ranking in the top 20 fastest growing grocery categories. (See Chart 2).

“In recent years, trends in supermarket sales have demonstrated that consumers are increasingly looking for products which support a healthy lifestyle, as well as providing convenience,” notes Murphy. “This year’s Grocery Report certainly indicates that that trend is continuing.”

Packaged grocery inflation has been consistently high in 2007 with the exception of sharp declines from July to September as a result of price wars between the major supermarket chains. October saw packaged grocery inflation jump back up to around 3.5 percent.

“A Nielsen survey conducted in November 2007 showed that the ability to pass on price increases was the third-highest concern amongst Australian manufacturers,” says Murphy. “With the recent interest rate hikes and expected further increases in fuel prices, I think we can expect to see continued high inflation in the year ahead.”

In 2007 the top five grocery suppliers account for nearly one quarter (24.1%) of packaged grocery sales, while the top 100 suppliers contribute around 90 percent of total packaged grocery sales. Nielsen’s 2007 Grocery Report welcomed a new leader to the top 100 suppliers list, with Nestle taking out the number one supplier position following its acquisition of Uncle Tobys earlier in the year.

Chart 1: Packaged grocery percentage growth vs year ago

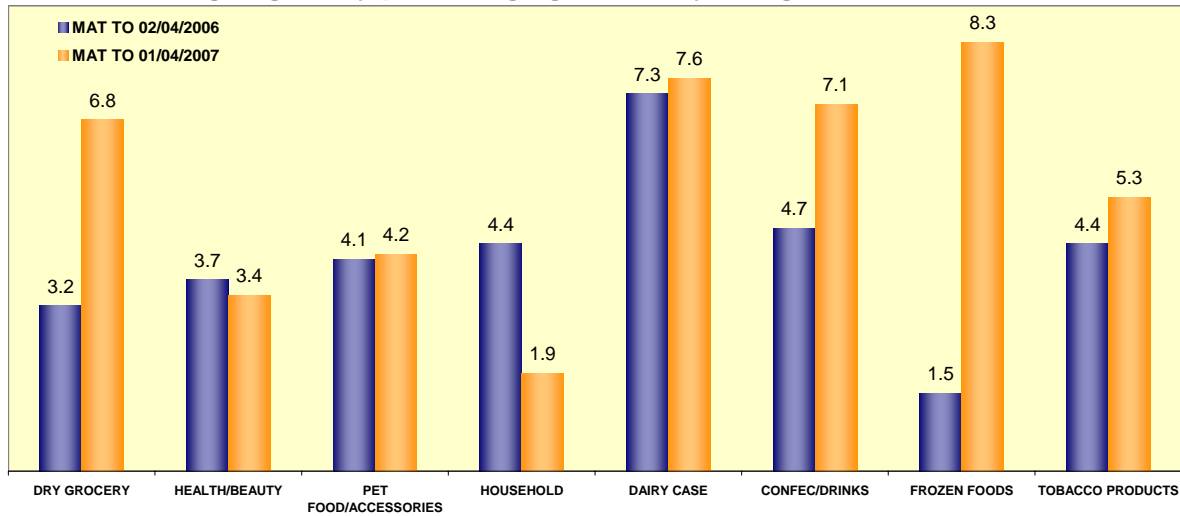
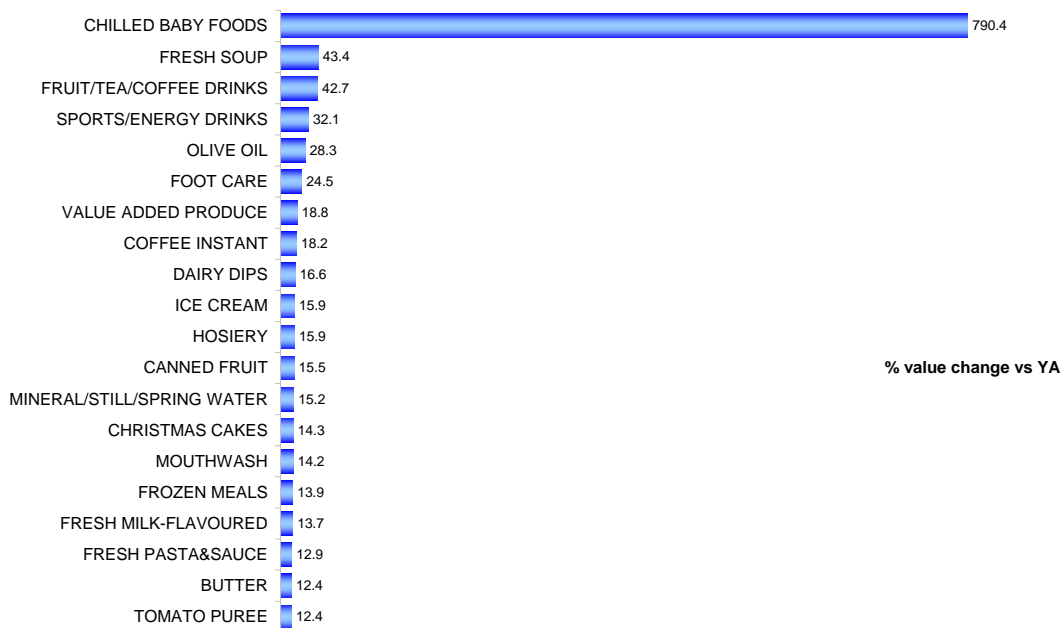


Chart 2: Top 20 fastest growing grocery categories

Australia MAT to 01/04/2007 vs YA, based on % value growth.



Source: Nielsen | ScanTrack

NB: Chilled baby foods growth off a small base

About the Nielsen Grocery Report

The Nielsen Grocery Report is produced annually and provides unique insight into trends affecting the Australian grocery sector. The report draws from various Nielsen data sources and covers six key areas including the economy; retail spending; packaged grocery inflation; packaged grocery growth; Private Label trends; and top 100 grocery suppliers.

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