

Manufacturers feeling the pinch, yet optimism prevails

Topline results from ACNielsen's Retail Barometer survey, May 2006

ACNielsen Retail Barometer

According to the latest ACNielsen Retail Barometer survey, Australian grocery manufacturers are feeling the effects of slow consumer spending with most (53%) saying retail business conditions have declined over the past 12 months.

Few manufacturers (17%) saw an improvement in retail business conditions over the past 12 months, and close to half (47%) expect business to deteriorate further over the next two years – a 10 percent increase from November 2005. Interestingly, business confidence is lower amongst multinational retail manufacturers, with half (50%) expecting business conditions to decline over the next two years, compared to 43 percent of local Australian companies.

In the face of a bleak economic outlook manufacturers who completed the Retail Barometer survey say it's pressure on trading terms that is keeping them up at night, coupled with Private Label growth, the ability to pass on price increases, retailer supply chain strategies and petrol prices.

Despite these concerns, manufacturers appear to be optimistic about their retail sales growth for 2006 - 62 percent expect their business to grow by more than four percent, and the majority of manufacturers (38%) say they will record around four to seven percent growth in 2006. An even more optimistic 24 percent say they expect growth rates above the eight percent mark. This compared to industry growth of just three to four percent for packaged grocery.

But strong growth expectations are coupled with concern around increased promotional spend. More than four in five (83%) manufacturers say they are increasingly relying

on promotional spend to achieve sales budgets, and the majority (82%) say it is more difficult to get new products ranged on supermarket shelves than it was a few years ago.

ACNielsen's bi-annual Retail Barometer survey 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 promotional trade spend. For further information contact your ACNielsen Account Manager or email auscommunications@acnielsen.com.au

Business confidence is lower amongst multinational manufacturers compared to their local Australian counterparts.

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A word from the Executive Director

Welcome to the winter edition of *Marketplace*, ACNielsen's quarterly publication for Australian FMCG retailers and manufacturers. Results from the latest round of the Retail Barometer survey suggest that there are some hurdles on the horizon for Australian grocery suppliers, particularly concerning trading term pressures, Private Label growth and the increasingly challenging task of being able to pass on price rises to generate topline dollar growth. However, it's encouraging to see that manufacturers aren't expecting this to impact their bottom lines too significantly with most expecting annual growth of more than four percent.

In the article on the back page of this issue of *Marketplace*, 'ACNielsen predicts the future of retail in 2010', Todd Hale suggests that the industry is on the verge of unprecedented change and its direction is essentially in the hands of consumers. Whilst his predictions for retailing in the future may not all be directly applicable to the Australian marketplace, it certainly paints a picture of what could lie ahead and we can apply the learnings from his survival tips to tackle the industry challenges that we may be up against over the next two years. 📖



Ben Dixon
Executive Director
Retail

Australian made: Exposing the old myths and new truths on marketing to Australia's maturing population

Bye bye Boomers, hello Life Jugglers and Life Surfers

Australia's ageing population, commonly referred to as the Baby Boomers generation, are more accurately defined as two groups; Life Jugglers and Life Surfers, a collaborative consumer study undertaken by ACNielsen, Nielsen Media Research and Nielsen/NetRatings has revealed.

The recently released consumer study, titled Australian Made: Exposing old myths and new truths on marketing to Australia's maturing population, identified a series of myths surrounding the Baby Boomer generation, including that Baby Boomers were in fact two distinct groups, more accurately defined by their mindsets than by traditional demographic definitions which were primarily based on age.

ACNielsen's Paul Richmond said the study was a real eye-opener in re-defining Australia's mass market, commenting

that from the extensive data collated, in conjunction with a series of focus groups, the research team discovered that the catch-all term, 'baby boomer' means nothing to Australia's 45 - 64 year olds other than being born after the war. It is a much maligned, and totally inappropriate cliché for the most influential, fastest growing and often most misunderstood consumers in our country.

Results of the study have been presented to ACNielsen clients in Brisbane, Sydney and Melbourne, with record attendance at all three presentations indicating the level of interest in this important topic.

For more information on the study contact your ACNielsen Account Manager or call Deanie Sultana on (02) 8873 7108 or email deanie.sultana@acnielsen.com.au 📖

Life Jugglers

- Seeking work/life balance – balancing the multiple demands of work, life and family commitments
- Short-term rather than long-term focused – retirement still seen as a long way off to most
- Strong family ties – value relationship with children
- Focused on wealth-building/reducing debt.

Life Surfers

- Reached the zenith of life, riding the crest of a wave
- Clear and strong set of values based on life experiences
- Looking to prolong their lifestyle plateau before 'old age' (ie decline in physical and mental well-being) hits
- Are enjoying the 'me time'; the opportunity to focus on themselves.



Consumers blame obesity issues on too much take-away

By Nicole Torkar, Executive Director, Customised Research, ACNielsen Australia

Consumers around the world view out-of-home dining as an essential enabler of everyday life, however, they link take-away food with unhealthy eating habits and see it as a contributor to overweight and obesity issues.

ACNielsen recently completed LifeChoices, a study which looked at out-of-home eating and drinking behaviours, and the impact of health concerns on choice of outlet. The study uncovered some fascinating findings around consumer attitudes and their general awareness of and responsiveness to health messages.

Out-of-home dining has become ingrained in our society, and as people lose the skills or inclination to cook at home on a regular basis, they are more likely to rely on out-of-home eating and drinking as an essential part of their lives. However, the majority of consumers still view food bought outside the home as unhealthy – generally health concerns along with cost are the two most common barriers to growth in frequency of out-of-home eating and drinking, and this perception is likely to limit growth in the industry.

In particular, Western fast foods, soft drinks and snacks are seen as the worst offenders and these manufacturers are vulnerable to loss of sales and share as a result of consumers' increasing concern around weight gain as consumers look to decrease or cut out their intake of Western style foods and drinks as an easy-to-implement yet highly effective strategy in addressing weight gain concerns.

It's interesting to note that there is a lot of confusion amongst consumers caused by an overload of information on the latest diet fads and ever-changing body health monitoring systems such as low GI, carbs, calories and Weight Watchers points, and many consumers subscribe to some fairly common myths around preventing weight gain (see table right).

With the amount of confusion in the marketplace about what constitutes a healthy meal there is a real opportunity for fast-food outlets to raise awareness of the nutritional values of their meals. This type of communication would go a long way to addressing uncertainty and mis-information around take-away foods and would particularly benefit Western style outlets, where it appears the most negative assumptions are held. 📄

common myths

around out-of-home food and drink consumption

Eat in a balanced way to prevent weight gain:

- Weight gain is attributed to eating the wrong kinds of foods rather than an imbalance in calories – consumers focus on composition and kinds of foods, whilst ignoring amounts and frequencies
- Consumers believe a balanced diet can be achieved by balancing unhealthy out-of-home eating with healthier at-home consumption or by balancing a period of heavy eating with a period of light eating.

Asian fast foods are less likely to cause weight gain than Western fast foods:

- It is very common for consumers to associate weight gain with Western fast foods more than Asian fast foods. Many consumers display a lack of knowledge around calorie values for Western versus Asian fast foods.

Skipping meals can help lose weight:

- Many consumers believe skipping meals will assist in weight loss.

Freshness is a good indicator for low energy – if it is processed it is more likely to lead to weight gain:

- There is a perception that foods which are fresh and unprocessed are less likely to result in weight gain, which leads to confusion about what foods really cause weight gain.

About ACNielsen | LifeChoices

ACNielsen | LifeChoices is a 21 country qualitative study which provides unparalleled insight for marketers interested in the broader dynamics of out-of-home food and drinks choice today, and in the context of obesity. The study allows clients to 'zoom-out' for a bigger picture of out-of-home consumption behaviour.

For more information on ACNielsen | LifeChoices go to www.acnielsen.com.au/lifechoices, contact your ACNielsen Account Manager or call Anna Melling on (02) 8873 7823.

ACNielsen predicts the face of retail in 2010

Insights from ACNielsen's US head of consumer insights, Todd Hale



More than ever, the future of the ever-changing retail landscape is in the hands of consumers. Factors such as high gas prices have forced people to alter their shopping habits, in turn forcing retailers to re-shape the industry by thinking outside the box.

At the recent Consumer 360 Conference held in the US, Todd Hale, Senior Vice President of ACNielsen's Consumer Insights, presented the following predictions about the face of US retailing in 2010:

- Radio frequency identification (RFID) will be widely applied to track in-store shopping patterns, stock merchandise, and measure consumption. Self-checkout will be simplified as 'EZ-Pass'-style devices hit retailing
- Wal-Mart sales will reach the half trillion dollar mark as the store becomes a leading source for immediate healthcare
- Stores will offer valet parking
- Metal detectors will greet shoppers at store entrances
- Private Label will reach a 20 percent dollar share
- Grocers will go big, go value, go niche, or go away
- High gas/heating costs will continue to reduce shoppers' disposable income and will cause channel evolution.

Hale encouraged retailers to keep their customers satisfied by altering business practices to focus on personalisation, value and convenience. He shared the following 'survival tips' designed to show retailers how to maximise growth potential in the face of consumers' tightened purse strings:

- Benchmark and monitor shopper dynamics both by category and across the entire store
- Think outside traditional channel categories by understanding pricing, assortment and promotion strategies
- Leverage manufacturer expertise to stay ahead of consumer trends
- Be quick to accept and discontinue new products
- Happy associates make good shopper engagements
- Use email to contact shoppers
- Develop premium, exclusive brands: Private Label doesn't always have to be a low-price alternative
- Translate frequent shopper programs into loyalty programs

Hale advises that many consumers are not only brand-loyal, but also store-loyal. If they feel a store goes out of its way to make their shopping experiences more pleasant and less stressful, consumers will show their appreciation with more frequent shopping trips and bigger sales totals. 🛒

We're with them every step of the way



MyScan™ is ACNielsen's panel of individuals who use key-ring sized barcode scanners, at point of purchase, to record their impulse purchases. Whether it's a treat, thirst quencher or for lunch on-the-go, we're with them every step of the way.

Gain competitive advantage in the impulse sector through a better understanding of individuals' buying behaviour in the snacking and beverage categories: motivational drivers; demographic profiles; channels frequented; time of day of purchase.

For more information speak to your account manager or call Shan Xifaras in Sydney (02) 8873 7317 or Rebecca Burchill in Melbourne (03) 9207 3923.

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