2011 STATE OF THE NATION REPORT

nielsen

RetailWorld

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About Nielsen

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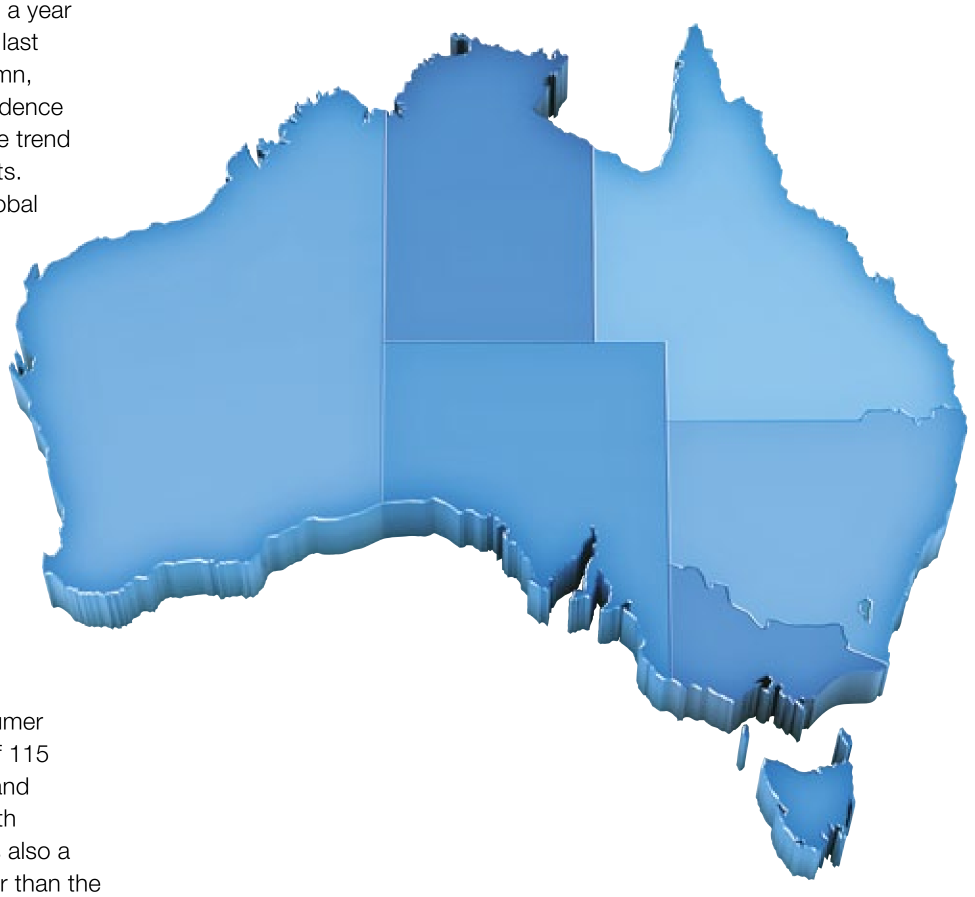
Aussie consumer confidence scales back to GFC levels



What a difference a year makes. When I last wrote this column, Australian consumer confidence was stubbornly defying the trend of other developed markets. Back then, the Nielsen Global Online Consumer Survey results for quarter three (September) 2010 depicted the strongest outlook Australian consumers had had in more than two years for job prospects, personal finances and the ability to buy the things they want and need over the next 12 months.

Australia was the third most confident market globally, boasting a Consumer Confidence Index score of 115 – behind only India (129) and Thailand (117) and tied with Indonesia. The nation was also a significant 25 points higher than the global average of 90.

Contrast this to the latest quarter's index and Australia has undergone a year's worth of confidence decline. Nielsen's consumer confidence results for quarter three (September) 2011 show that Australia's index has dropped to 97, a fall of 18 index points from the same period last year (chart 1).

The nation's index is now in line with that of Asia Pacific's (97) and New Zealand's (98), but it is still nine points above the global average index of 88. With Australian consumer confidence now in steady decline for the fourth successive quarter, Aussies are now more pessimistic than ever about the health of their country's economy.

So, what's behind the trend in decline? Well, there are a number of factors at play. The start of the year was plagued with natural disasters in Australia, which caused fresh produce prices to skyrocket. There was also apprehension around the continued rise in utility costs (which has resonated throughout the year), interest rate rises, the rising cost of petrol and the strong Australian dollar.

As a result of such economic instability, personal savings rates increased to 10 per cent – their highest since the 1980s – as consumers struggled to control escalating household expenditure. Seventeen per cent of consumers had no spare cash after covering essential living expenses, an increase of six percentage points compared to the same period last year (September, 2010).

The third quarter then saw volatility and stockmarket uncertainty as global financial markets plunged on the back of the US credit downgrade and fears over the worsening European sovereign debt crisis escalated. These two factors greatly impacted the Australian economy, leading some analysts to predict that Australia's unemployment rate will continue to rise on October's current figure of 5.3 per cent.

According to the latest Nielsen Consumer Confidence Survey (Q3, 2011), 27 per cent of Aussie consumers cited the economy as one of their top concerns. This trend is echoed globally, where one in four householders nominated the economy as their top concern.

Utility bills continue to be rated among Australians' top concerns (as they have been for most of the year), with more than one in three householders naming them as their biggest worry.

The majority of consumers (57 per cent) agree that now is not a good time to buy the things they want and need. Job prospects over the next 12 months are also softer, with just 45 per cent of consumers believing that job prospects are not good, an increase of 12 percentage points on the previous quarter.

A recessionary mindset is growing among consumers, as 34 per cent mistakenly believe that Australia is in recession (the definition of a recession is a decline in gross domestic product for two or more consecutive quarters).

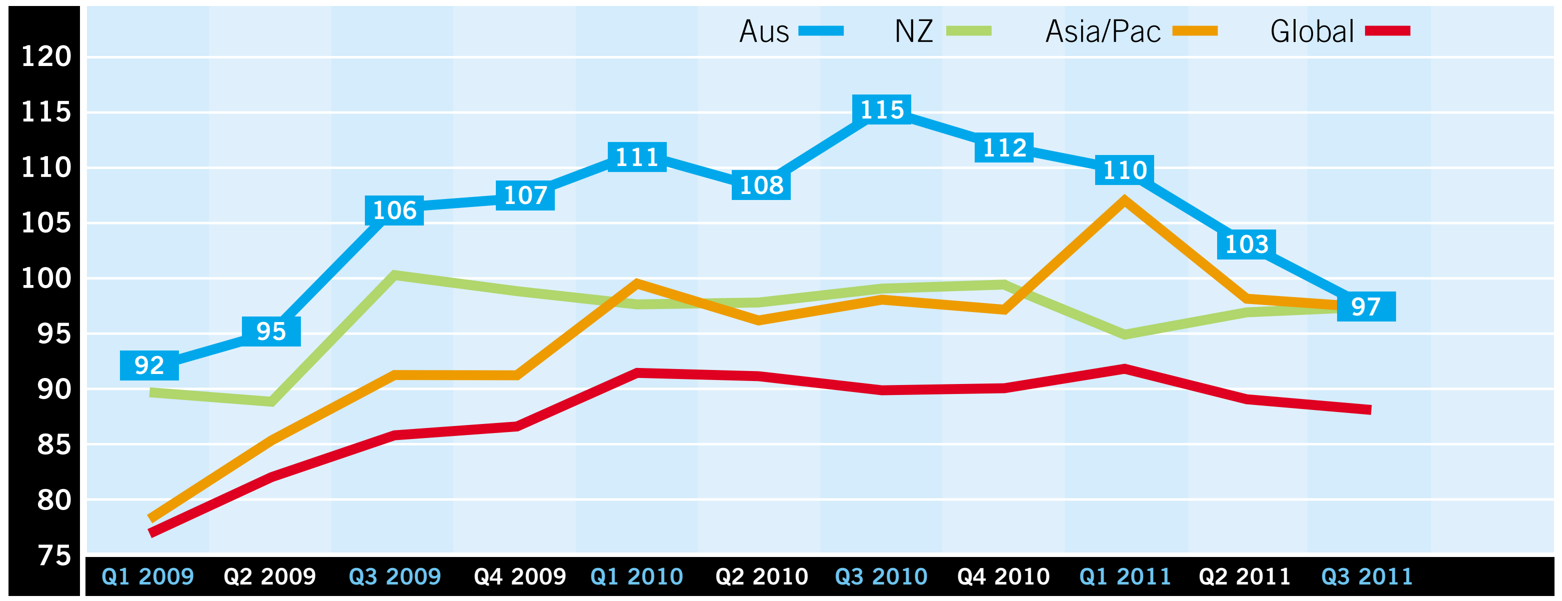
Despite the financial pressures experienced by many householders, September's recent 0.1 percentage point drop in the economy's headline inflation rate to 3.5 per cent prompted the Reserve Bank to act, cutting interest rates by 0.25 basis points on the day of the Melbourne Cup, bringing welcome relief for struggling families and businesses.

> "Globally, one in four householders nominated the economy as their top concern."

As we come to the end of 2011, November's much-anticipated rate cut, the first cut in more than two-and-half years, should bolster the economy and boost consumer spending in the run up to Christmas, which will be very welcome news for Australian retailers who, up until now, had been forecasting a soft end to what's already been a difficult trading year.

The question remains, however, as to whether November's interest rate cut will be the first in a series of rate reductions. The continuing financial turmoil in Europe, the Australian Government's tight fiscal policy and the strong Australian dollar are prompting some investment banks to predict a rate cut this month, taking the cash rate to 4.25 per cent.

Some financial analysts also expect a further two 25-basis-point cut in the first quarter of 2012, which would take the cash rate to 3.75 per cent for the first time since February, 2010.



Source: Nielsen Global Online Consumer Survey, Q3, 2011 (August 31– to September 16).

Chart 1: Nielsen Consumer Confidence Index trended.

About the Nielsen Global Online Survey

The Nielsen Global Online Survey was conducted between August 30 and September 16, 2011, and polled more than 28,000 consumers in 56 countries throughout Asia Pacific, Europe, Latin America, the Middle East, Africa and North America. The survey tracks consumer confidence, major concerns and spending intentions among more than 28,000 internet consumers. Consumer confidence levels above and below a baseline of 100 indicate degrees of optimism and pessimism.

The sample has quotas based on age and sex for each country based on their internet users, is weighted to be representative of internet consumers and has a maximum margin of error of ±0.6 per cent This Nielsen survey is based on the behaviour of respondents with online access only.

Internet penetration rates vary from country to country. Nielsen uses a minimum reporting standard of 60 per cent internet penetration or 10 million online population for survey inclusion. The Nielsen Global Online Survey, which includes the Global Online Consumer Confidence Survey, was established in 2005.

2011 state of the nation report nielsen

How Australian retailers can drive growth in 2012

The Australian retail scene in 2011 was challenging. While the country was technically not in a recession, Australian consumers nonetheless remained skittish as uncertainty about the economy persisted. For retailers, this meant finding new ways to get shoppers into stores and retaining the loyalty of those already visiting their outlets.

While the Australian economy is expected to grow by 3.3 per cent in 2012 (IMF, September, 2011), rising utility bills and growing uncertainty over unemployment are likely to negatively impact consumer confidence and spending patterns.

In 2012, the winning retailers will be the ones that innovate and not sit on the sidelines. Retailers can look to innovate by focusing on the following areas:

1. Reaching consumers more effectively.
2. Driving loyalty by delighting the customer.

Reaching consumers more effectively

Continuity-based shopper engagement: Loyalty cards and programs are a treasure for retailers, provided they are mining the data effectively. It is critical to deliver the right promotions to the right shoppers to keep them coming back. Providing kickbacks on credit card purchases or petrol rewards are the incentives that keep on giving. Expect to see more retailers leveraging the shopper insights from this data to create upselling opportunities and shopping list and home inventory management tools, which provide shoppers with reasons to keep shopping without pushing the item sale button as often.

Win ethnic consumers: Retailers can also win more shoppers by appealing to ethnic consumers, given their growing demographic representation in Australia. Look for new retail formats and modified assortment, along with increased advertising and promotions, to appeal to ethnic population growth segments.

Compete in the digital world: To effectively reach today's media-savvy consumers, it is critical to develop expertise in the online space. Retailer-specific mobile apps save time and provide self-service options for consumers. Tools such as these are win-win strategies for both shoppers and retailers.

Using technology to enable more efficient shopping is key as more consumers are using smartphones to help organise their lives. Look for an increase in computer- and mobile-based videos, which teach shoppers how to lead healthier lives, become better cooks and find more savings. They will demonstrate how connected shoppers interact with retailers who are 'best in class' in this area.

Delighting the consumer

Solution-based formats and promotions: Consumers choose their stores on more than location: a good experience is critical. By devoting sections of the store to areas such as meal solutions and by using promotions, retailers have the opportunity to build baskets from across the store.

Enhancing the shopping experience: Retailers are using technology and modifying formats to make the shopping experience more enjoyable in order to increase trips and build baskets. While some overseas grocers have launched self-scanning devices to help shoppers avoid lengthy lines at check-out, when will check-out lines disappear altogether, allowing shoppers to avoid the part of the shopping experience they dislike the most?

Mobile apps designed for shoppers to find products in stores will provide retailers with a means to provide a more convenient shopping trip.

Some retailers have added in-store dining options (IKEA) and broadened takeaway meal options.

Some overseas retailers are even creating formats that serve alcoholic beverages with live entertainment. In 2012, retailers should create radically new formats to elevate the shopper experience and enhance the connection between store personnel, the retailer and the shopper.

The year ahead is not likely to see any sea changes in terms of retailers' strategies, but rather an expansion and refinement of tactics. These moves can, however, drive solid growth, even in a continually challenging market. Longer term, winning retailers will look much different than what we see today, as store formats are created to fulfil consumer demand.

Asia-Pacific: consumer, shopper and retailer trends

According to Peter Gale, Nielsen's Managing Director for Retailer Services, Asia Pacific, India, Middle East and Africa, and greater China, Asia Pacific's grocery retailers had a strong year in 2010, with packaged grocery sales increasing by more than 12 per cent, almost four per cent higher than the growth in 2009. This was largely driven by increased demand rather than price increases, with volume growth rising nine per cent.

Modern trade retailers continued to invest in the region, and self-service store numbers grew by 13 per cent, or 28,000 stores. Meanwhile, overall grocery store number growth slowed, with an increase of only two per cent compared to eight per cent the previous year, with only India and the Philippines seeing growth in counter service store numbers.

The shift of sales away from traditional grocery stores has continued regionally at a steady pace of around one per cent a year.

In terms of consumer trends, one of the biggest trends we have seen across the region has been an increase in the number of shoppers open to changing their purchasing behaviour due to promotions. This is now up to nearly 70 per cent of shoppers, with more than 50 per cent of them actively searching for deals when they go shopping.

This trend is likely a reaction to retailers' stepped-up marketing activities, such as a higher number of promotional discounts and new and/or expanded shopper loyalty programs. This trend is expected to continue as retailers seek out competitive advantages in markets that have become increasingly competitive. Inflation continues to squeeze consumer spending and the global economic situation remains uncertain.

In the first quarter of 2011, we saw retailer advertising increase by four per cent across the region, with more than 60 per cent of this spend on newspaper advertising. Generally, it is only the most developed markets of Australia and New Zealand where we see TV advertising being the main advertising medium and, even there, newspaper advertising still accounts for 40 per cent of total spending.

Taiwan was the only other market where TV was the primary channel, and it is also the only market where convenience store spending exceeds supermarket and hypermarket advertising investment. This is probably not surprising as it's the most developed convenience shopping country in the region, with nearly three out of every $10 spent on packaged groceries going through this channel.

Regardless of where they end up choosing to shop, most consumers actually enjoy grocery shopping. Regionally, 60 per cent of shoppers liked going grocery shopping, while in the Philippines only 20 per cent of shoppers actually see it as a chore.

Whether they say they enjoy it or not, shoppers want to take their time while grocery shopping, with four out of 10 shoppers saying they don't like to be rushed and visiting all parts of the store to see what is on offer.

While eight out of 10 shoppers plan what they intend to buy, half claim to always buy additional product, giving retailers and manufacturers plenty of opportunity to attract their attention in-store.

Across the region, the most important factors driving a shopper's choice of their main grocery store were ease of finding products, convenient location and one-stop shopping. In the developed markets of Australia and New Zealand, the quality of the store and the fresh food on offer were more important than in most Asian markets.

What's in store for the Asia-Pacific region in 2012?

The good value sales growth of 2010 has continued into the first half of 2011, but it is increasingly being driven by inflation while volume growth has slowed down. This reflects the weakening in consumer confidence we are seeing regionally and consumers becoming more focused on saving money.

If inflation continues to remain an issue and the global economic situation deteriorates further, we are likely to see shopper behaviour revert back to what it was in 2009. This could be relatively good news for grocery retailers in developed markets where consumers may cut back on out-of-home expenditure and spend more on eating in-home.

For developing markets, it is more likely to be negative, as mid- and lower-income shoppers are forced to cut back spending on non-essential items.

What's in store for Australia in 2012?

In an effort to drive foot traffic and achieve higher basket sales in Australia, the major retailers have embarked on a two-tier pricing strategy: 'Everyday low pricing' (EDLP) and 'Hi-lo' promotions. This hard-hitting strategy has resulted in deflation across the Australian grocery sector to the benefit of the shopper with the average spend on packaged goods (excluding fresh produce) down versus a year ago.

The effect of the aggressive price campaigns, combined with high fuel prices and the increase in above-the-line advertising spend by the major retailers has, in part, driven the retailer's share of wallet away from the convenience, specialty and independent channels to that of the major supermarkets.

This, in part, is also driven by supermarkets becoming more targeted in their specialty propositions (eg, personal care), which is directly impacting the dedicated specialist channels and is further fuelled by the advent of social media and new technology, enabling shoppers to target retailers, as opposed to being targeted by the retailers themselves.

Elsewhere in convenience, efficient checkouts, a wider range of snack foods, cleaner stores, better parking and longer opening hours have significantly increased in importance for shoppers.

As shoppers continue to save their discretionary income, supplier/retailer innovation and brand differentiation will be key to growth. Continuing with value pricing (EDLP) and promotions might be very smart play as long as the supermarket retailers (and suppliers) can maintain an appropriate mix of profitable lines to balance out any upfront losses.

What's apparent is that retailers are gearing their strategies towards an infrastructure that enables profit growth: they're deploying marketing campaigns targeted at the shopper, and they're delighting customers and driving store loyalty through solution-based formats and advances in technology that, when combined, enhance the overall shopping experience. During the next decade, expect the shoppers' quest for value to escalate, characterised by the following key trends:

- Fresh: this will continue to be a mainstay in total expenditure.
- Smaller formats: supermarkets will continue to dominate formats, but expect a proliferation of smaller format stores to drive proximity in an increasingly urbanised landscape.
- Concentration: the level of trade concentration is changing with the growth of retailers such as ALDI (now a major player in the Australian market) and the emergence of Costco.
- Value: the hard-discount space will heat up, driven by ALDI and, to some extent, Costco, helped along by the messages of Woolworths and Coles on the importance of price and value for money.
- Private label: as the market speaks value, the importance of private label will escalate and increasingly be used to drive greater differentiation and a better value proposition for shoppers.

> "During the next decade, expect the shoppers' quest for value to escalate."

Yahya Kanj
Director for Fresh Produce
Nielsen

Costco: a fresh perspective

Costco opened its first store (Docklands) in Australia in August, 2009, and now has 580 discount warehouses worldwide, with Melbourne having the fourth largest store, in terms of turnover, in the world. In July this year, Costco opened two further stores, one in Auburn, Sydney, and the other in Canberra.

With Costco being famous for 'buy in bulk and save', how does it really compete when it comes to fresh food categories that require such fast turnover? Is Costco equally as successful in getting shoppers to buy fresh as they are in getting them to buy packaged grocery? In which particular categories is Costco driving fresh consumption and, in the process, how is Costco affecting other major retailers, if at all?

In Victoria, where Costco has traded for over two years, 160,000 households shopped at Costco in the past 12 months, which is an increase of 18 per cent on the previous year.

That is just under three per cent of the Victorian population. In comparison, Coles and Woolworths attracted approximately 1.9 million households in Victoria, while discounter ALDI, which launched in Australia a decade ago, enjoyed 1.3 million households shopping in their stores over the same period.

While it's still early days for Costco in Australia, it is interesting to see how the behaviour and profile of the Costco shopper is very different.

Costco shoppers do live up to the expectation of buying in bulk, spending on average $97 per visit on groceries, including fresh produce, which is almost double what they spend at Woolworths ($51.9) and Coles ($49.7), and more than double what they spend at ALDI ($42.7) and IGA ($38). Therefore, shopping on fewer occasions is to be expected as Costco shoppers buy in bulk. They shop approximately once every two months compared to shopping at the major retailers, which is once every 10 to 11 days.

Shoppers allocate 6.3 per cent of their total grocery budget to Costco. When looking at their fresh produce, they allocate 50 per cent more, with nine per cent of their total fresh produce dollars being spent in Costco.

If Costco manages to increase its customer loyalty through effective loyalty retention programs, the retailer that stands to be the most affected is ALDI, given that Costco shoppers currently spend twice as much in ALDI stores.

Surprisingly, fresh produce is an area of strength for Costco. Everyone who has shopped at Costco has, at least on one occasion, purchased a fresh food item. In comparison, this is higher than Woolworths, which converts 97.4 per cent, and Coles, which converts 95.6 per cent of their shoppers. In Costco, fresh produce accounts for 31 per cent of its total basket (Chart 2), which is, again, higher when compared to the major retailers (22 per cent on average).

We know consumers don't shop in Costco as frequently as they do at other retailers, which means spend per visit in Costco is high. On average, shoppers spend a whopping $43.50 per trip, with meat, vegetables and bakery being Costco's most prominent fresh produce segments. This is more than double what shoppers spend on average in Woolworths or Coles ($19.60 and $17.50 per trip respectively).

Fresh strawberries in a 1kg punnet is the number one selling fruit line in Costco, retailing at $10 and making up 47 per cent share of fruit, whereas bananas is the number one selling fruit line at other retail outlets in Australia, accounting for around 25 per cent share of fruit.

This is probably due to the fact that bananas feature as part of a top-up shop that gets done every 10 days or so at supermarkets, whereas Costco is a destination for a bulk shop, which is only done every other month. So strawberries (extra large and at a good price) feature as an attractive impulse purchase.

It appears that Costco wins with the more premium offerings in fresh produce. Another example is vegetables, where the top seller is fresh mushrooms. In Coles and Woolworths, the top seller is potatoes. In ALDI it's carrots (1kg).

The number one category for Costco's fresh produce – standing head and shoulders above the other retailers in terms of shopper conversion and average spend in a year – is bakery. Costco manages to convert 53.9 per cent of their shoppers to buying bakery goods. This is ahead of Woolworths (52.3 per cent) and Coles (36 per cent), but does not outperform ALDI (86.6 per cent).

Costco shoppers spend $13.2 per occasion in bakery. This is more than four times as much as Woolworths ($3), Coles ($3.1) and ALDI ($2.8). The top-selling line for Costco in bakery is snacks, which makes up 39 per cent of its bakery sales. Rolls and buns, which are the top sellers for the major retailers making up over a quarter of bakery sales, only contribute nine per cent to bakery and are ranked at number three.

Another category where Costco's shoppers outperform the major retailers in average spend is seafood, with shoppers spending an average of $30 per occasion. If Woolworths or Coles can persuade only one in five shoppers to increase their average spend to the level seen in Costco, which is only around $10-$11, it would be worth more than $50 million to each of them.

Meat, which has the highest household penetration across all of Costco's fresh produce departments, has succeed in making Costco's shoppers spend over three times what they spend at other major retailers. What is surprising, however, is that the price per kilogram comparison for Costco's fresh meat is higher than that of Coles and Woolworths (Chart 3).

Could this be due to the premium range in Costco, or is it the power of low price perception with consumers? If it is perception, then it can only be attributed to the influence of word-of-mouth since Costco has yet to pump any significant dollars into mainstream advertising.

More than 71 per cent of Costco buyers are households with high income. None of the competitors are close to Costco in catering to these households. These high-income households contribute to 80 per cent of Costco's total value (versus only 45 per cent of other retailers' value), which clearly shows the importance of these households.

Households with just one or two members are the major contributors to all retailers (60 per cent), except Costco. Households with three or four members and five-plus make up 60 per cent of Costco's value.

Costco's performance in fresh produce is solid and should be of major concern to its competitors. The key to Costco's future success is to get more people through its doors, and this will happen in time as more stores open and awareness builds.

If you're currently a Costco supplier, make sure you're filling those shelves at all times. Invest in great-looking packaging, talk up the quality of the product and, remember, high-income shoppers are in-store, so they're not necessarily looking for the lowest price all the time but the best value.

If you're not currently a Costco supplier, you may want to become one. Make sure you understand where Costco is under-performing versus the rest of market and seize the opportunity to provide the right product/solution for their customers.

For further information, email the Nielsen fresh produce team at justask.au@nielsen.com

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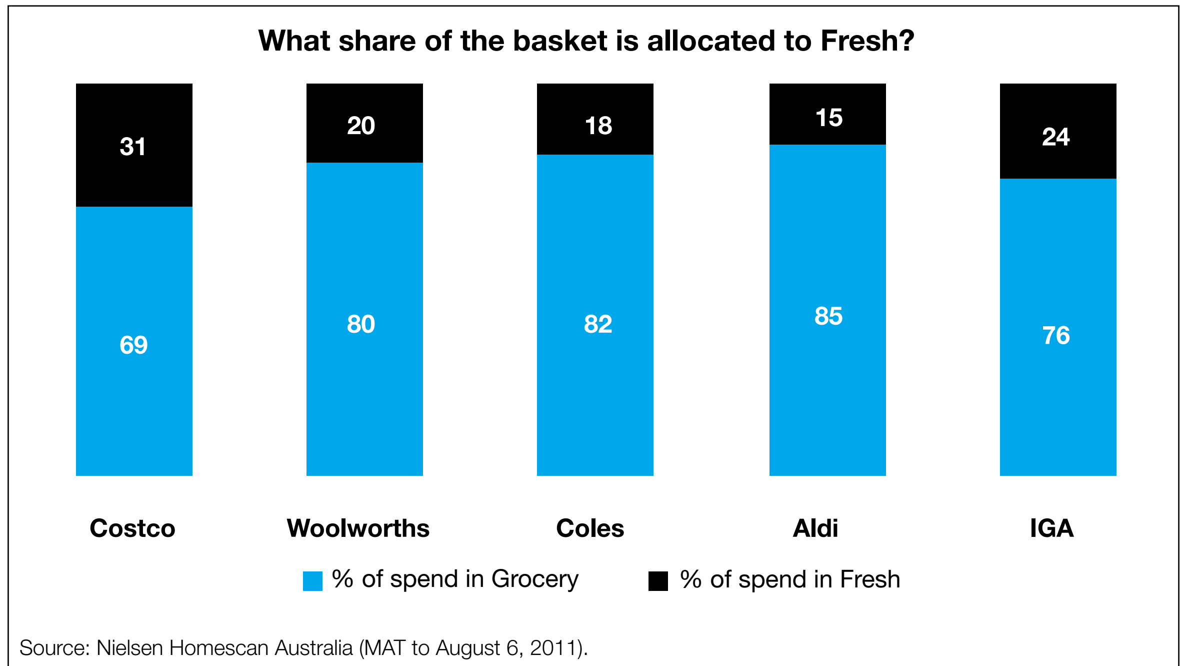


Chart 2: Share of basket spend: fresh produce versus grocery.

FRESH MEAT		
MAT to August, 2011	Average $ per occasion	Average price/kg
Costco	42	11.05
Woolworths	16.2	9.53
Coles	14.8	9.89

Chart 3: Fresh meat – average spend per occasion and average price/kg (Costco versus Woolworths versus Coles).

Seeing 'green': which one are you? The colour of money or the colour of the environment?

While the majority of consumers around the world (83 per cent) say that it is important that companies implement programs to improve the environment, only 22 per cent say they will pay more for an eco-friendly product (Chart 4), according to Nielsen's 2011 'Global Online Environment and Sustainability Survey' of more than 25,000 internet respondents in 51 countries.

Willingness to pay extra for environmentally-friendly goods is highest in the Middle East/Africa, where one-third of consumers are willing, and lowest in North America, where only 12 per cent of both Canadians and Americans say they will pay extra for eco-friendly products. This percentage is a little higher in Australia, with 17 per cent of Australians saying they would pay extra for an eco-friendly product.

Many consumers acknowledge a personal preference for eco-friendly goods, but large percentages of respondents report setting aside this preference and buying whichever product is cheapest, including 48 per cent in North America, 36 per cent in the Middle East/Africa, 35 per cent in Europe, 33 per cent in Asia Pacific (45 per cent in Australia) and 27 per cent in Latin America.

Forty-one percent of Australians will buy whatever is cheapest/better value for money/on promotion, which is eight percentage points higher than Asia Pacific at 33 per cent, and one of the highest percentages in the region behind New Zealand (42 per cent).

Global consumers have mixed feelings about the environmental impact and benefits of particular sustainable practices. While globally, 64 per cent of consumers indicated they believe organic products are good for the environment, there is wide regional disparity of opinion. Eighty per cent of Latin Americans and 72 per cent of Asia Pacific respondents think organic products are environmentally friendly, but fewer people are convinced in Europe (58 per cent), the Middle East/Africa (57 per cent) and North America (49 per cent). Even fewer people are convinced in Australia (47 per cent).

> "Global consumers have mixed feelings about the environmental impact and benefits of particular sustainable practices."

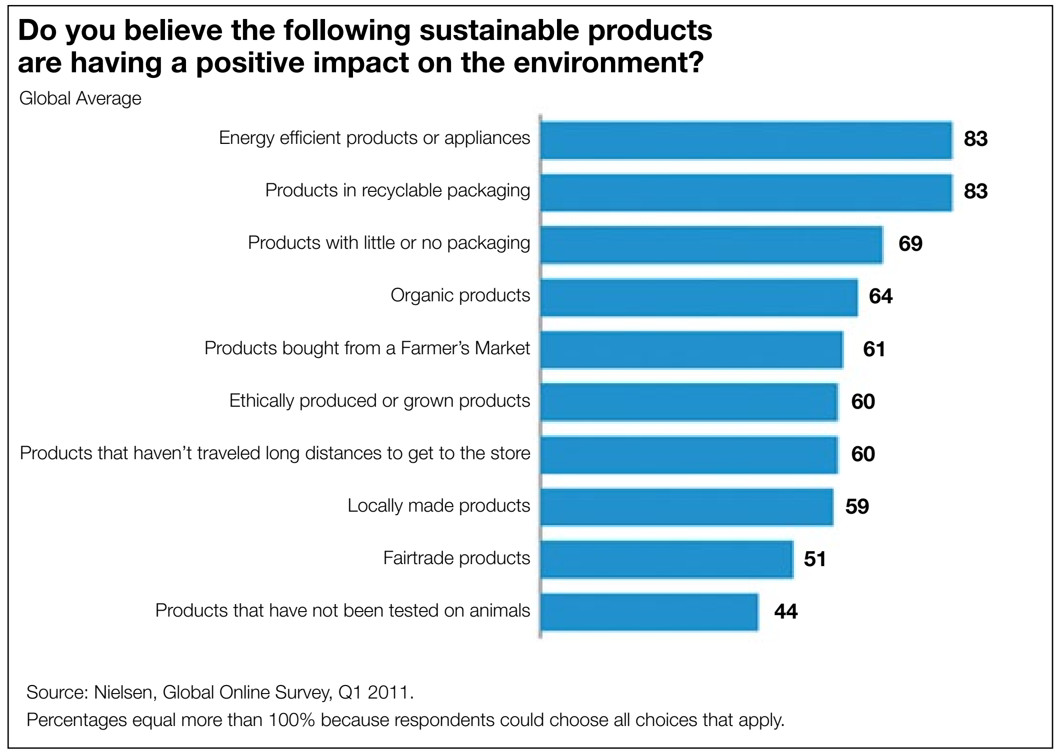


Chart 5.

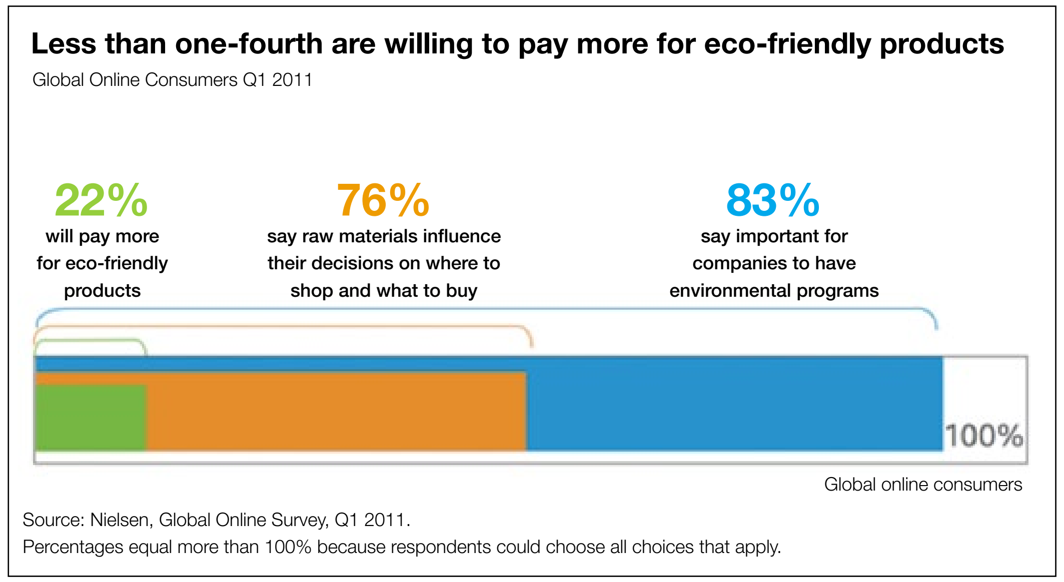


Chart 4.

Sustainable efforts making a positive difference

Among other environmental and sustainability efforts manufacturers have taken, recycled packaging and energy-efficient products are seen as the most helpful (Chart 5).

Eighty-three per cent believe that manufacturers using recycled packaging and producing energy-efficient products and appliances have a positive impact on the environment. Fewer consumers are convinced of the environmental impact of local products (59 per cent), Fairtrade products (51 per cent) and products not tested on animals (44 per cent).

In Australia, 82 per cent of people believe that products in recyclable packaging result in the most environmentally sustainable practice. This was closely followed by energy-efficient products or appliances (79 per cent) and products with little or no packaging (78 per cent). Forty-six per cent of Australian consumers voted Fairtrade products as the least environmentally sustainable practice.

Authenticity and quality are key

'Green-washing' (making a product look sustainable) or incremental environmental improvements are not enough to move product. Environmentally sustainable products still need to perform better than the competitors. While sustainability initiatives may not be enough to move a brand to the top of the decision set just yet, consumers are interested in making a difference.

Lillian Zrim
Associate Director Media Insights and Innovation
Nielsen

The growing importance to retail marketers of Australian shoppers researching via the internet

'Nielsen Online Ratings' reveal that during September online, Australians spent an average 46 hours and five minutes on the internet. From our 2011 'Australian Online Consumer Report', online Australians are using the internet to make purchases, with 85 per cent having purchased an item in 2010/2011 and 12 per cent on a weekly basis or more often.

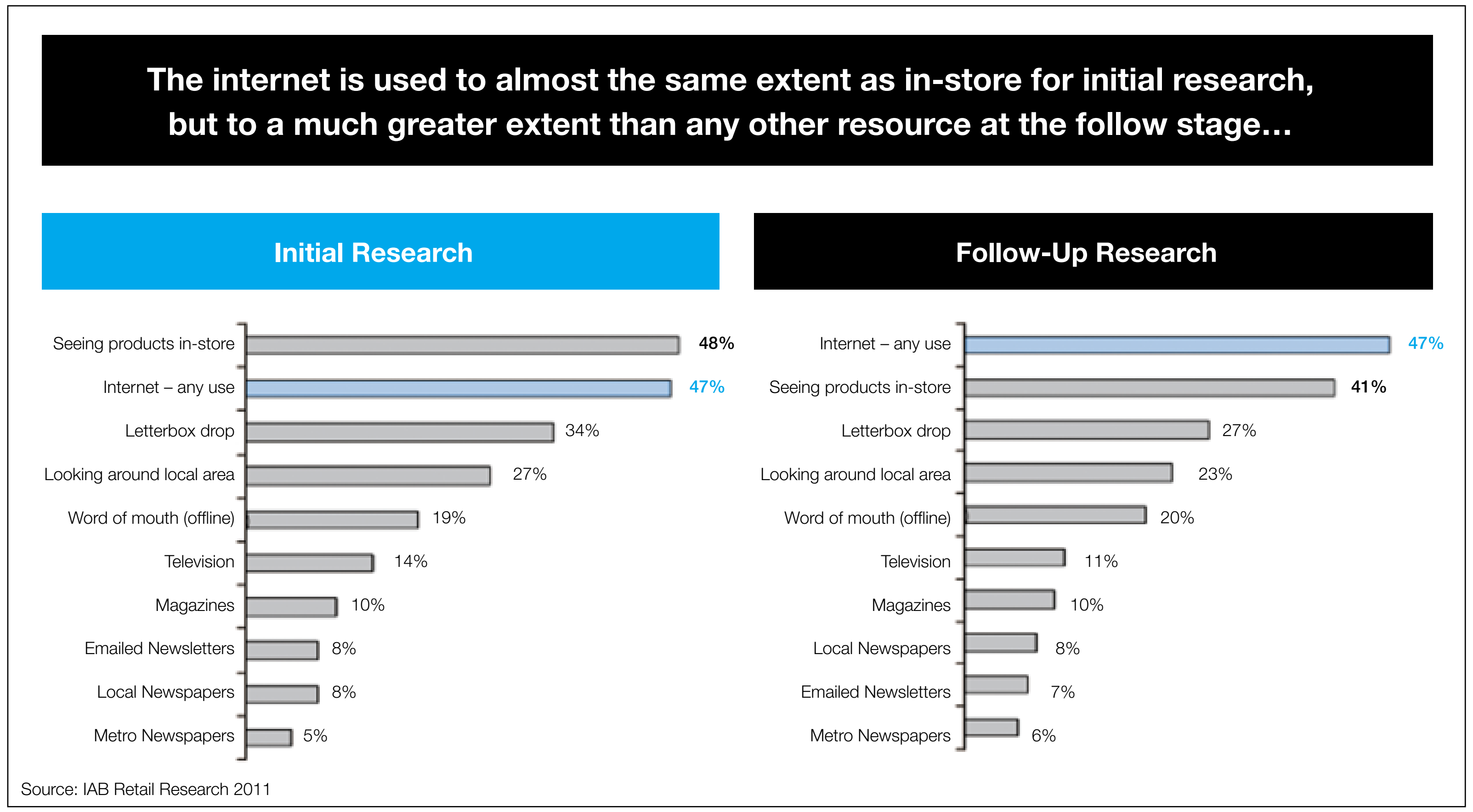
This increase in usage is driven by an evolving range of devices, from games, consoles and TVs to mobile devices such as mobiles, tablets, etc. Mobility of devices has increased the touch points, the environments and occasions of access – 42 per cent of consumers now access the internet while commuting or travelling, 33 per cent in cafes, bars and restaurants.

In a recent retail study released by the IAB and conducted by Nielsen, we set out to understand how consumers/shoppers interact with online media, specifically in relation to their retail decision-making process, to understand the extent to which they use online media.

These considerations were addressed through a quantitative online study of consumers across five categories: supermarket groceries, health and beauty, clothing and accessories, home entertainment/electronics, and white goods.

The findings confirmed that consumers use a wide range of resources to conduct research in their decision-making processes. The internet and in-store browsing were the most frequently used resources when conducting initial research, with the internet (47 per cent) being used to almost the same extent as in-store browsing (48 per cent), however, in the follow-up stage, the internet is used to a greater extent and is the top resource used (47 per cent).

The study also revealed that mobile devices are increasingly being used to access the internet during the decision-making process. Shoppers are taking photos of items, comparing prices and looking for offers, looking for the location of the nearest store, looking for product availability, reading reviews, and often on the retail floor.



Peter Cornelius
Managing Director
Nielsen Media – Pacific

Media spend review

Supermarkets/food retailers, toiletries and cosmetics, food and non-alcoholic beverages advertising support growth in the 12 months to September, 2011.

Compared to the strong advertising rebound during most of 2010, advertising activity in the 12 months to September, 2011, slowed considerably across a number of retail advertising sectors. However, despite the challenges of external market influences, including the ongoing global financial markets uncertainty, together with a number of natural disasters impacting Queenslanders in late 2010 and early this year, the overall retail advertising category remained in relatively good shape, finishing just down year-on-year.

However, with Australian consumer confidence now in steady decline for a year, Aussies are pessimistic about the health of their country's economy and there has been a further weakening in business confidence. This was made evident with mixed results across a number of important retail sectors, including food which, together with non-alcoholic beverages, saw significant cutbacks in advertising across main media year-on-year.

However, like the Australian economy, there were also signs of encouraging advertising activity by retailers and manufacturers in the supermarkets/food retailer and toiletries and cosmetics sectors.

Supermarkets/food retailers maintain growth in a tightening consumer spending mindset

With Australian consumers in 2011 more intent on saving cash and cutting down on discretionary spending, this placed further pressure on advertising activity for all marketers in this big-spending retailer sector.

However, while not replicating the massive 18 per cent year-on-year increase in media spending that we reported in the '2010 State of the Nation Report', there was still a positive, albeit modest, two per cent growth in advertising last year.

This $235 million sector is driven by the dominant supermarkets sector with an increase of three per cent to $204.2 million and representing 86 per cent of all media spending.

The remainder of the sectors had little impact on the market spend, although it was interesting to note that fruit and vegetables and the confectionery/ice-cream sector both showed substantial growth year-on-year.

Among thetop 10 advertisers, which were dominated by supermarkets, the most substantial increases in media activity were by ALDI (65 per cent) and 7-Eleven (70 per cent).

Toiletries and cosmetics finishes with a modest ad spend increase

After finishing with an impressive 14 per cent increase during the calendar year in 2010, this 15th-ranked category experienced a modest lift in overall advertising activity across the 12-month period to September, 2011, to finish with an estimated $245 million ad spend and one per cent growth year-on-year.

Although the top-ranked skin care sector (representing over a third of all advertising in toiletries and cosmetics) saw a healthy six per cent increase year-on-year, decreases were recorded across six other top-spending sectors, including double-digit cutbacks in activity across deodorants/body sprays (20 per cent), fragrance (24 per cent), sanitary protection (24 per cent) and personal washes/bath additives (12 per cent).

Among the top 10 advertisers, who represented more than half of all media spending in this category, there were five who recorded cutbacks compared to the corresponding 12 months to September, 2010.

The four top-ranked advertisers all recorded substantial cutback in advertising activity year-on-year.

		% diff
TOTAL Supermarkets & Retail Food Sectors	235.3	2%

Supermarkets & Retail Food Sectors by share of est. main media Spend ($M)	Oct '10 to Sep '11	% diff YOY
Supermarkets	204.2	3%
Bakeries	8.6	-36%
Butchers	6.5	-4%
Other	5.6	32%
Fruit/Vegetable	3.9	26%
Confectionery/Ice Cream	3.6	52%
Health Food	2.9	-1%

Source: Nielsen

Top 10 Supermarkets & Retail Food Advertisers by est. media spend ($M)	Oct '10 to Sep '11	% diff YOY
Woolworths Supermarkets	89.4	7%
Coles Supermarkets	68.3	-2%
Metcash Trading Ltd	18.6	-8%
Aldi Stores Ltd	11.4	65%
7 Eleven Stores P/L	4.9	70%
Franklins Supermarkets	2.5	5%
Foodland Supermarkets (SA)	1.6	0%
Ritchies Stores P/L	1.3	-15%
Coles/Bi-Lo/Pick N Pay Supermarkets	1.2	0%
FoodWorks Supermarkets	1.2	-29%

Source: Nielsen

Top Toiletries & Cosmetics Category by share of main media Spend ($M)	Oct '10 to Sep '11	% diff YOY
Total Category est. spend	251.4	-1%
Skin Care	88.0	5%
Cosmetics/Make Up	49.7	9%
Deodorants/Body Sprays	20.5	-2%
Fragrance	18.8	-15%
Sanitary Protection	15.0	-20%
Personal Washes/Bath Additives	14.2	-21%
Nappies/Liners	12.1	-12%
Toiletries/Cosmetics-Corporate & Range	11.4	-13%
Other sectors	15.3	25%

Source: Nielsen

Top Toiletries & Cosmetics Advertisers in main media spend ($M)	Oct '10 to Sep '11	% diff YOY
L'Oreal Australia	26.3	-12%
Unilever Australia	22.0	-27%
Kimberly-Clark	14.4	-6%
Procter & Gamble	12.8	-8%
Guthy Renker Australia	10.9	61%
Coty Australia	10.7	12%
Reckitt Benckiser	10.3	37%
Beiersdorf Australia	9.8	18%
Johnson & Johnson	9.3	-32%
Gillette (Australia)	8.4	3%

Source: Nielsen

These were led by L'Oréal Australia (12 per cent) to finish just ahead of Unilever, who registered a significant 27 per cent reduction in activity.

A notable slide was also noted by Johnson & Johnson, who cut back by 30 per cent, particularly in the first half of 2011. This was in part due to no support for Carefree Acti-Fresh Liners and a significant decrease in overall spend year-on-year for Aveeno products and ranges.

However, among the impressive double digit advertising increases were Guthy Renker (61 per cent), who stormed into the top 10 by doubling their activity in the first half of this year to bring them into the number five position. Also very active was Coty Australia (12 per cent), with strong support in 2011 for new products Calvin Klein Beauty Fragrance, Rimmel Match Perfection Foundation and Colour Show Off Lipstick and Beyoncé Heat Fragrance.

"The overall retail advertising category remained in relatively good shape, finishing just down year-on-year."

Food category advertising spend slumps 14 per cent year-on-year

In a much tougher climate for food shoppers, advertising for this seventh largest category posted a substantial 14 per cent drop in activity in the 12 months to September, 2011.

Across the top 10 sectors, which represented 70 per cent of all food advertising in the past 12 months, only two recorded growth. These were ice-cream/frozen confectionery (15 per cent) and meat (13 per cent).

Representing 43 per cent of all food advertising were the top three ranking sectors with significant double-digit cutbacks year-on-year. Led by confectionery (-14 per cent), then dairy products and substitutes (-12 per cent) and breakfast foods (-17 per cent). The most dramatic sector activity cutbacks were for snack food (45 per cent), biscuits (24 per cent) and meals (19 per cent).

A similar result was evident among the top 10 food advertisers, where only one, Nestlé Australia, actually increased ad spending year-on-year (15 per cent). Of the remainder, seven recorded substantial double-digit cutbacks compared to the corresponding 12 months to September, 2010. The biggest decline in activity year-on-year was for Unilever (32 per cent) and Fonterra Brands (25 per cent).

Non-alcoholic beverages category advertising dives 12 per cent year-on-year

This substantial decline in activity across this 19th ranked category can be attributed to major cutbacks across the two top-spending sectors. The top-ranking milk sector has undergone substantial retailer-led price-cutting strategies in 2011, and this saw a 15 per cent cutback in overall media spending.

The other massive drop in activity across main media was for the aerated soft drinks sector (47 per cent), which had soared 28 per cent the previous 12 months. Behind this reversal in activity were major cutbacks in media support across the big soft drink marketers, led by the dominant Coca-Cola South Pacific (34 per cent) and PepsiCo Australia (62 per cent).

They weren't alone in reducing overall media spending substantially year-on-year, with both National Foods Milk Division (51 per cent) and Dairy Farmers (50 per cent) also pulling advertising activity for the reasons previously stated.

Top Food Categories by share of est. main media Spend ($M)	Oct '10 to Sep '11	% diff YOY
Confectionery	63.5	-14%
Dairy Products & Substitutes	49.1	-12%
Breakfast Food	46.7	-17%
Ice Cream/Frozen Confectionery	23.6	-45%
Sauces/Gravies	18.8	-13%
Biscuits	16.1	-24%
Snackfood	15.8	15%
Meals	14.2	-19%
Meat	9.7	13%
Rice/Pasta/Noodles	9.2	-14%
Others sectors combined	104.5	-12%

Source: Nielsen

Top Food Categories by share of est. main media Spend ($M)	Oct '10 to Sep '11	% diff YOY
Kraft Foods Australia	31.1	-19%
Kellogg (Aust) P/L	30.5	-19%
Nestle Australia Ltd	23.2	15%
Unilever Australia	19.0	-32%
Simplot Australia P/L	14.0	-3%
Fonterra Brands (Australia)	12.2	-25%
Mars Snackfoods	11.9	-6%
Ferrero Australia P/L	11.7	-13%
Uncle Tobys Co The	11.6	-23%
Sanitarium Health Food Co	9.6	-27%

Source: Nielsen

Top 10 Food Products Advertised in main media Spend ($M)	Oct '10 to Sep '11	% diff YOY
Nestle Peters Drumstick	4.5	254%
Cadbury Dairy Milk Block Chocolate	4.3	-12%
Mission Foods Range	3.8	104%
Kelloggs Nutri-Grain-Young Adult	3.8	570%
Steggles Chicken	3.6	13%
Nutella Hazelnut Spread	3.5	-7%
Danone Activia Yoghurt	3.5	N/A
Sanitarium Weet-Bix-Adult	3.5	6%
Tic Tac Confectionery	3.4	9%
McCain Sweet Potatoes SuperFries	3.3	125%

Source: Nielsen

Non-Alcoholic Beverages Sectors Advertising est. Spend ($M)	Oct '10 to Sep '11	% diff YOY
Milk	28.2	-15%
Aerated Soft Drinks	24.7	-47%
Coffee	17.5	23%
Fruit	15.2	26%
Tea	11.3	8%
Cordial	4.1	242%
Other Sectors	42.2	-6%

Source: Nielsen

Non-Alcoholic Beverages Top 10 Advertisers est. spend ($M)	Oct '10 to Sep '11	% diff YOY
Coca Cola South Pacific	24.9	-34%
Nestle Australia Ltd	14.0	61%
Parmalat Australia	11.2	25%
Unilever Australia	9.1	-13%
Schweppes Australia	8.7	-4%
Frucor Beverages	6.2	3%
PepsiCo Australia	5.2	-62%
National Foods Milk Division	4.5	-51%
Red Bull	4.5	25%
Dairy Farmers	4.4	-50%

Source: Nielsen

Non-Alcoholic Beverages Top 10 Products est. spend ($M)	Oct '10 to Sep '11	% diff YOY
Red Bull Energy Drink	4.5	27%
V Energy Drink	4.3	31%
Coca Cola Zero Soft Drink	4.2	-51%
Coca Cola Soft Drink	3.7	-40%
Mother Energy Drink	3.4	-13%
Ocean Spray Cranberry Classic	3.3	91%
Vaalia Innergy	2.6	N/A
Gatorade Sports Drink	2.5	-10%
Twinings Tea Bags	2.4	-6%
Dare Iced Coffee	2.2	-6%

Source: Nielsen

An uncommon sense of the Christmas Consumer in 2011

Christmas is a time of joy and celebration, but it's also crunch time for many FMCG marketers and retailers. It is the busiest trading season of the year, where we spend over $400million of media advertising to entice consumers – and sales can sky rocket, in some cases well over 100%.

At a time most critical, market research companies traditionally don't talk to consumers. Without knowing how or why consumers make decisions, it is difficult to influence and ultimately drive purchasing of your product.

For this reason, in early 2012 Nielsen will be providing a comprehensive understanding of consumer behaviour in the lead up to Christmas 2011. This will help you to understand the movers and shakers in 2011, improve your strategy and contribute to better results for your business in Christmas 2012.

This report brings together a range of Nielsen data sources to enable you to understand three key areas:

What are the Sales and Marketing drivers influencing decision making?

- Advertising
- In store
- Online, Buzz/ Social Media
- Word Of Mouth

What are Consumers' "decision making processes"?

- Path to purchase (planned/ impulse)
- Drivers and 'rules' to buying at Christmas
- Channel, Category and Brand switching behaviours

How has this influenced purchase and sales results for manufacturers and retailers?

- $sales and key consumer metrics for channel, department, category

Pre order your Christmas report now

To find out more contact your Nielsen executive or email:justask.au@nielsen.com