

Supermarkets lose 'share of stomach' as confident consumers opt for more out-of-home dining

Highlights from the 2007 Nielsen Grocery Report

This year's Grocery Report highlighted a continued trend amongst consumers to seek out fresh and natural products.

Nielsen's 2007 Grocery Report has shown an increase in the growth of consumers dining out as a result of sustained consumer confidence, which has translated to a loss of 'share of stomach' for Australian supermarkets and grocery stores. While packaged grocery saw an increase in sales of just 4.7 percent in 2007, cafes and restaurants enjoyed another year of double digit sales growth, up 11.1% off the back of 11.2% growth in 2006.

Although overall grocery growth was slower than the previous year, certain departments experienced solid gains in 2007, 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).

The Grocery Report highlighted a continued trend for fresh and natural products

The Grocery Report highlighted 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.

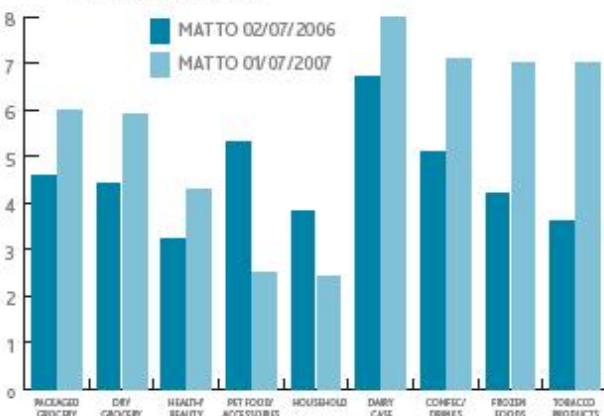
Private Label share of total packaged grocery reached a record high of 19.9 percent in the quarter to June 2007, driven primarily by packaged cakes, eggs and fresh milk. By demographic, the strongest take-up of Private Label is among young, low income families with four to five person households, with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

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.

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. The 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.

To obtain a full copy of Nielsen's 2007 Grocery Report contact your Account Manager or email [Cindy Panzera at cindy.panzera@nielsen.com](mailto:Cindy.Panzera@nielsen.com).

Chart 1: Dept growth | NATIONAL - VAL % CHG YA | TOTAL DEFINED PACKAGED GROCERY



A word from the Executive Director



AARON CROSS
Executive Director
Nielsen Australia

Welcome to the spring/summer edition of Marketplace, Nielsen's quarterly publication for FMCG retailers and manufacturers. At the end of October, the Nielsen Executive team held a Leadership Conference to motivate and energise our senior leaders for the year ahead. The conference focussed on our key themes for 2008 which are 'Simple – Open – Integrated', themes which we are committed to demonstrating in the way we service our clients moving forward. We will also be heavily focussed on operating as a fully aligned Pacific business – particularly in the area of client service.

On another note, I am pleased to inform you of the latest appointment within our senior leadership team. Gary Stubbs has re-joined the Australian business as Executive Director, FMCG Sydney. Gary first joined Nielsen in 1993 following a career with PepsiCo and Benckiser. Over the years he has held various positions across Client Service, Retailer Services, Decision Support Services and Merchandising Services and has worked in local, regional and global roles across Australia, Singapore, Japan and Belgium. In his most recent position with Nielsen, Gary was based in Belgium for three years as the Global Director for Nielsen Merchandising Services. 🛒



GARY STUBBS
Executive Director
Nielsen Australia

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Australians look to organic and functional food and drink as part of a healthy lifestyle

By Megan Treston, Director, Retail Client Service, The Nielsen Company

With health and wellbeing on the national agenda, Australians are increasingly embracing foods with a range of organic and functional food and drink alternatives.

In recent years we have seen a trend in food and drink purchases towards products which support a healthy lifestyle choice. An ageing population, rising obesity levels and the occasional food scare have all served to heighten awareness among consumers about the importance of diet and staying healthy, and as is evidenced in the latest Grocery Report from the cover of this issue of Marketplace, Australians are beginning to reflect this in their supermarket purchases, with fresh and natural alternatives making up a large proportion of the fastest growing supermarket categories.

This move towards healthy eating has led to the rapid expansion of organic products and the emergence of functional foods and beverages. We are now seeing an increase in the number of Australians including organic and functional products in their shopping baskets, and a global online survey conducted by Nielsen earlier in the year found that less than two percent of Australians (1.6%) said they never purchased functional foods (those that promote specific health benefits) and only one in five (21.6%) did not purchase organic products.

Of those who purchased organic and functional foods, the majority (50%) cited health benefits as their motivation for purchase.



Not surprisingly, the products driving this growth in organic and functional food and beverages tend to be staples in our diet such as bread, milk, margarine, vegetables and eggs (see charts). Whole grain/high fibre products, for example, are by far the most frequently purchased staple, but cholesterol reducing oils and margarines, yoghurts with acidophilus cultures / pro-biotics as well as bread with added calcium or other vitamins are also leading the charge.

But while the staples have been leading the way up until now, in the future I believe we will start to see other categories also start to see growth in product availability and consumer trial. Already we have seen product launches in organic chocolate and carbonated beverages – categories not traditionally known for their range of organic or functional options. As these products become more prolific on our supermarket shelves, and we see more consumers trialling them, so too will we see acceptance of their benefits continue to rise. 🐾

Chart 2: Frequency of purchasing foods and beverages that offer specific health benefits

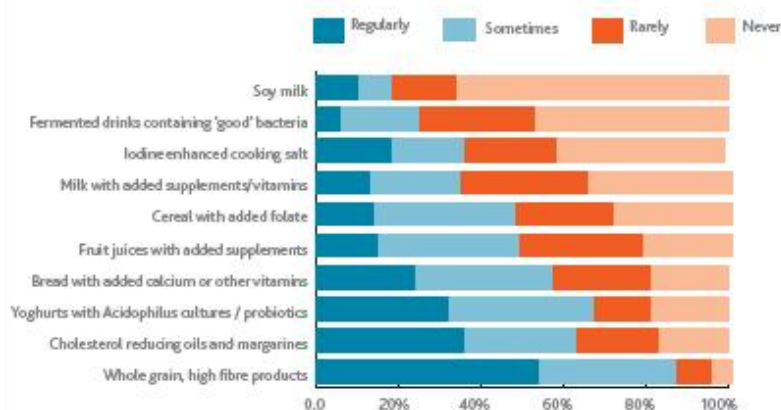
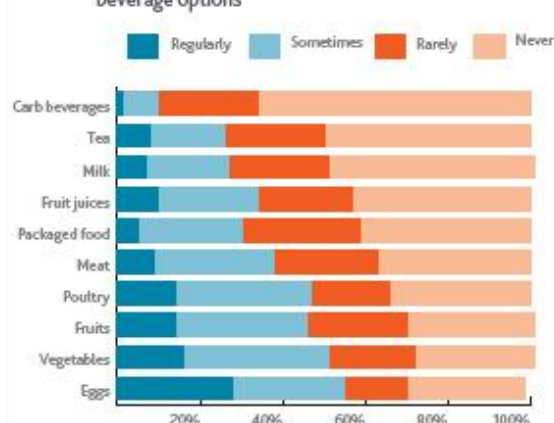


Chart 3: Frequency of purchasing Organic food and beverage options



Other news

Nielsen celebrates Homescan's 21st birthday

It's been 21 years since Nielsen Australia established and launched the world's first electronic consumer panel – Homescan, in Sydney and Melbourne. To mark the occasion, Nielsen celebrated Homescan's coming of age with a select number of FMCG clients and staff at exclusive events at the spectacular Opera Point Marquee in Sydney on Thursday evening, 1 November, and in Melbourne on Thursday evening, 15 November at The Deck in St. Kilda.

Homescan was launched in Australia in 1986 as a world-first electronic consumer panel, comprising 1,200 households in metropolitan Sydney and Melbourne. Twenty years later, in May 2006, Nielsen Australia achieved a major Homescan milestone when the panel was expanded to 10,000 households, and another world-first - the establishment of the biggest per capita consumer panel in the world.



Shan Xifaras, Glen Murphy and Steve Mitchell (Nielsen)



Tom Marshall (Caltex) and Caroline Lloyd (Nielsen)

Mariah Colella (Sara Lee), Thomas Booth (Nielsen), Marc Polese and Sheena Polese (Coca-Cola Amatl)



"Nielsen is the leader in Consumer Panel Services globally, with Homescan in over 270,000 households across 27 countries," said Glen Murphy, Managing Director, Pacific. "In Australia, our local Homescan consumer panel has significantly developed and grown over the past 21 years – a testament to the Homescan team - spanning Panel Management, Measurement Science, Operations, Client Service and Product Management - and of course our clients, many of whom have been Homescan supporters from the very beginning."

"In the year ahead, Homescan will remain a key area of focus for our business and we will continue to invest in and develop the service to ensure our clients receive the most complete market coverage and in-depth understanding of consumer purchasing dynamics to ensure the success of their brands," said Murphy. 🛒

Nielsen's Consumer Insight places focus on Progress

Advanced methods evaluate TV ad performance.
Technology upgrades create research challenges.
More choices cause fragmentation.

Progress demands new ways of thinking.

Visit www.nielsen.com/consumer_insight/ to view the latest Issue of Consumer Insight.

This edition includes:

- Getting engaged: How to marry ad response to programming
- The power of packaging
- Resolution revolution: HDTV's paltry programming picks
- Value/variety/convenience - which is winning?
- Cutting the cord – households dropping their landline for their mobile phone, a major headache for researchers

Consumer Insight is an online newsletter from The Nielsen Company. Delivered six times a year, the newsletter brings together all of Nielsen's global marketing, media, entertainment and retailing services to provide unique insight into consumer behaviors.