

Making better products

March 25, 2009

Jonathan Banks

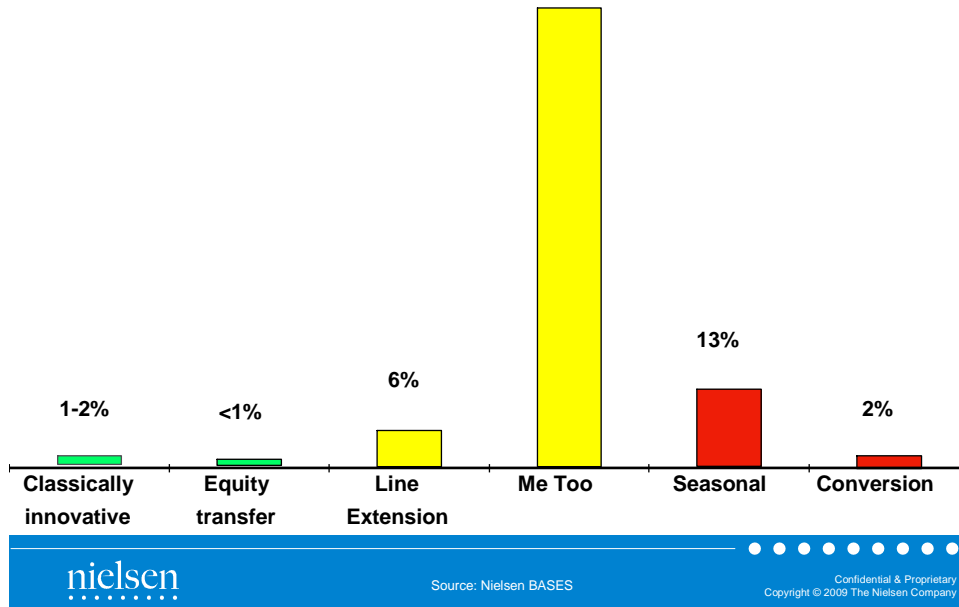


Confidential & Proprietary • Copyright © 2009 The Nielsen Company

Making better products

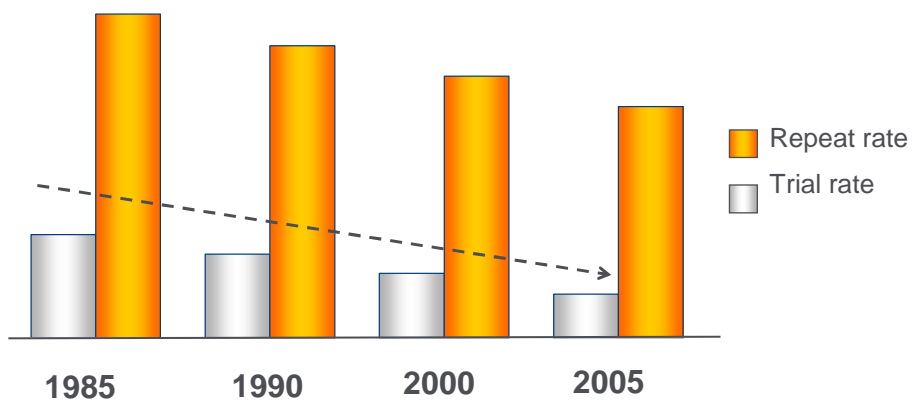
- Change
- Impact of the credit crunch
 - volume/value
 - brand v private label
 - promotions
 - discounters
- Category performance

Some things don't change:
True new products are rare 77%

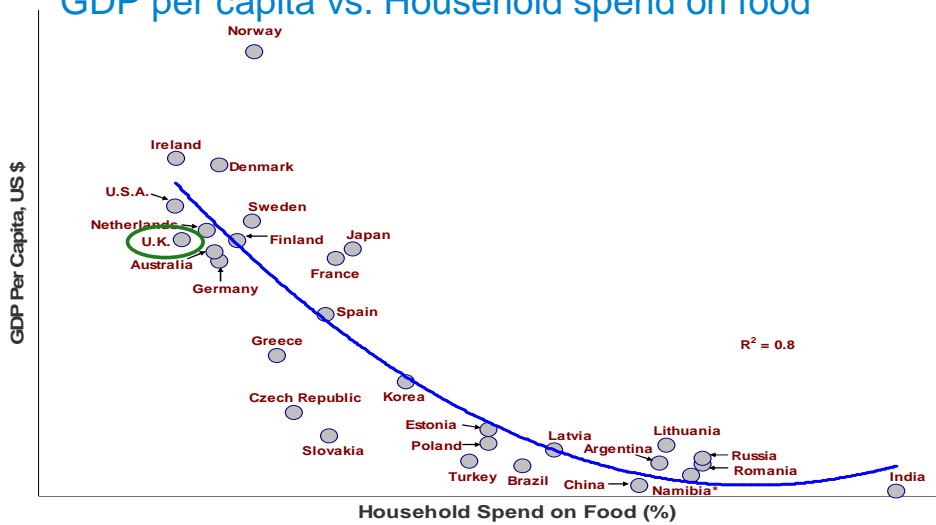


Some things change over time:
NPD is getting harder ...

New Brand Trial and Repeat Rates



Some changes happen quickly:
GDP per capita vs. Household spend on food



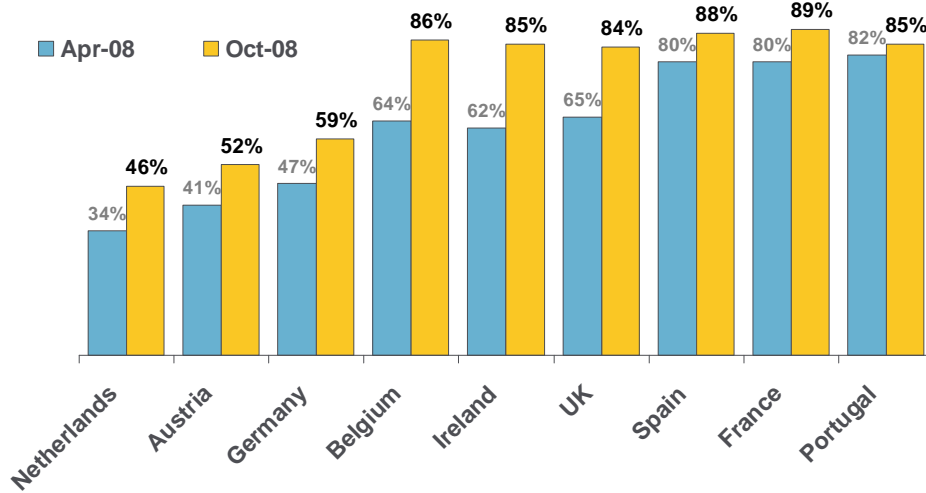
nielsen
Sources: UN; International Labour Organization; allcountries.org; National Bureau Of Statistics of the The Peoples Republic Of China; swivel.com; World Resources Institute; International Finance Corporation
Confidential & Proprietary
Copyright © 2009 The Nielsen Company

Making better products

- Change
- Impact of the credit crunch
 - volume/value
 - brand v private label
 - promotions
 - discounters
- Category performance

nielsen
Confidential & Proprietary
Copyright © 2009 The Nielsen Company

Are we having a recession?

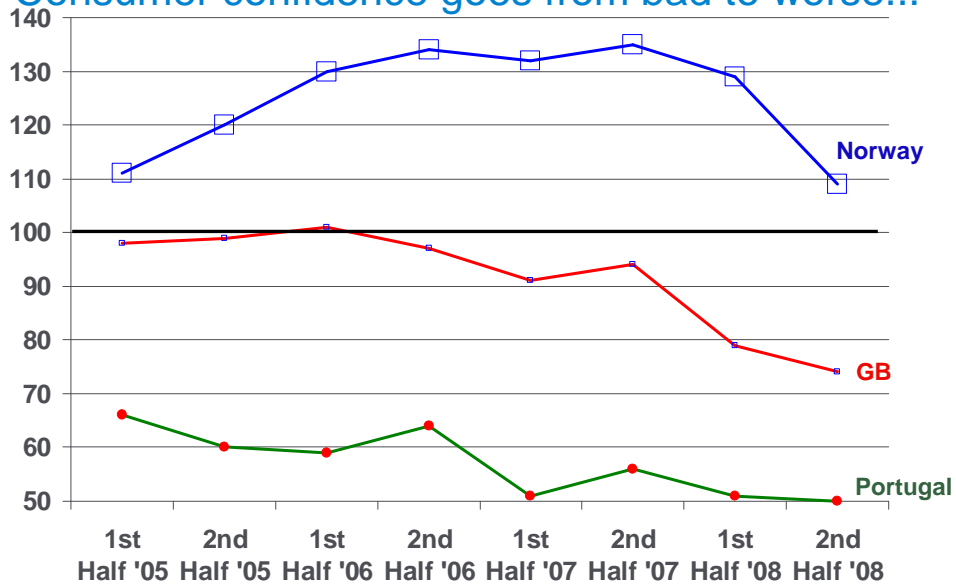


nielsen

Source: Nielsen Global Online Survey

Confidential & Proprietary
Copyright © 2009 The Nielsen Company

Consumer confidence goes from bad to worse...

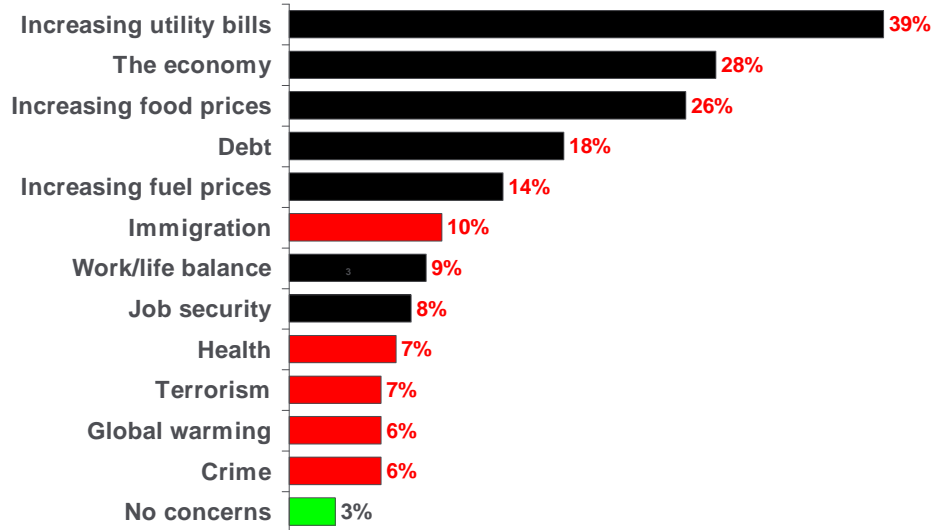


nielsen

Source: Nielsen Global Online Surveys to October 2008

Confidential & Proprietary
Copyright © 2009 The Nielsen Company

Biggest+2nd biggest concerns in next 6 months



nielsen

Source: Nielsen Global online survey: UK Oct 08

Confidential & Proprietary
Copyright © 2009 The Nielsen Company

economiccurrent UK Summary

| | Jul 08 | Aug 08 | Sept 08 | Oct 08 | Nov 08 | Dec 08 | Jan 09 | Feb 09 | Mar 09 | Apr 09 | May 09 | Jun 09 |
|--|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Nielsen Market Index Volume* | 0 | - | 0 | 0 | 0 | 0 | 0 | | | | | |
| Nielsen Market Index Value** | + | + | + | + | + | + | + | | | | | |
| Are consumers moving to Store Brands? | | | | | | 0 | 0 | | | | | |
| Are shoppers shifting to value channels? | | | | | | + | + | | | | | |
| Are retailers selling more on promotion? | | | | | | 0 | 0 | | | | | |
| Are consumers shopping more frequently? | - | - | - | 0 | + | + | + | | | | | |
| Are consumers spending more per trip? | + | + | + | + | + | 0 | 0 | | | | | |
| Nielsen Global Consumer Confidence^ | | | | - | | | | | | | | |

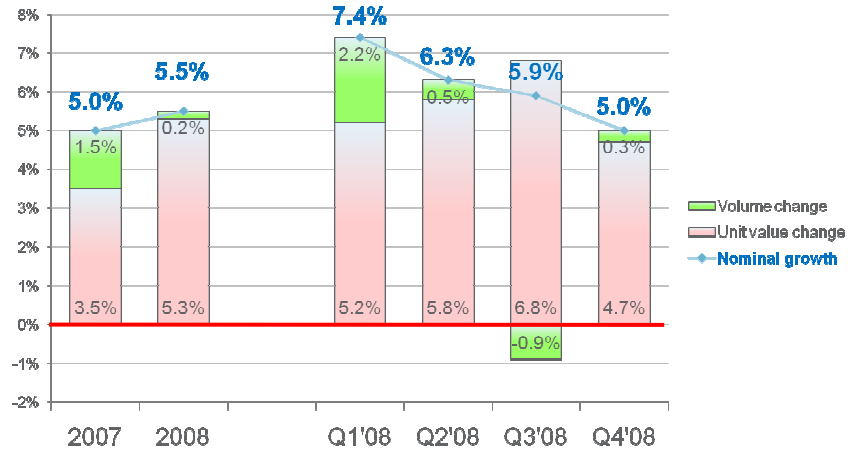
- + Very Strong Growth: $\geq +5\%$
- + Growth: between +1 and plus 4%
- 0 Neutral: between -1 and +1%
- Negative: between -1% and -4%
- Very Negative: $\leq -4\%$

*Nielsen Market Index Volume defined as unit change vs. YAGO
 **Nielsen Market Index Value defined as dollar change vs. YAGO
 ^Nielsen Global Consumer Confidence measure is from 1008 and is benchmarked vs. the Global Confidence avg. of 84

nielsen

UK

Fast Moving Consumer Goods market dynamics



nielsen

Source: Nielsen GrowthReporter

Confidential & Proprietary
Copyright © 2009 The Nielsen Company

Key UK Economic Measures

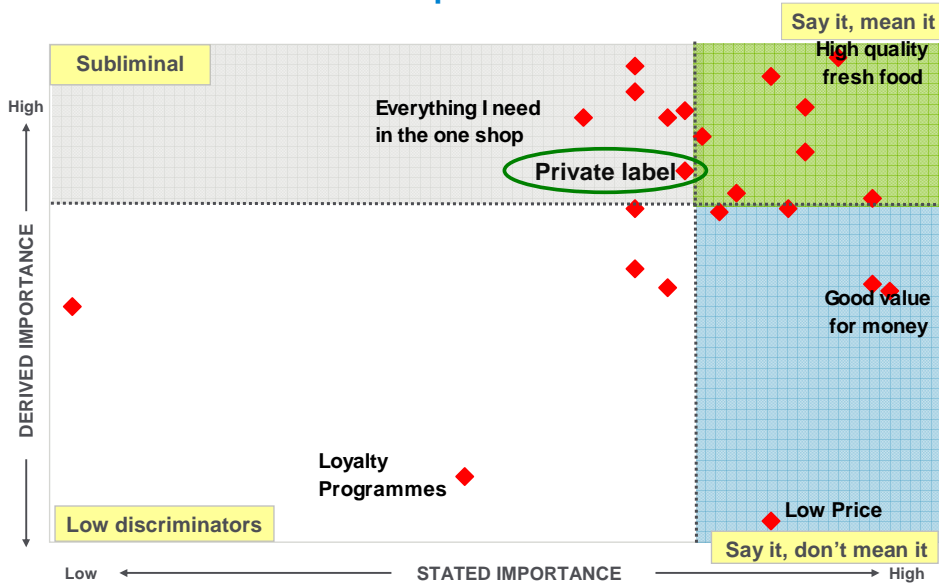
| | <u>2007</u> | <u>2008</u> | <u>2009E</u> | <u>2010E</u> |
|-----------------------------|-------------|-------------|--------------|--------------|
| GDP | 3.0% | 0.7% | -3.0% | 0.5% |
| Consumer Expenditure | 3.0% | 1.4% | -3.1% | -0.2% |
| Inflation Rate | 2.3% | 3.6% | 1.1% | 1.6% |
| Unemployment Rate | 2.5% | 3.3% | 6.0% | 7.4% |

nielsen

Source: UBS

Confidential & Proprietary
Copyright © 2009 The Nielsen Company

Great Britain: Importance of Attributes



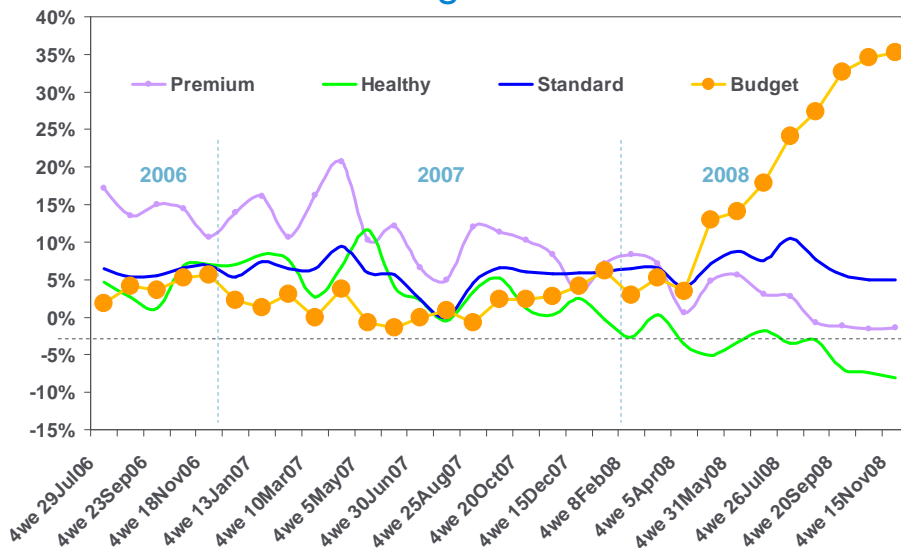
nielsen

Source: Nielsen ShopperTrends 2009

Confidential & Proprietary
Copyright © 2009 The Nielsen Company



Private label sub-brand growth



nielsen

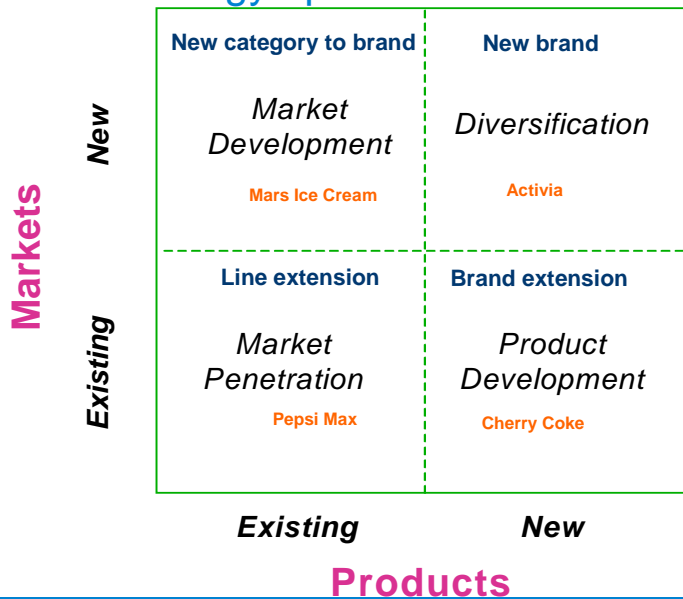
Categories coded with sub-brands attribute account for 55% Sales sold through £4Bn Grocery Multiples market (for data 4 w/e 15/11/08)

Confidential & Proprietary
Copyright © 2009 The Nielsen Company

Degree of commoditization of categories is measured through the share of private labels!

- Private labels grow in those categories where brand builders fail!
- Private label does not cause brands to be weak, it is the consequence!

NPD strategy options - Ansoff matrix



Top 20 innovations of the 20th Century

| | |
|------------------------|------------------------------|
| 1. Frozen food | 11. Powdered baby milk |
| 2. Pasteurised milk | 12. Chilled food |
| 3. Sanitary products | 13. Ready meals |
| 4. Microwaveable food | 14. Vacuum-packed food |
| 5. Tea bags | 15. Disposable razors |
| 6. Instant coffee | 16. Gravy granules |
| 7. Ring pull cans | 17. Artificial sweeteners |
| 8. Sliced bread | 18. Tetra Pak cartons |
| 9. Plastic bottles | 19. Pre-packed meat and fish |
| 10. Disposable nappies | 20. Screw-top wine bottles |

nielsen

Source: The Grocer/Hi Europe online survey December 2004

Confidential & Proprietary
Copyright © 2009 The Nielsen Company

Making better products

- Change
- Impact of the credit crunch
 - volume/value
 - brand v private label
 - promotions
 - discounters
- Category performance

nielsen

Confidential & Proprietary
Copyright © 2009 The Nielsen Company

Category performance through the downturn



nielsen

Source: Nielsen volume to y/e1/2/09
caution: small no of categories used in this analysis

Confidential & Proprietary
Copyright © 2009 The Nielsen Company

4 megatrends



nielsen

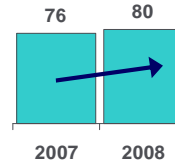
Confidential & Proprietary
Copyright © 2009 The Nielsen Company



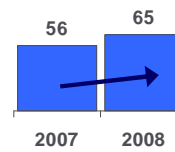
Attitudes to healthy eating

% Respondents who AGREE

“It’s important for me to eat healthily”



“I often don’t eat as healthily as I think I should”

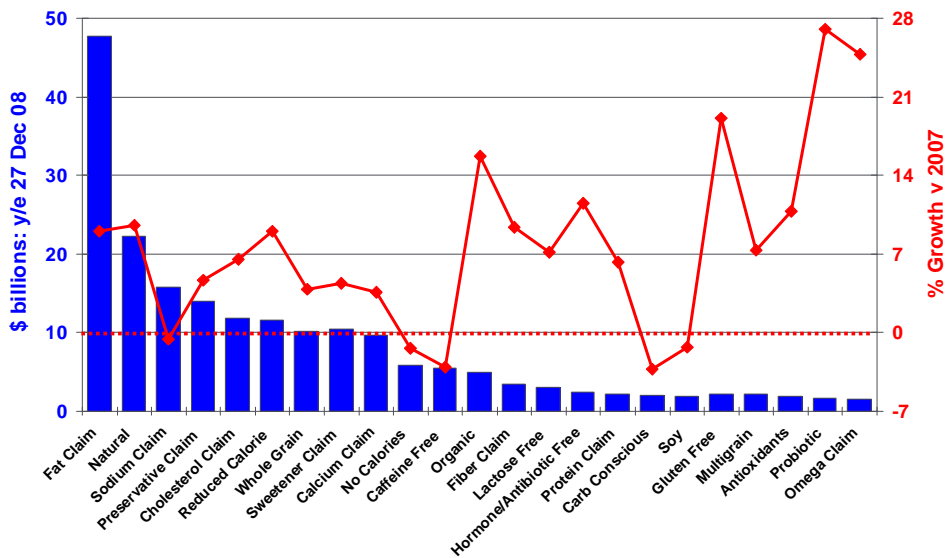


Source: Nielsen Homescan

Confidential & Proprietary
Copyright © 2009 The Nielsen Company



US LabelTrends



Sources: Nielsen LabelTrends
Total Food/Drug/Mass excl Wal-Mart

Confidential & Proprietary
Copyright © 2009 The Nielsen Company

Ethical consumers...



“Which of these types of products do you actively try to buy?”



nielsen

Source: Nielsen Global Online Survey – April 2007

Confidential & Proprietary
Copyright © 2009 The Nielsen Company

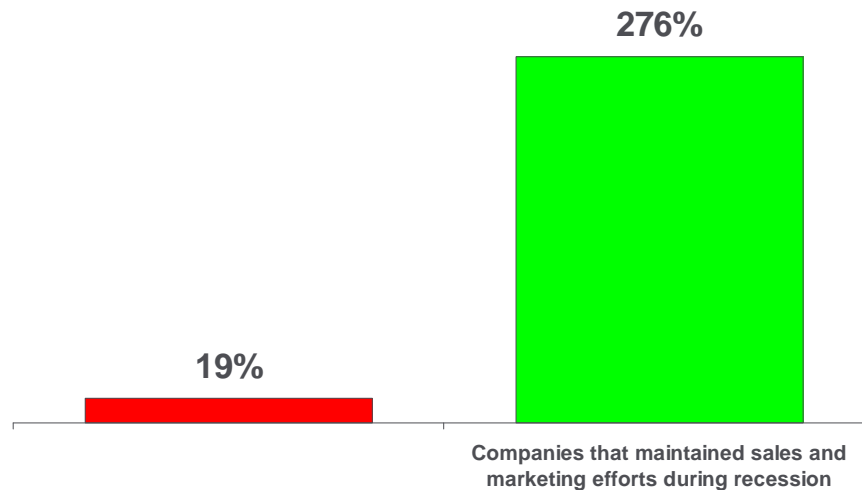
How to succeed!

- True innovation has greater success than me-too products or line extensions
 - You'll make more profit backing big winners
 - Avoid the temptation to keep relaunching failures
- First to market tends to have lasting advantage
- Products must deliver on concept promise
- Long-term support: success depends on persistence
- Major category players are more likely to have greater success rates
- Trial is the key factor – and for that you need distribution

nielsen

Confidential & Proprietary
Copyright © 2009 The Nielsen Company

Revenue growth in first 5 years after 1980's recession



nielsen

Source: McGraw-Hill Research

Confidential & Proprietary
Copyright © 2009 The Nielsen Company

Summary

- Doom and gloom in media – not our data
- Minority of categories in decline
- No rush to promotions, discounters, or private label
- 4 megatrends:
 - health & wellness, convenience & snacking, indulgence, ethical
- Don't wait for the downturn to end
- Now's a great time to invest in NPD!

nielsen

Confidential & Proprietary
Copyright © 2009 The Nielsen Company