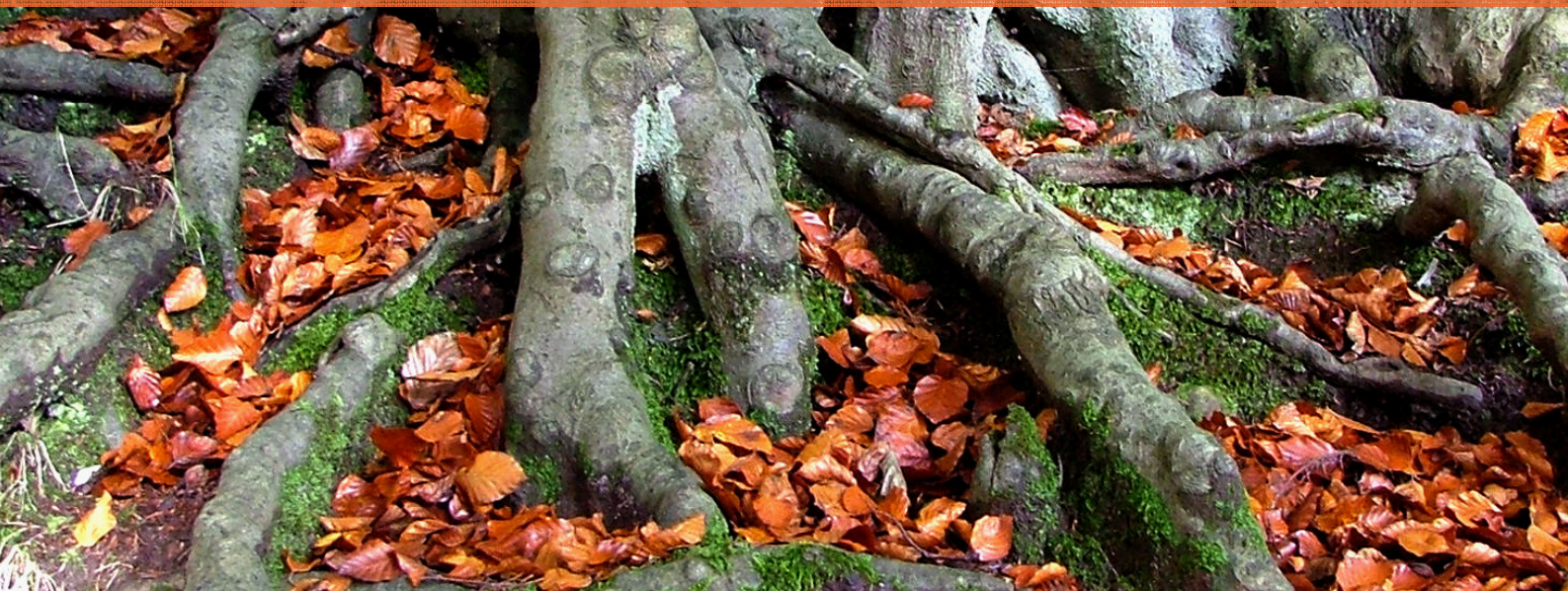


September Review

Does the recovery start here ?

Anne Lefranc, European Marketing Director,
SymphonyIRI Group

White Paper - Version 2



September Review

Does the recovery start here?

INTRODUCTION

The back-to-school month of September has long been an important time for CPG firms. Those hoping to glean any early insights into what the next six months, including the hugely important festive period, might mean for them will look to this autumn month with interest.

Europe continues to be influenced to a greater or lesser extent by the lingering effects of the recession, creating challenging conditions for retailers and manufacturers alike. A confluence of macro economic societal, cultural and other factors have come together to create an uncertain period, where having the right insight to hand will prove invaluable to those CPG firms looking to come out of a turbulent 2010 on top.

We'll look at the market trends across seven key European countries to see how shoppers' behavior has changed from September 2009 to September 2010, the major reasons for these changes and how retailers and manufacturers can respond to challenging conditions to emerge from the recession in rude health.

As always, we will endeavour to dive deeply into the macroeconomic influencers, major trends and highlight the challenges and opportunities relevant to each specific region, before putting them in the context of Europe as a whole.

Retailers and manufacturers are under unprecedented pressure, from commodity prices which are beginning to rise, VAT increases, and the falling confidence levels among their consumers in some countries.

These shoppers have tightened their purse strings, especially in those countries most affected by the crisis, but are also looking at quality as well as price. With government health warnings over obesity beginning to sink in and a growing awareness and interest in the provenance of food, shoppers want the perfect balance between price and healthy, sustainable food.

How to react to such turbulent economic conditions can be the difference between a failing and a thriving business, and the insight in the following pages has been produced to give manufacturers and retailers key trends enabling them to view where the threats and opportunities are to grow their business.

The advent of globalisation requires global trends and insights, although we also need to get in-depth knowledge of specific regions because each has reacted very differently to the recession. Therefore, in this report we will look at the global CPG trends at European and country levels, and we will focus on 37 categories representing the average European shopper basket. This European basket will be our barometer for the coming reports.

Shoppers want the perfect balance between price and healthy, sustainable food.

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TURNING INSIGHTS INTO ACTIONS FOR MANUFACTURERS

Insights

- Shoppers in some regions on a tight budget are reducing basket size and gravitating towards own label goods.
- Shoppers are spending more money despite cautious economic times, i.e. in France.
- Time starved consumers in some countries are seeking out convenience foods.
- Some shoppers i.e. in France are taking advantage of promotional sales to buy quality goods, especially national brands.
- Cash starved shoppers are staying in to consume goods rather than dining out, visiting the hair salon, etc.
- Commodity and/or VAT prices are squeezing margins.
- Consumers have grown used to heavy promotional activity.

Actions

- Invest in research to see how sensitive your brand is to price changes and react accordingly.
- Mitigate own label gains where possible with targeted promotions.
- Resist unsustainable large scale price cuts or excessive promotions where possible and invest more in understanding your customers, try to create an emotional relationship with buyers.
- Monitor shopper behaviour and focus marketing and packaging innovations on products to tap the at home market.
- Innovate with new products to capitalise on trends such as convenience foods, 'restaurant' at home, 'hairdresser' at home, healthy, green and sustainable products. For mature countries such as France, innovate by developing "at the restaurant" products including premium products.
- Encourage customer loyalty other than price cuts with brand loyalty strategy, via innovation and advertising campaigns.
- Reinforce brand value through advertising and innovative packaging to keep shoppers once promotional offers have disappeared.
- Assortment reduction by retailers means manufacturers will need to convince shoppers of the real added value of their products. Differentiation other than the price is a key factor.
- Do fewer, better communicated promotions and make any price cuts more shallow

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TURNING INSIGHTS INTO ACTIONS FOR RETAILERS

Insights

- Shoppers in some regions on a tight budget are reducing basket size and gravitating towards own label goods.
- Shoppers are spending more money despite cautious economic times, i.e. in France.
- Time starved consumers in some countries are seeking out convenience foods.
- Some shoppers i.e. in France are taking advantage of promotional sales to buy quality goods, especially national brands.
- Cash starved shoppers are staying in to consume goods rather than dining out, visiting the hair salon ...
- Commodity and/or VAT prices are squeezing margins.
- External events such as unseasonal weather are affecting sales for certain categories.

Actions

- Where appropriate, increase assortment of own label goods, expand with new low cost lines.
- Push the low price message in advertising campaigns for your stores and own label products for countries with the potential of progression in these areas.
- Monitor shopper behaviour closely and rationalize assortments to keep leading own label products and find ways to differentiate from national brands, for mature countries such as France.
- Innovate with new own label ranges by understanding new shopper expectations: health, green, sustainable, premium at home, convenience foods.
- Create advertising messages to encourage consumers to cook with your own label products.
- Expand own label range in specific categories and segments for countries with the potential of progression in these areas.
- Consider 'at the restaurant' ranges to capitalise on this trend.
- Resist urge to promote heavily or for long periods.
- Monitor shopping behavior closely and respond with agility to improve sales by capitalising on trends for convenience, eating at home etc.
- Adapt store layout to maximise on current buying habits.
- Tailor marketing and advertising messages to capitalise on any short term trends.

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MACRO-ECONOMIC PERFORMANCE

Macro-Economic Figures Impacting Shopper Behaviour

	Population in Millions		Unemployment (%)		Average 12 Months Inflation Rate		GDP in Millions (€)	
	2009	2010 *	Sept. 2009	Sept. 2010	Nov. 2009	Sept. 2010	2009	2010 (Forecast)
Italy	60,0	60,3	8.1	8.3	0,9	1,3	1 520 870	1 553 350
Spain	45,8	46,0	19.0	20,8	-0,2	1,2	1 053 914	1 052 773
France	64,4	64,7	9.7	10.0	0,1	1,4	1 907 145	1 946 564
Greece	11,3	11,3	10,2**	12,2***	1,3	3,9	233 046	232 767
Netherlands	16,5	16,6	4.0	4,4	1,1	0,7*	571 979	585 318
United Kingdom	61,6	62,0	7.9	7.7*	2,2	3	1 563 106	1 692 703
Germany	82,0	81,8	7.6	6,7	0,3	0,8	2 397 100	2 432 382

Source Eurostat, Nov. 2010

* July 2010

* Provisional value

** Oct. 2009

*** June 2010

GDP has begun to pick up after the decimation of 2009 in most countries apart from Greece and Spain, where GDP fell by 3.7 and 0.1% year-on-year, according to the figures from Q2. In the UK GDP jumped a modest 1.2% in the second quarter and then 0.8% in Q3, while France saw a 1.7% year-on-year increase in Q2 and Italy reported figures of 1.3%. It is Germany and the Netherlands, however, which are reporting the strongest growth, having seen their GDP figures jump 3.7 and 2.2% respectively over the period.

Economies throughout Europe, with possibly the exception of Greece and Spain which are still in recession, are beginning to pick themselves up, however there are still challenges which are affecting consumer confidence. Unemployment across the region has stabilised, but is still sizeable at 10.1 per cent on average and is likely to remain so into 2011. Inflation also remains stubbornly high in countries such as the Netherlands, Greece and United Kingdom.

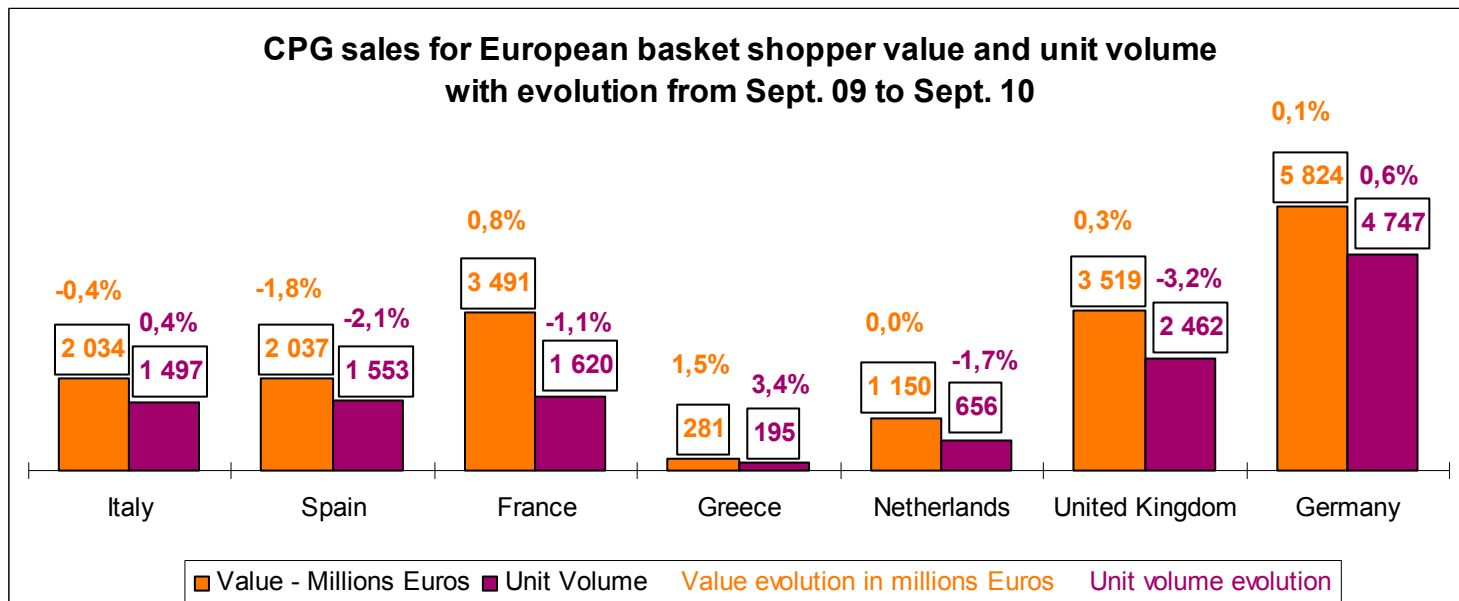
Government debt levels are also high, leading to severe spending cuts in many areas, with the UK leading the way with severe public sector cuts which could slash as many as 500,000 jobs and Italy having already made huge cuts in the sector. France too has been forced to take extreme action to haul itself out of the recession and faces a raising of the retirement age set to cast more economic uncertainty onto consumers. VAT levels in many nations have either risen or are set to rise, adding to consumer apprehension.

Consumer confidence levels have fallen in many countries, therefore, as the effects of the downturn continue to linger, with shoppers looking to minimise expenditure by keeping budgets in check. Across the board the forecast is of steady but extremely slow growth, as GDP inches upwards, but with unemployment set to remain high and more cuts on the way for many regions, the economic uncertainty is set to continue well past Christmas.

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CPG SALES



CPG value sales across Europe are growing slightly in the majority of countries despite the decreasing basket sizes of consumers in the worst hit nations such as Greece and Spain, and a general imperative among European consumers to seek out cheaper items. France appears to be the main exception here, where CPG total value sales have been increasing more than the inflation rate since the first half of 2010, when sales were up 2,3% while inflation stood at 0.7%. VAT price increases in some countries may have played a part in rising € sales, though and could continue to do so in the months to come as increases are passed on to the consumer.

Year-on-year value sales are on the rise, although the strength of the market varies from country to country, buoyed by several key trends.

Convenience foods are becoming increasingly popular as time starved consumers look to eat-on-the-go. The success of French retailer Sodebo's 'Pasta Box' product is illustrative – easy to prepare and consume and, crucially, value for money.

Consumers in countries such as Spain and Greece are deciding to forgo trips to the restaurant or hairdresser, for example, and will instead buy equivalent items such as beer, wine or pizza at their retailer. This can explain in part the success in € sales in Greece of categories such as ready meals (+7.9%), frozen pizza (+7.9%) and beer (+16.4).

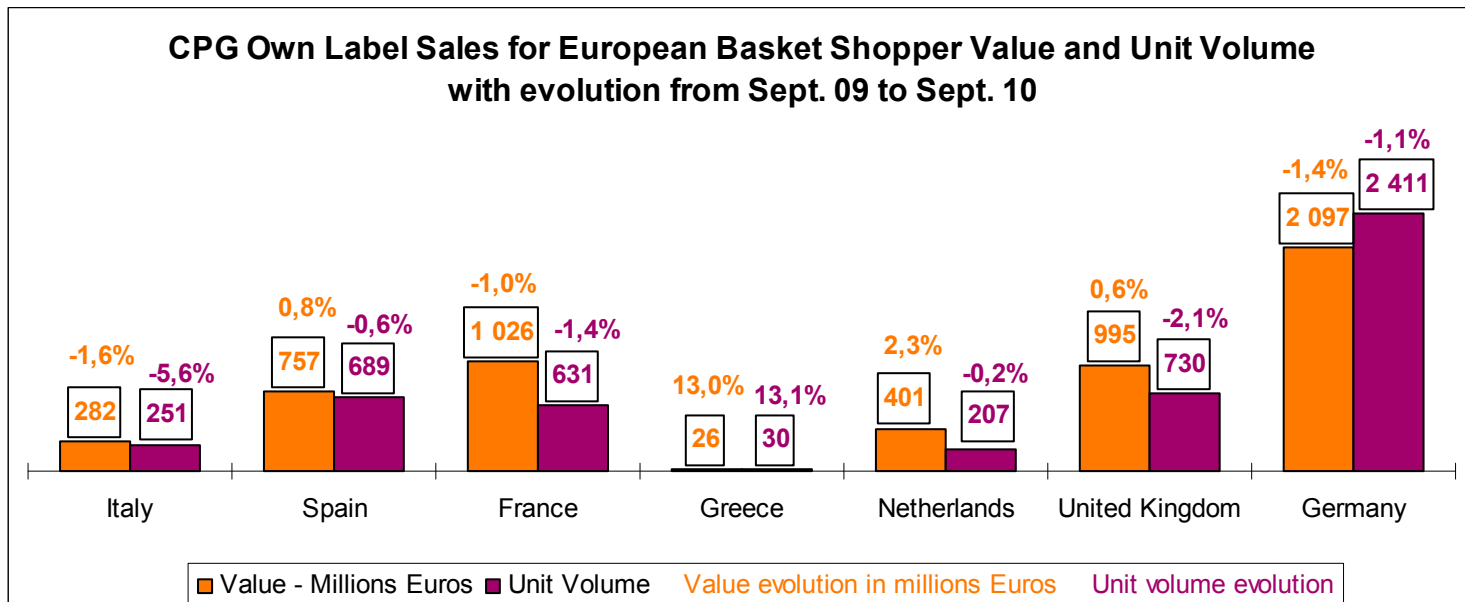
External factors have also been at play in recent months to influence the market and force retailers and manufacturers to remain alert to their customers' volatile shopping habits. The weather was the most obvious. A colder than average French summer, for example dented non-alcoholic cold drinks sales, which dropped 5.6% year-on-year, and boosted soup sales, which grew 7.7%. Beer sales in Italy were also affected, dropping 3.5% (€) and 5.8% (unit) year on year.

Meanwhile, the end of the H1N1 flu scare across Europe this year has reduced soap sales back to pre-flu levels; down 9.9% (€) in Greece and 11.3% (€ sales) in France between September 2009 and 2010.

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OWN LABEL SALES



Own label has been one of the benefactors of the increased consumer caution sweeping Europe, growing market share in most countries except France, Italy and Germany where it has decreased since a year ago on the categories surveyed. Consumer confidence levels have dropped to a lesser or greater extent, in all regions. In countries such as Greece, Netherlands and Spain, this has led to shoppers actively seeking out store brands like never before in order to reduce their outgoings.

In Italy own label is still strong with a market share standing at 15.5% (15,7% for the studied categories), having largely managed to overcome certain prejudicial stereotypes about such products being inferior in quality to their national brand equivalents. There was a growth in Spain, where retailers Carrefour and Eroski have expanded their ranges to meet the increasing price pressure on consumers by adding low price lines. Strongest of all for own label growth was Greece – no coincidence here that Greece is also the nation in the poorest economic health where consumer baskets are getting smaller and price is most important.

In the UK, shoppers have a more complex relationship with own label goods, which offer them many options in mid-range and high-end goods as well as cheaper lines. As an example, UK supermarkets Sainsburys, Waitrose and Asda all launched or added to their own label ranges in the past year with the emphasis on luxury at affordable prices. The plan is clearly to attract the British shopper looking for quality as well as value.

Aside from Germany, Italy and France, manufacturers are failing to match the growth in own label with their national brands, either recording negative or negligible growth from 2009-2010. They have been forced to promote heavily and cut prices in order to compete with the growing threat from own label goods and ensure their branded products remain attractive to customers (more of which below).

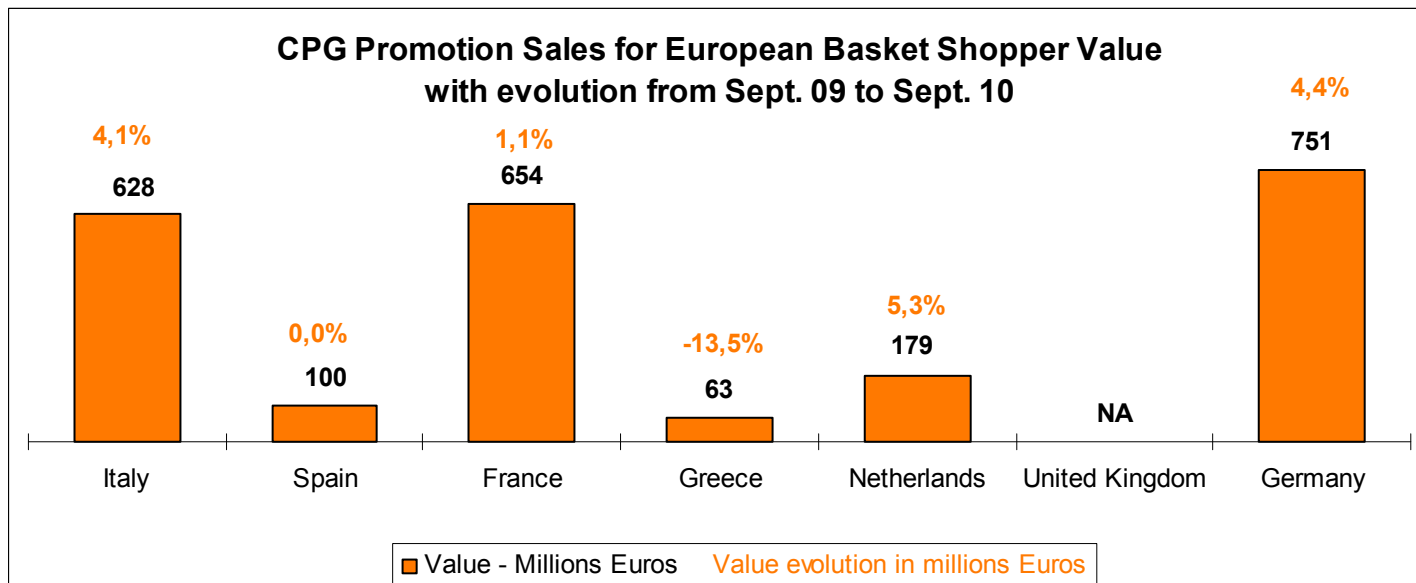
However, some brands have been able to cash in on certain shopping trends as consumers focus on things like convenience, eating-at-home and other areas. In Spain, Dr Oetker launched a successful new line of frozen pizzas (Ristorante and Casa Mamma), which boosted the category to strongest growth in value sales year-on-year with a 7.8% jump in national brand value sales (Sep '09-Sep'10), while own label barely recorded a 1% increase.

In Greece the laundry detergent category saw a jump in total sales volume of over 5.7% from 2009-10 and a fall in own label unit sales of 3.2% thanks partly to the launch of a new high end value for money national brand.

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PROMOTIONS



As mentioned, promotional activity has intensified across Europe, mainly driven by the need for manufacturers to counter the increasingly strong presence in the market of own label goods and offer cash-strapped customers the deals they are demanding. The percentage of sales on value sold on promotion (€ sales) has increased in most regions, while many countries show that promotional € sales are in double digits as a percentage of total sales. In Italy promotional pressure is at 24% and the average discount reaches the 27%, and Greece is at 22%. These are the highest countries, according to September 2010 figures.

Where own label share is particularly strong manufacturers are responding with the aggressive promotional strategies.

In Greece, where own label is growing considerably thanks to the increasing economic uncertainty and shrinking budgets, the carbonated drinks leaders embarked on a price and promotions war which pushed the € sales on promotion in carbonated beverages from Sep'2009 - Sep'2010 up to 57.5%. Total value sales on promotion for all products topped 22% in September 2010 as a result when on the categories surveyed the promotion level dropped by 13.5%.

Retailers are promoting too, however, in order to claim and retain market share. In Italy, in the bottle water category, own labels grew to reach a volume share of 9.2%, helped by increasing promotional activity planned to support own labels sales. Promotional volume sales jumped by 4.1% from Sep'2009 - Sep'2010 for the categories surveyed.

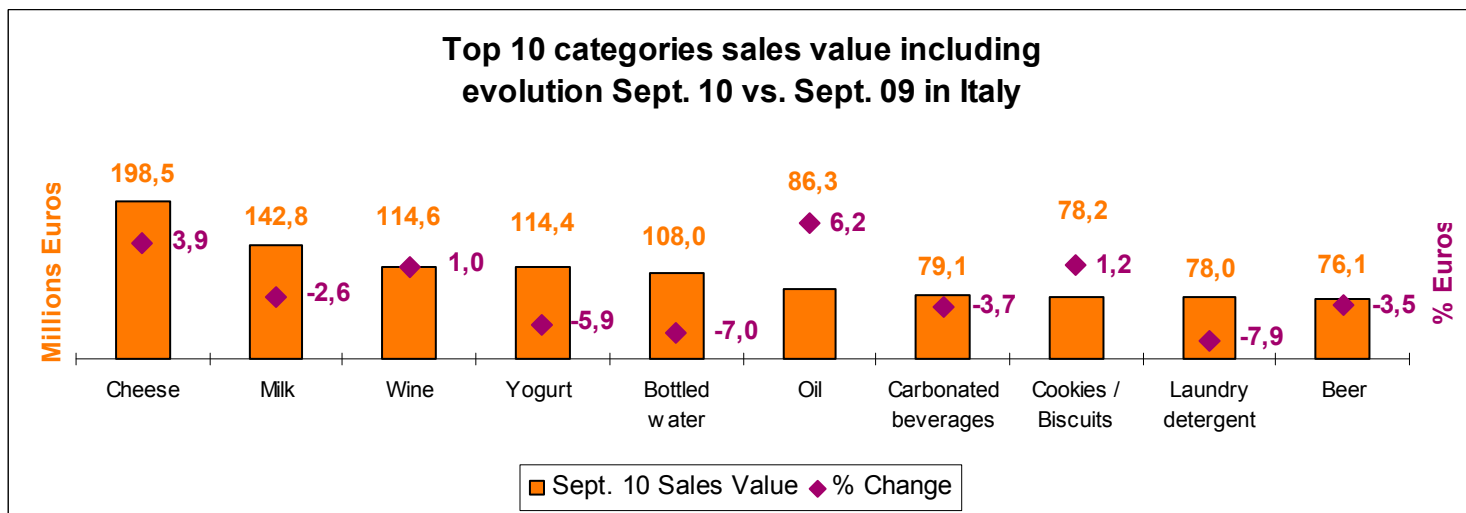
The strategy of heavy promotion is a risky one for all CPG firms however and can actively harm brand equity if customers expect to see low prices or promotional deals all the time. Extended periods of product promotion will also squeeze margins to breaking point if raw material prices begin to rise sharply as they are beginning to in some regions.

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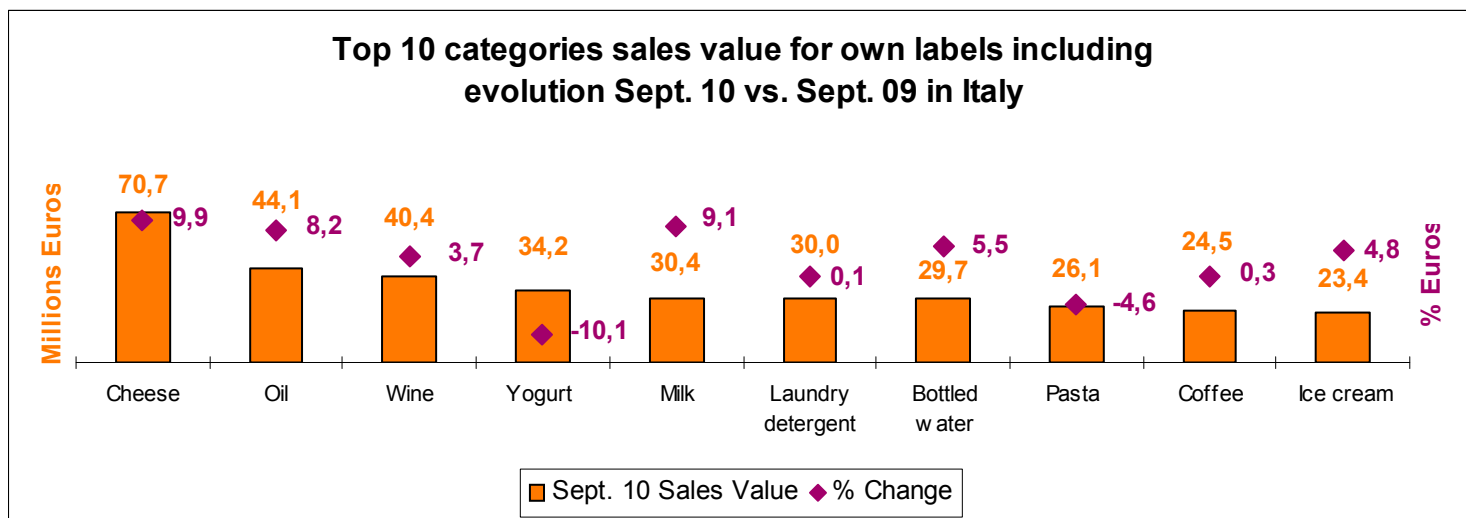
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COUNTRY-BY-COUNTRY: ITALY

Top 10 categories sales value including evolution Sept. 10 vs. Sept. 09 in Italy



Top 10 categories sales value for own labels including evolution Sept. 10 vs. Sept. 09 in Italy



Despite the overall improvement in economic outlook across Europe, Italy continues to struggle, with all signs at the end of the summer pointing to a slow and weak economic recovery. Italian GDP has barely recovered after a five per cent fall in 2009, with forecast growth in 2010 of just 1.3 per cent. Indeed, it is unlikely to return to pre-recession levels until 2013, and GDP actually decreased by 0.3 per cent in the third quarter of 2010, the worst in Europe according to OCSE figures.

Added to this, unemployment continues to be a massive concern for Italian consumers, with 2010 predicted to have risen nearly 500,000 since 2008. Levels of unemployment at 8.5% have not been seen since 2003, while the number of young people seeking employment has reached nearly a third. Massive public sector cuts have affected consumer confidence levels and spending power.

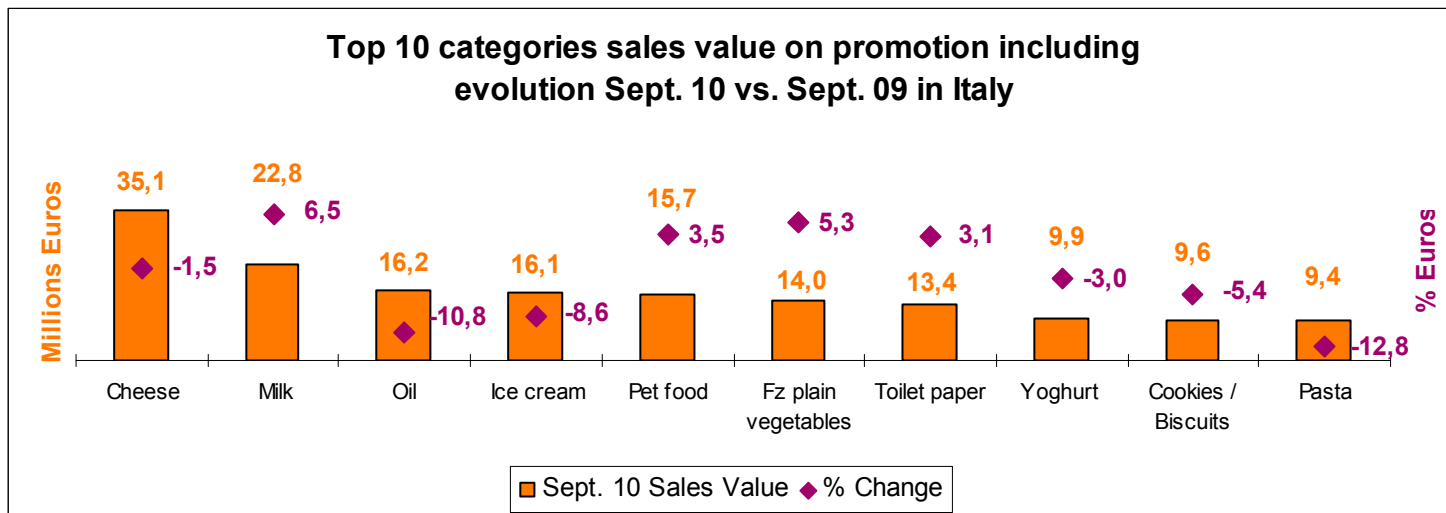
Although the ISAE in September announced consumer confidence is finally returning to the Italian CPG market, having increased for the first time since April. However, October levels are quite positive even if Italians are deeply worried for unemployment and family budgets.

With this gloomy economic backdrop, then, it's unsurprising that Italians are keeping an increasingly tight hold on the purse strings. Budget conscious consumers, forced to cut back on any discretionary spending, are still on the lookout for cheaper prices at the checkout and discounts, as they were during the height of the recession.

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COUNTRY-BY-COUNTRY: ITALY



Although, own label goods haven't performed well on the period surveyed the penetration stands now at 15.5% in the total CPG sector.

The category of salty snacks, for example, was propelled into the top five best performing from last year to this with a value sales increase of 5.0% thanks to strong own label sales. The traditional scepticism with which the Italian consumer viewed own label products has certainly now been overturned, with the help of recessionary pressures. Consumers realise that they can have their demands for quality and price satisfied by these goods and retailers are responding by covering a larger number of categories, a strategy which is challenging manufacturers in new areas. As a result, there is a strong promotion activity.

With families aiming to save money, value and volume sales are tellingly dropping in many areas. Value sales are performing poorly across the CPG board, with the total CPG market in September down at -0,4% .

Another effect of the recession still present after the summer is that that healthy and bio foods appear to be performing better than average since the first half of the year. This was a trend first acknowledged in pre-recession times, but the focus of Italian shoppers on healthy and environmentally sustainable foods is an understandable psychological response given the turbulent economic times of 2009. It may be a factor in pasta's increasingly poor performance over the past year, dropping over 7.6% in value sales year-on-year, as people are looking for more healthy or diet-based foods.

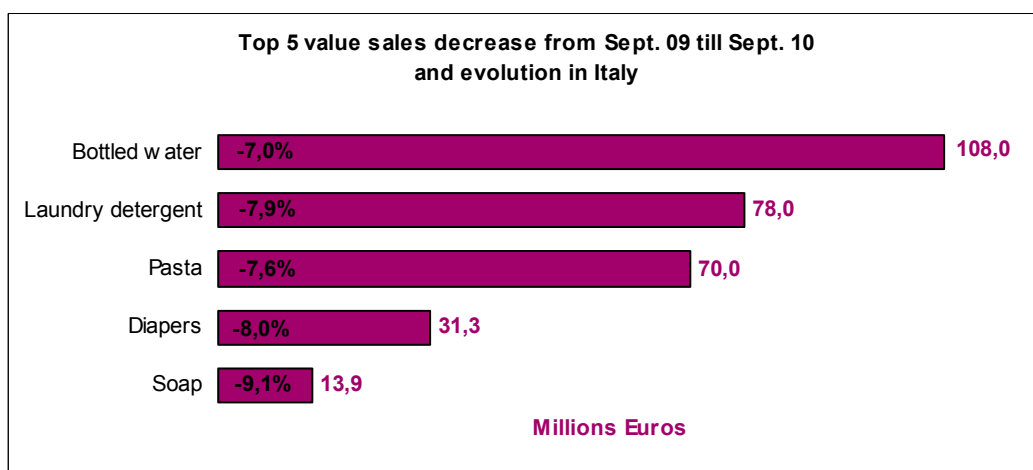
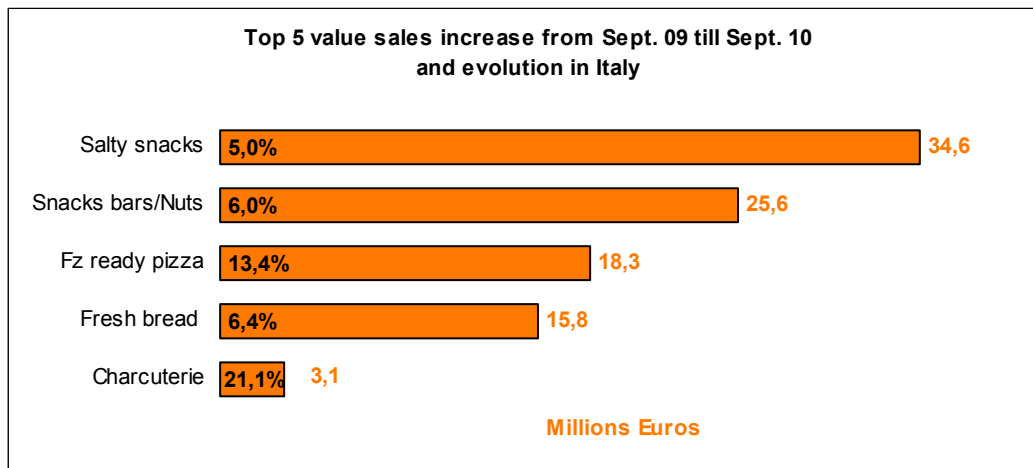
Another more telling factor in the performance of this category, however, is the trend towards more convenience foods, such as ready-to-eat and frozen foods which help the user to save preparation time. Frozen pizza is the second best evolving category in value and volume sales, rising 13.4% and 13.0% respectively, while healthy and convenient fresh bread is also trending very well. So we could say that Italians are switching category in large numbers to reflect their change in lifestyle.

With Italian consumers looking to rein in spending, and focus on fewer and cheaper products, it's also unsurprising to see both retailers and manufacturers intensifying promotions, an increase of 4.1% for the period and categories surveyed. Since the beginning of 2010, for example, 21.4% of total CPG sales were made under promotions, with this figure rising to 27% in September for the categories surveyed (and 24% for the total CPG market). However, the number of branded products on promotion increased while those on own label dropped slightly since 2009, showing that manufacturers are having to place more faith in this strategy to compete with own label's continued increase in market share.

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COUNTRY-BY-COUNTRY:
ITALY



Retailers and manufacturers will continue a lot of promotions in point of sales, and retailers will continue to promote own label goods, as they both seek to sustain sales in an uncertain, poor economic climate. The demand for healthy and more convenience-orientated foodstuffs will also continue to offer opportunities for national brands and own labels.

However, a return to pre-recession sales figures is only guaranteed with an improvement in the jobs market and general economic recovery to boost consumer confidence levels. CPG firms must also be mindful of rising commodity prices, with coffee (60%), wheat (40%), industrial packaging (30%) all increasing in the past 7 months and meat having reached the highest price in the past 20 years.

For next year in Italy it's possible to forecast a flat volume trend and an inflation rate increase across CPG categories.

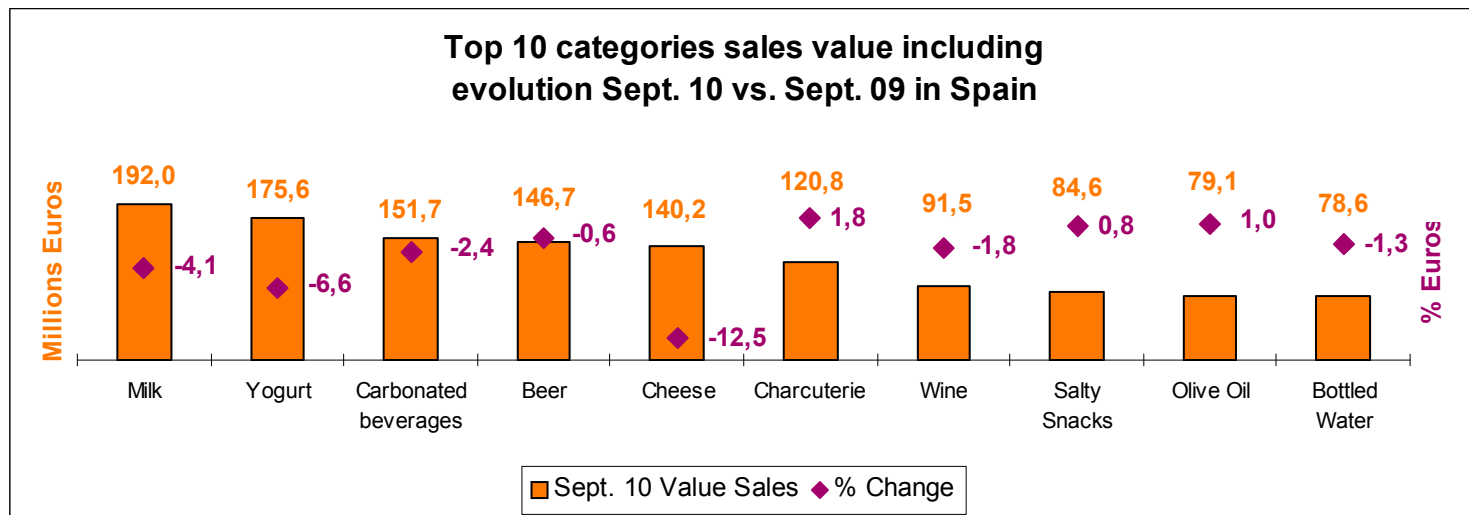
Note: Fresh and chilled ready to eat meal is not available.

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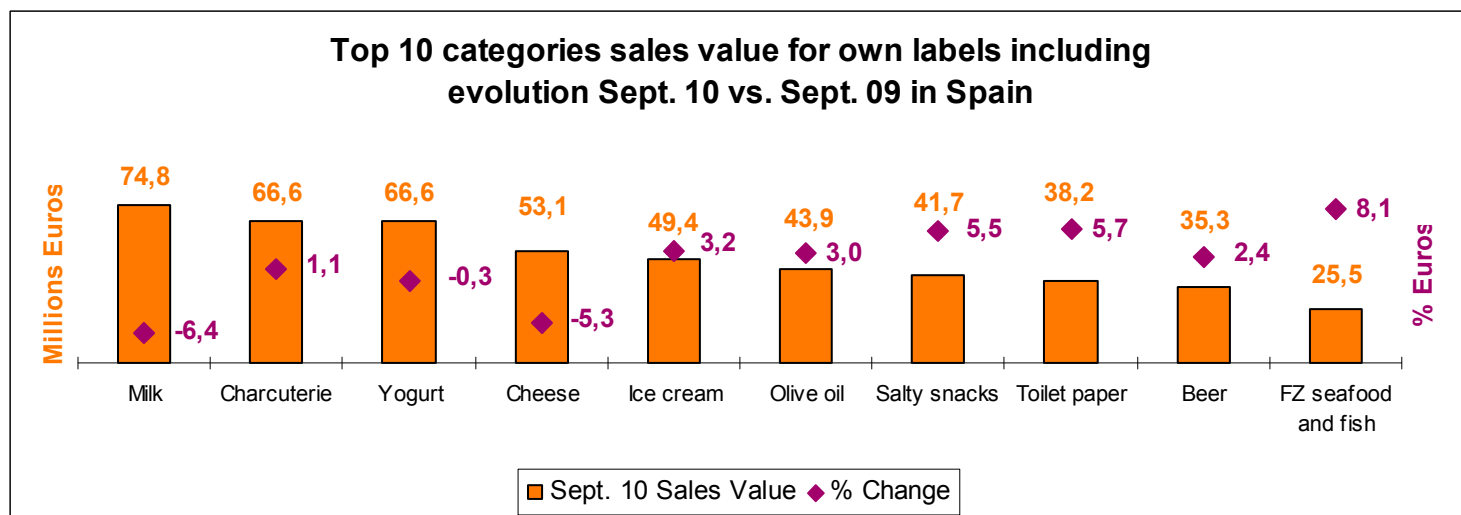
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COUNTRY-BY-COUNTRY: SPAIN

Top 10 categories sales value including evolution Sept. 10 vs. Sept. 09 in Spain



Top 10 categories sales value for own labels including evolution Sept. 10 vs. Sept. 09 in Spain



Spain has been hit by some of the worst economic conditions in Europe and the country is still deep in recession.

Unemployment has risen an astonishing 19% since September 2009 to reach 20.8% as of September 2010, the highest in Europe. Inflation, meanwhile, stood at just above 2% in September while GDP remains the second lowest in Europe after Greece, having dropped 0.1% year on year (Q2). VAT was also raised back in July, from 16 to 18%, contributing yet further to the gloomy economic backdrop.

It's not surprising, therefore, that Spanish consumers are some of the most canny in Europe when it comes to seeking out the right products for their basket at the right price. Spanish shoppers were among the first to embrace own label goods in large numbers and, forced by economic imperatives, they have honed their bargain hunting skills yet further.

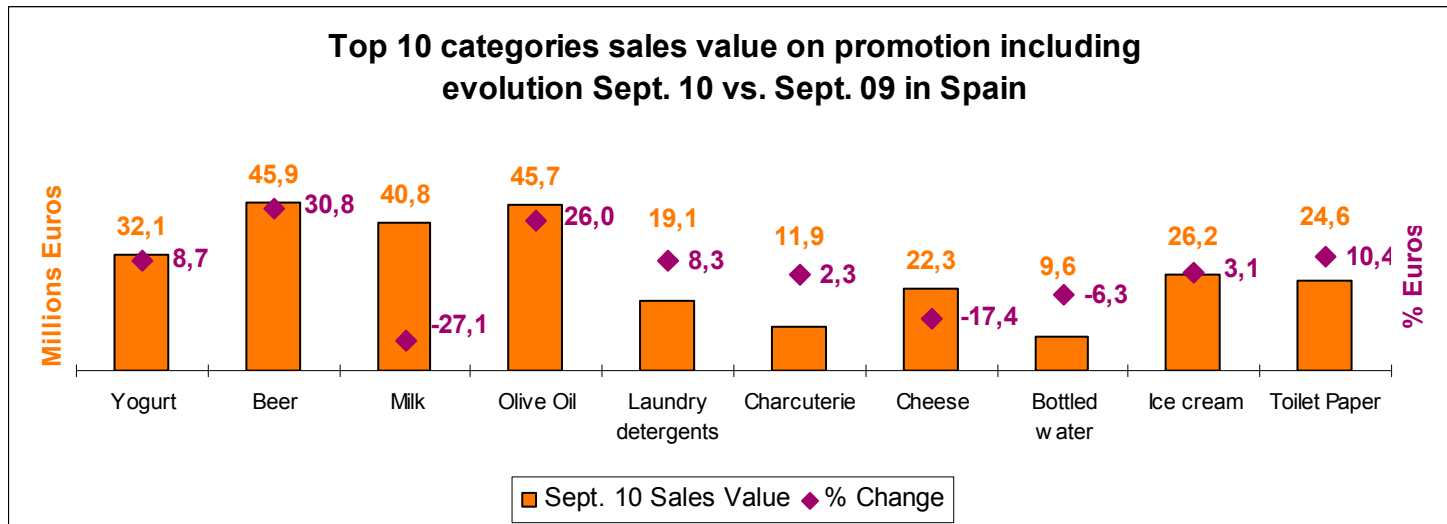
Spanish consumers have become extremely intelligent shoppers, researching new brands and own label goods to find the lowest price at the level of quality they expect.

Own label goods are among the main winners from this trend, increasing market share to an impressive 40.1% by September 2010. Own label value grew by 0.8% over the year, bucking a trend that saw total value and volume sales drop 1.8% and 2.1% respectively for those categories surveyed.

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Does the recovery start here?

COUNTRY-BY-COUNTRY: SPAIN



In such a fiercely competitive market and with Spanish shoppers uncompromising on their shopping budget, it's not surprising that pricing and promotions have been a key battleground for retailers and manufacturers, in some key categories.

There was an increase in promotion value sales of beer of 28% and in own label sales of 2.4% due to price cuts, for example, while cold cereal value sales decreased by 4.8% and volume sales decreased by just 1.6%, due to massive promotion sales (more than doubled year-on-year in promo value sales).

Some retailers (Carrefour and Eroski) have even launched value lines to cash in on the trend for low price goods, while advertising is dominated by messaging around price reductions.

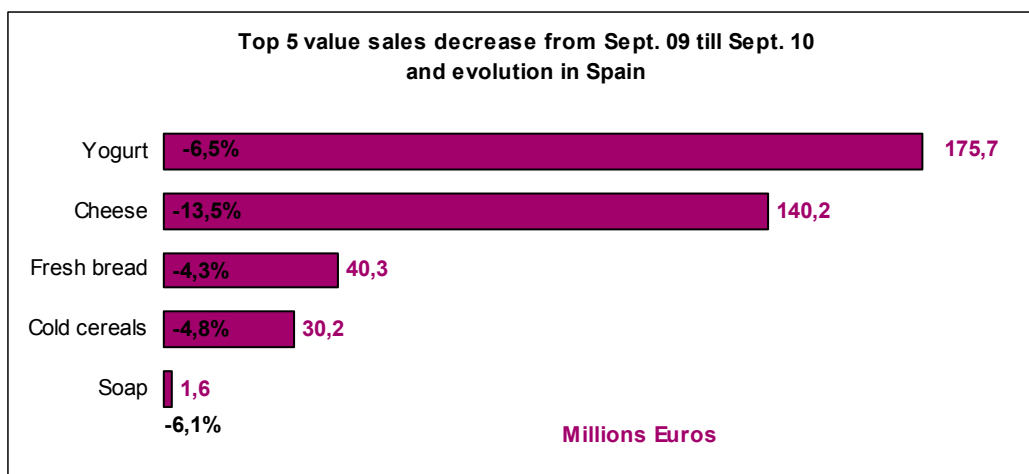
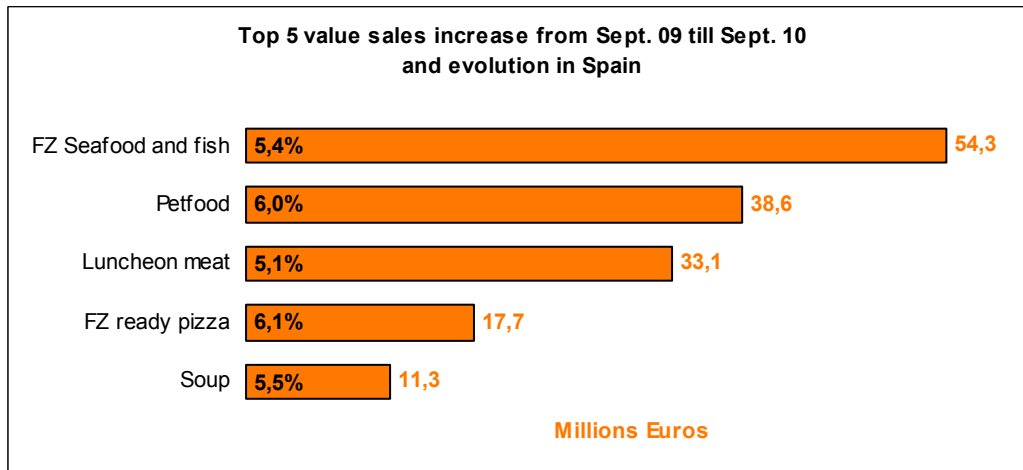
Constrained by ever smaller budgets, Spanish consumers are also going out to consume products less often and staying at home to do so more. Smart CPG firms can capitalise on this trend. Manufacturer Dr Oetker, launched a successful new line of frozen pizzas (Ristorante and Casa Mamma), leading to strong value and volume sales and ensuring that the category had the strongest growth in value sales from last year to this.

Charcuterie could be another beneficiary of the stay-at-home trend, seeing strong growth in unit sales over the year, as more consumers eat breakfast at home.

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COUNTRY-BY-COUNTRY:
SPAIN



September in Spain seems to have mirrored many of the trends of the previous months, with manufacturers and retailers battling to attract the increasingly frugal consumer with price cuts, promotions and own label goods. Manufacturers such as Campofrío, with its brand Pavofrío have lead the way by proving a well-thought out ad campaign 'Elenas Salgados' can help re-emphasis messages of quality and brand value compared to own label.

In the coming six months, CPG firms will have to find continued opportunities to increase volume sales through similar strategies, although manufacturers will be aware that their margins are being squeezed ever tighter by constant promotions and rising cost of raw materials such as cocoa, sugar and soya.

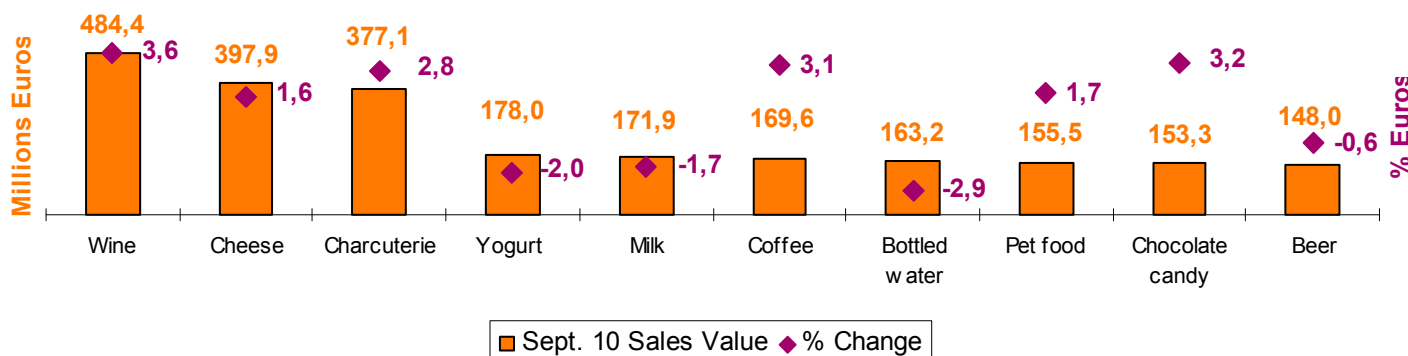
Communication and innovation are key, but the latter is traditionally difficult to achieve in this market and in a recession even more so. Therefore we are unlikely to see any major new product launches, rather new flavours of existing products or different packaging and, of course, continued strong advertising from national brands.

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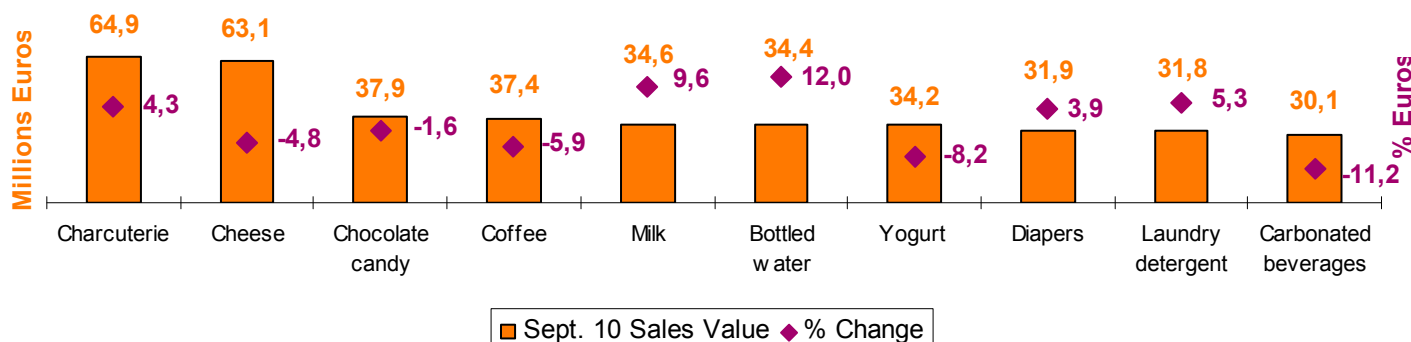
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COUNTRY-BY-COUNTRY: FRANCE

Top 10 categories sales value including evolution Sept. 10 vs. Sept. 09 in France



Top 10 categories sales value for own labels including evolution Sept. 10 vs. Sept. 09 in France



Consumer confidence levels in France actually improved through 2009 and the recovery appears to have strengthened the longer 2010 has worn on, however, there is still caution and economic tightening, after all unemployment is still extremely high at nearly 10%. However, inflation is virtually zero and the French consumer has been spending again. CPG sales for the first half of 2010 were +2.3% while inflation was 0.7%, for example, and France expect a 2010 growth rate of 1.2%, which is fairly weak but heralds a potential restart of the economy.

French consumers are also taking advantage of promotions to buy quality goods, usually national brands, helping contribute to the premiumisation of the French consumer.

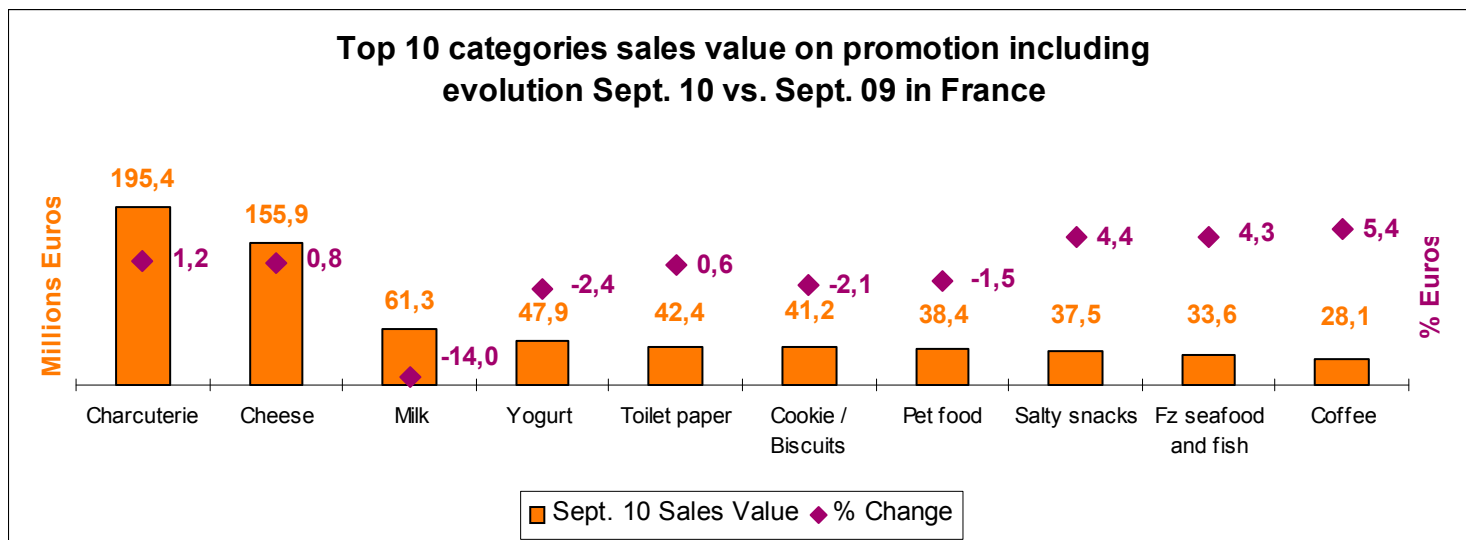
In total, 60% of products analysed by SymphonyIRI Group increased sales revenue and 47% increased volume sales in September. Although these rates are much lower than the 75% and 72% figures from the period Jan-August 2010, for those categories surveyed they are still impressive.

A trend towards prudence was observed from 2008 to end 2009 which has since reversed. Rather, we are now seeking a new behavior of “frugal fatigue” in French consumers who spend more on quality goods at home instead of going out, although there’s no telling how long this will last. Economic barometers are encouraging but household confidence is low. In its place could emerge a renewed sensitivity to price similar to that witnessed when the recession first hit.

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COUNTRY-BY-COUNTRY: FRANCE



Own label has slowed down with a share of around 30% of those categories surveyed, with a drop in Sept. 2010, as promotion pressure increases from national brands. In fact, cheese and charcuterie, both ranked among the top three in revenue and unit sales, can put their position down to strong promotion and own label sales. In cheese, these two factors represented 81.7% of total sales value while the figure for charcuterie stood at 70.0%.

Once again, external factors such as the weather are having an effect on sales, a colder than average year so far has dented non-alcoholic cold drinks sales, which dropped 5.6% year-on-year, and boosting soup sales, which grew 7.7%.

Finally, convenience food such as the ‘fresh, chilled ready to eat’ category continues to show strong growth as the French consumer decides to eat more on the go and less at home. This was the biggest growth category from Sep 09-Sep 10 at 8.7% increase in value

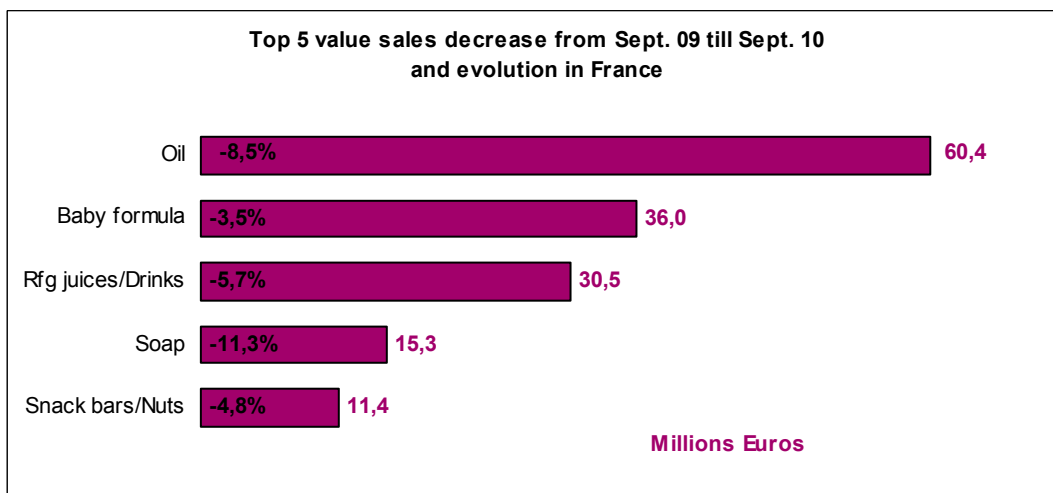
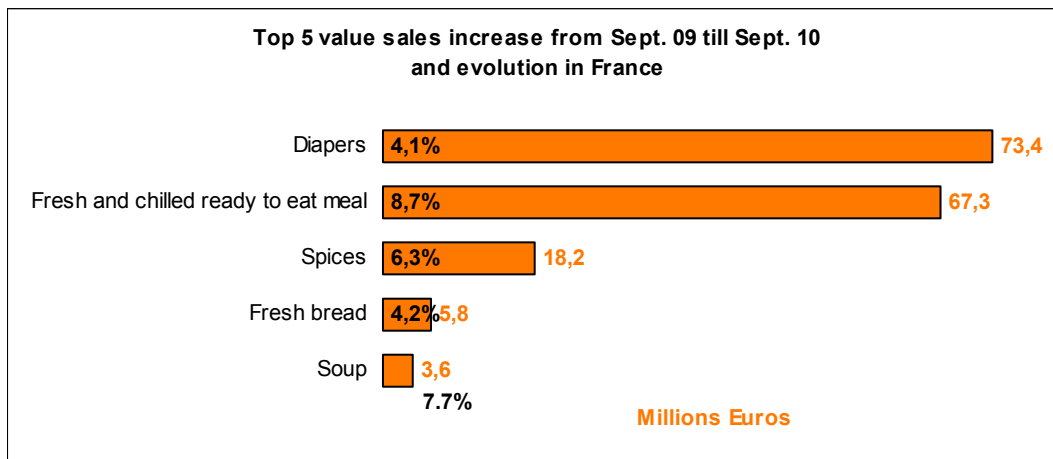
sales and 10.1% in volume sales, driven mainly by the ultra-convenient, value for money ‘Pasta Box’ phenomenon. Oil value sales were among the poorest performers with a -8.5% drop in part due to the decline of the “cooking at home” trend as convenience meals and foods are growing in popularity.

For the month of September two-thirds of the categories analysed had slower increases in sales than for the previous eight months, and this decline is set to continue as uncertainty over the future causes a renewed tightening of the purse strings. The recent strikes in October over the government’s retirement plans is just one very public display of the unrest and concern about the future which will have a knock on effect at the check out, but there are opportunities for CPG firms to cash in on consumers growing love of convenience foods.

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Does the recovery start here?

COUNTRY-BY-COUNTRY: FRANCE



If we are indeed monitoring the end of the “frugal fatigue”, it will be good news for hard discounters. But for the moment shoppers are still willing to buy quality products. It’s still uncertain whether the low morale of the household will impact consumption and make shoppers look at price as the key criteria, or if they are keen to continue going out less and buying quality food for meals at home instead. This trend has been here for several months and CPG players should consider it when looking for growth opportunities.

Promotional activity is an option but already stands pretty high with 17.4% € sales in Sep 2010 coming from promotions. Manufacturers must also be cautious about the potential impact of any raw commodity price rises, although the end of the year is always a period

of negotiation between retailers and manufacturers. Findus has already been forced to increase its prices for frozen fish by 15% in January 2011 due to the scarcity of resources globally and any price rises in the current climate will be a challenge to maintain market shares.

For retailers there are opportunities despite the maturity of own label goods in France, but they must beware of the growing strength of national brands.

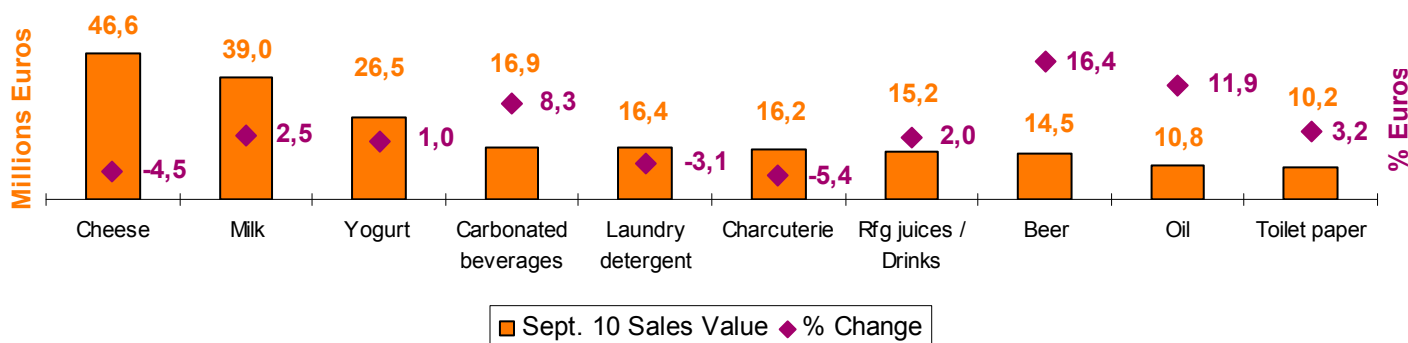
Notes: Wine own label and promotion sales are not available. Wine category doesn't include champagne and sparkling wine.

September Review

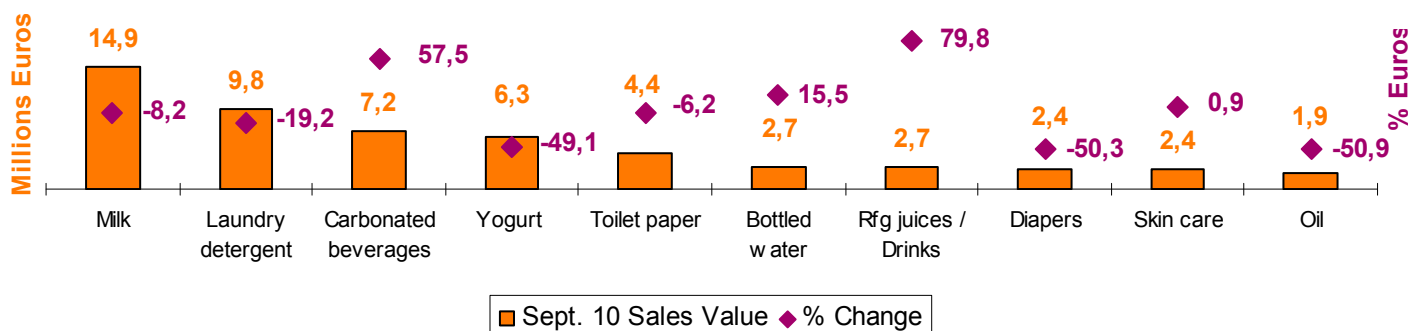
Does the recovery start here?

COUNTRY-BY-COUNTRY: GREECE

Top 10 categories sales value including evolution Sept. 10 vs. Sept. 09 in Greece



Top 10 categories sales value for own labels including evolution Sept. 10 vs. Sept. 09 in Greece



Greece was undoubtedly the headline maker for all the wrong reasons in Europe during the height of the recession, as its sovereign debt crisis brought the country to breaking point. As a result, Greece is still rooted deep in recession as the region's worst economic performer, with unemployment standing at 12.2%, inflation stubbornly high at 5.6% in September 2010 and GDP down a whopping 13.6% year-on-year.

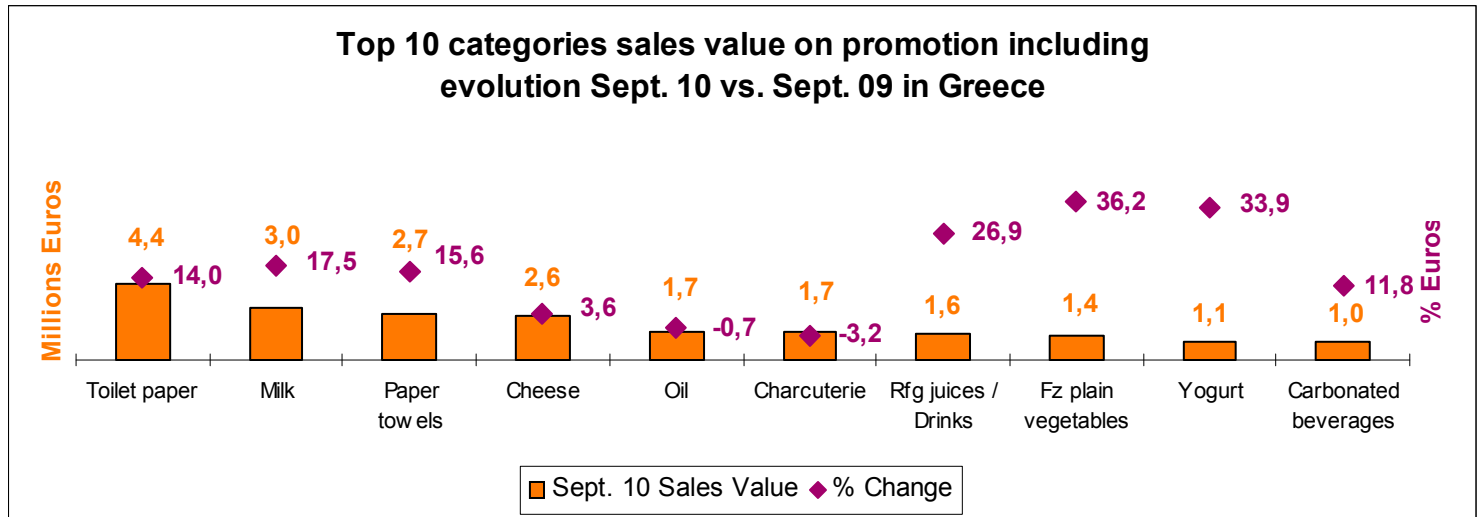
Two VAT increases during 2010, from 19-21% and then up to 23%, have left prices high in many areas and, coupled with the poor economic climate, forced consumers to further tighten their spending as household budgets contract and shopping baskets get smaller.

With this backdrop, Greek shoppers are looking increasingly to own label goods to satisfy their demands on price, with own label value sales up 13% and volume sales up 13.1% from Sep 2009 - Sep 2010. Both retailers and national brands, meanwhile, are responding to the crisis with promotions to attract cash-poor consumers, despite an overall drop in year-on-year on promotions of 13.5% in value sales for those categories surveyed.

September Review

Does the recovery start here?

COUNTRY-BY-COUNTRY: GREECE



Increasing price sensitivity can be seen in the soup category, which recorded the second largest drop in unit and value sales 2009-10 at -6.2% and -6.3% respectively. This can be explained by a decrease in sales in the 'dehydrated' segment and a parallel increase in the lower cost 'instant' segment, as shoppers switched over to satisfy growing price pressures.

Charcuterie is also among the five worst performing categories over the period, recording -5.4% value sales and -5.4% unit sales figures as shoppers move from over-the-counter products to self-service in order to better control what they are spending.

Greek shoppers, like their counterparts in Italy, Spain and elsewhere, are spending more time at home rather than eating out, pushing up year-on-year value sales in categories such as ready meals (7.9%), frozen pizza (7.9%) and beer (16.4%).

Pricing and promotions have been a key battleground in the carbonated drinks category with leaders having begun a price war in early 2010. This has driven a 57.5% jump in value sales from promotion from Sep 2009 - Sep 2010, and a 42% volume sales from promo increase. Heavy promotions in laundry detergents also helped increase volume sales in this category with a parallel decrease in own label unit sales.

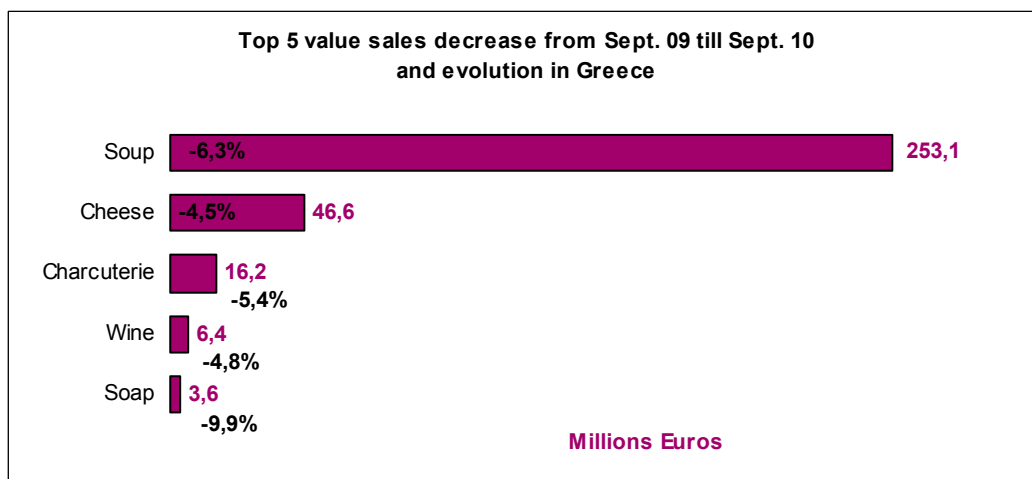
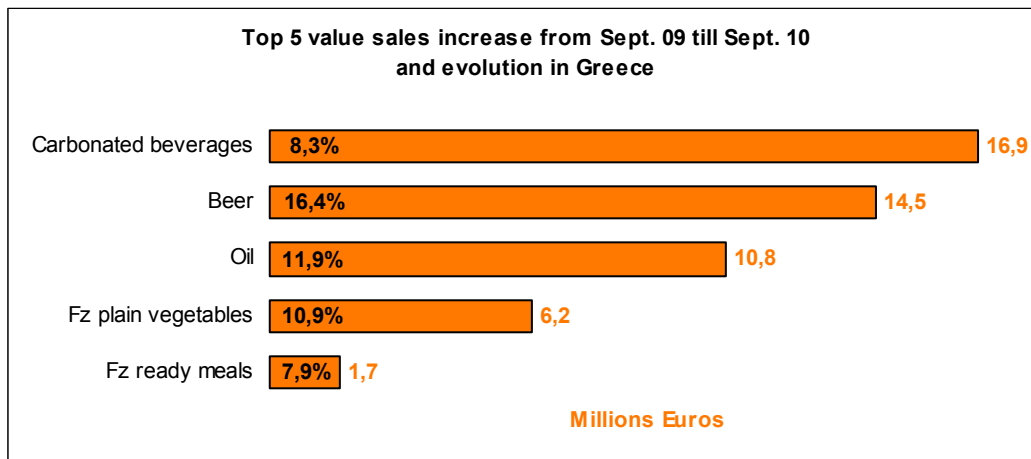
It's not just the brands that have been promoting as they vie for the business of the cash starved Greek shopper, however. In bottled water, own label share has rocketed 50% thanks to heavy promotion by own labels over the past year.

Elsewhere, manufacturers have tried to compete with the growing own label market share by launching new brands, again with price a major factor. The laundry detergent category saw a jump in sales volume of 5.7% from Sep 2009 - Sep 2010 and a fall in own label unit sales of 3.2% thanks partly to the launch of a new high-end, value for money brand.

September Review

Does the recovery start here?

COUNTRY-BY-COUNTRY: GREECE



Despite all the doom and gloom, the Greek economy is actually fairing better than many had predicted, having met all the targets set by the IMF and ECB and in September receiving the second €9bn installment of its massive bailout loan. The European Commissioner Oli Ren even wrote of a Greek Renaissance in a September *Wall Street Journal* article, while fourth biggest retailer Sklavenitis invested in a new Hypermarket of more than 15.000m2.

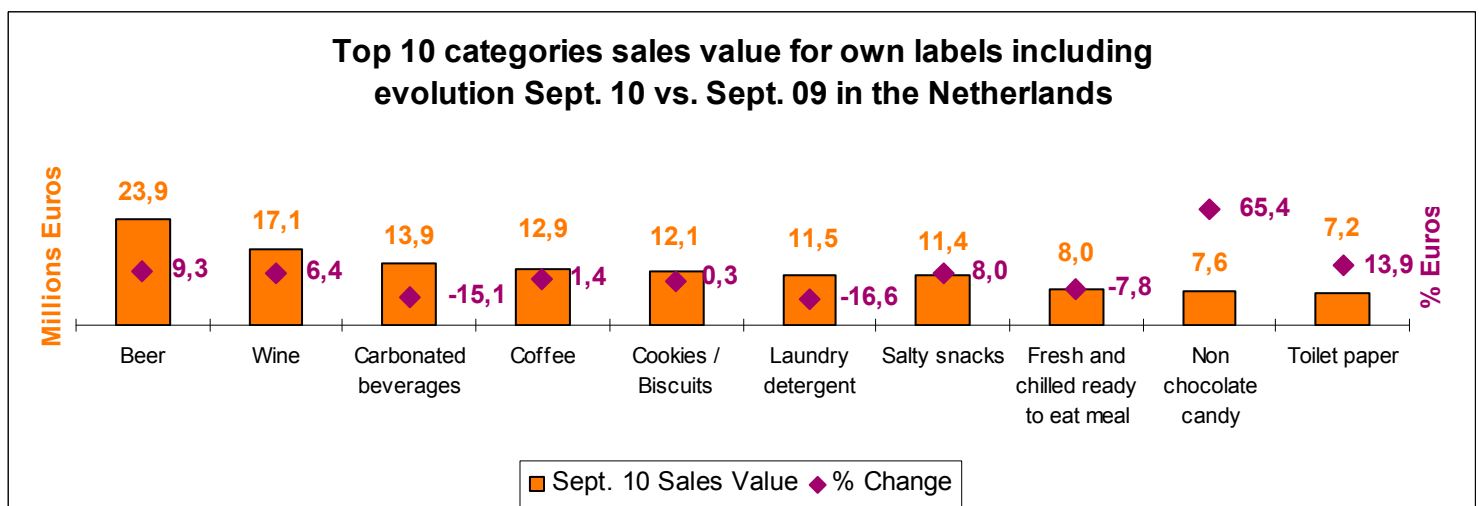
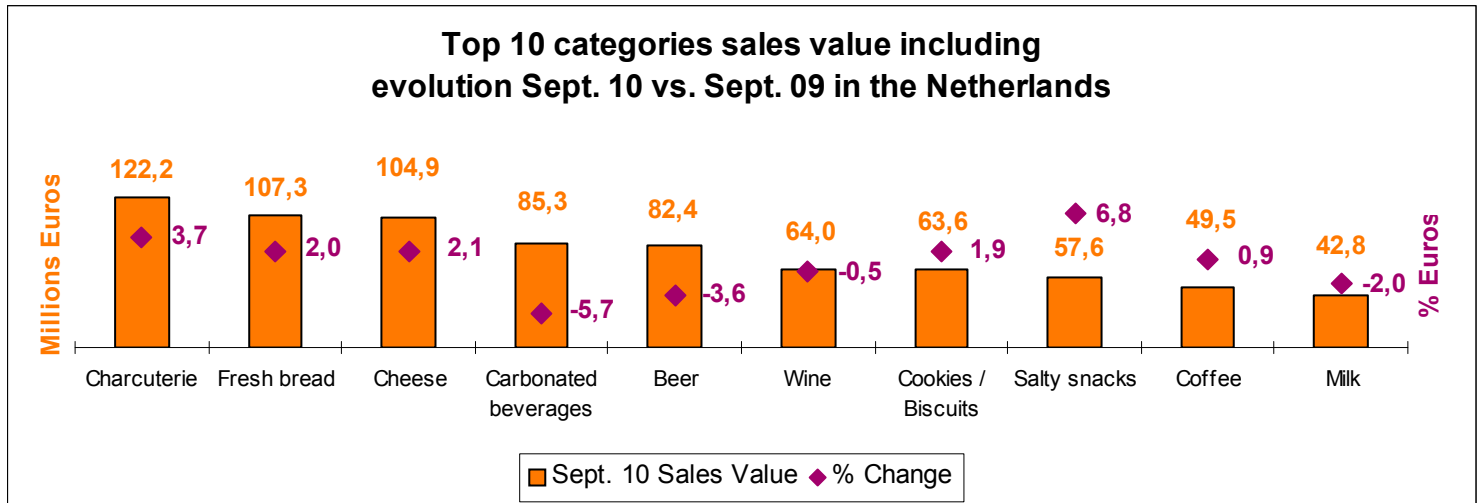
However, despite year-on-year value sales growth of 1.5%, while inflation, unemployment and VAT remain stubbornly high the Greek consumer is likely to continue to be extremely cautious with its money, minimising basket size, with own label growth and high levels of promoted products set to continue on the run up to at least to Christmas.

Notes: Pet food, coffee, cold cereals, ice cream, luncheon meats, snacks bars/nuts, spices, chocolate candy and non chocolate candy and ambient pasta and noodles are not available.

September Review

Does the recovery start here?

COUNTRY-BY-COUNTRY: NETHERLANDS



The Netherlands is pulling clear of the recession with more confidence than most European nations. Its economy grew 2.2 percent in the second quarter of 2010 compared with the same quarter last year, revised up slightly from first estimates, while unemployment has dropped to below 5% - well below the European average. Inflation, which was 1.2% in 2009, is forecasted to stand at 0.7% for the last twelve months.

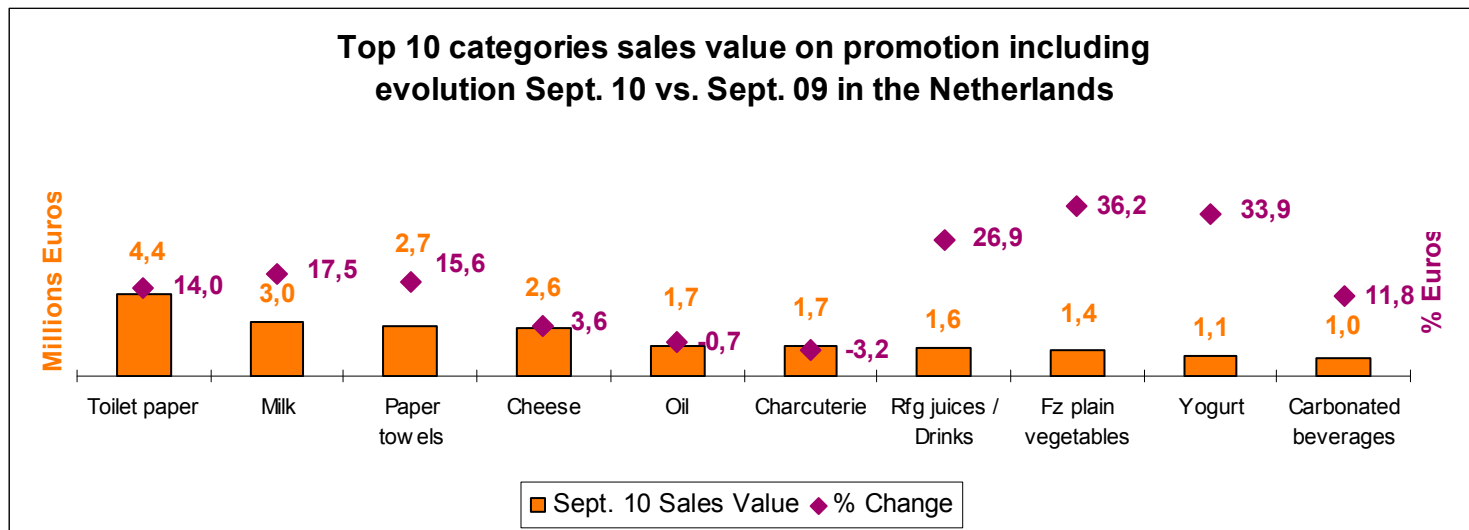
Despite this far from pessimistic economic backdrop and a new government at the helm of the country, Dutch consumers are as cautious about the prospects of economic recovery as many of their counterparts across Europe, leading to conservative shopping habits.

Value sales are stable and volume fell over the year by 1.7% as shoppers watch their spending carefully. Some categories have suffered. refrigerated juices/drinks posted a decline of -8.4% (€ sales) thanks in part to shoppers abandoning many of the more expensive brands and retailers altering assortments. Tighter spending habits can also partially explain the massive 20.6% drop in € sales of bottled water.

September Review

Does the recovery start here?

COUNTRY-BY-COUNTRY: NETHERLANDS



As in most European countries, own label is generally benefiting from the more conservative consumer trend, having increased a modest 2.3% (€ sales) year-on-year to reach a healthy share of 26.4% of total value sales for the categories surveyed. However, not all retailers are growing their own label lines and SymphonyIRI insights indicate shoppers are less willing to switch to own label than they were a year ago. Retailers should also be concerned that Dutch shoppers seem to be increasingly retailer agnostic; switching stores at will depending on who has the lowest prices.

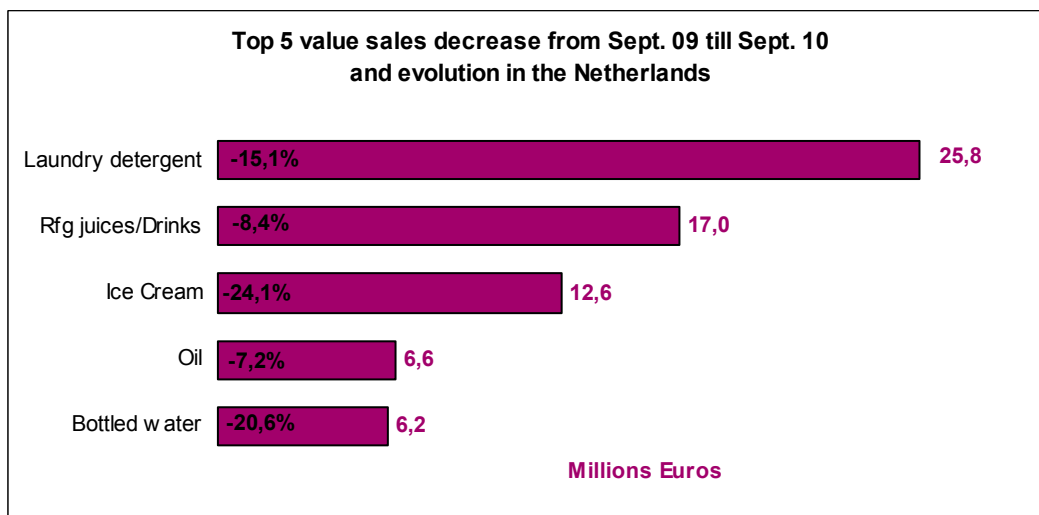
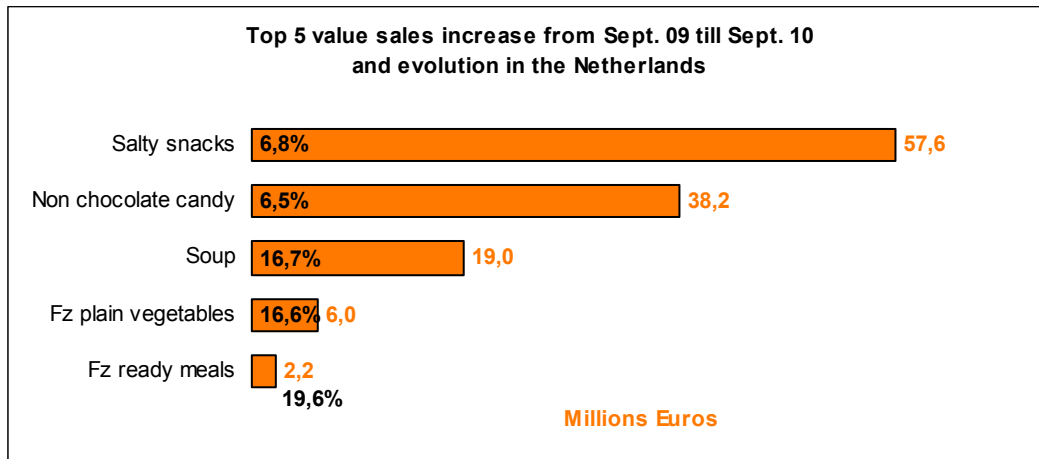
Manufacturers have sought to increase promotion pressure, leading to a jump of 5.3% € sales so that promos reached a sizeable 14.9% of total € sales by September 2010. Manufacturers are also looking to expand market share by focusing marketing messages and packaging on environmentally sustainable products. However, product innovations are having a smaller impact than in pre-recession times and so brand refreshes or line extensions are likely to reap greater rewards.

For example, Lay's created new platforms, added new flavours and expanded promotions to boost the salty snacks category into top five major progression categories with a 6.8% € sales increase. In the soup category, Unox was relaunched, increasing prices supported with more promotions to help the category increase value sales by 16.7%.

September Review

Does the recovery start here?

COUNTRY-BY-COUNTRY: NETHERLANDS



As in most other regions, the weather has affected sales of certain goods. A warmer than usual June and July combined with the World Cup propelled beer into the top five categories by volume and value sales, supported by football related promotions. However, September 2010 has not been as hot on average as 2009, leading to an 8.9% in unit and 5.7% in value decline in carbonated beverage sales in that month.

In the months to come the Dutch shopper will remain cautious despite the relatively promising economic outlook, with an eye for the bargains and a diminishing sense of brand or store loyalty. Promotions are certainly necessary from manufacturers and retailers but aren't good for margins and shouldn't become the norm, given the

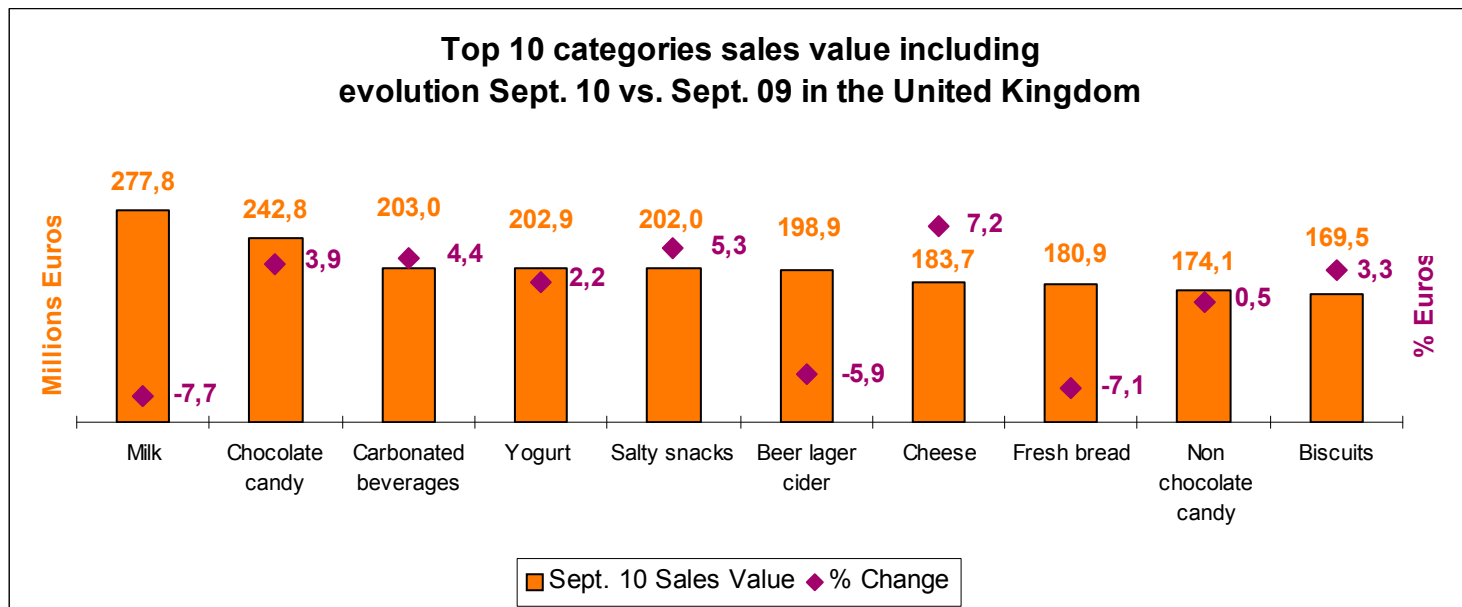
potential for commodity price rises. Relying on them too much could lead to customers expecting lower prices and better deals all the time, for example, which will make it doubly challenging to improve margins. Instead, retailers and manufacturers could benefit from extending lines, refreshing brands and capitalising on the desire for environmentally and ecologically friendly products such as Fairtrade.

Notes: For charcuterie, cheese and fresh bread, there is no units sales and no value sales for sales on promotion. Snack bars/nuts and soap are not available.

September Review

Does the recovery start here?

COUNTRY-BY-COUNTRY: UNITED-KINGDOM



The UK economy can best be described at present as ‘on the right track but not quite out of the woods yet’. Growth returned to the economy in 2010 and the latest figures released in October showed another rise in GDP by 0.8% for the last quarter, after a previous quarterly jump of 1.2%. Inflation is still refusing to come down though, and remains at a shade over 3% while unemployment is stable at just under 8%.

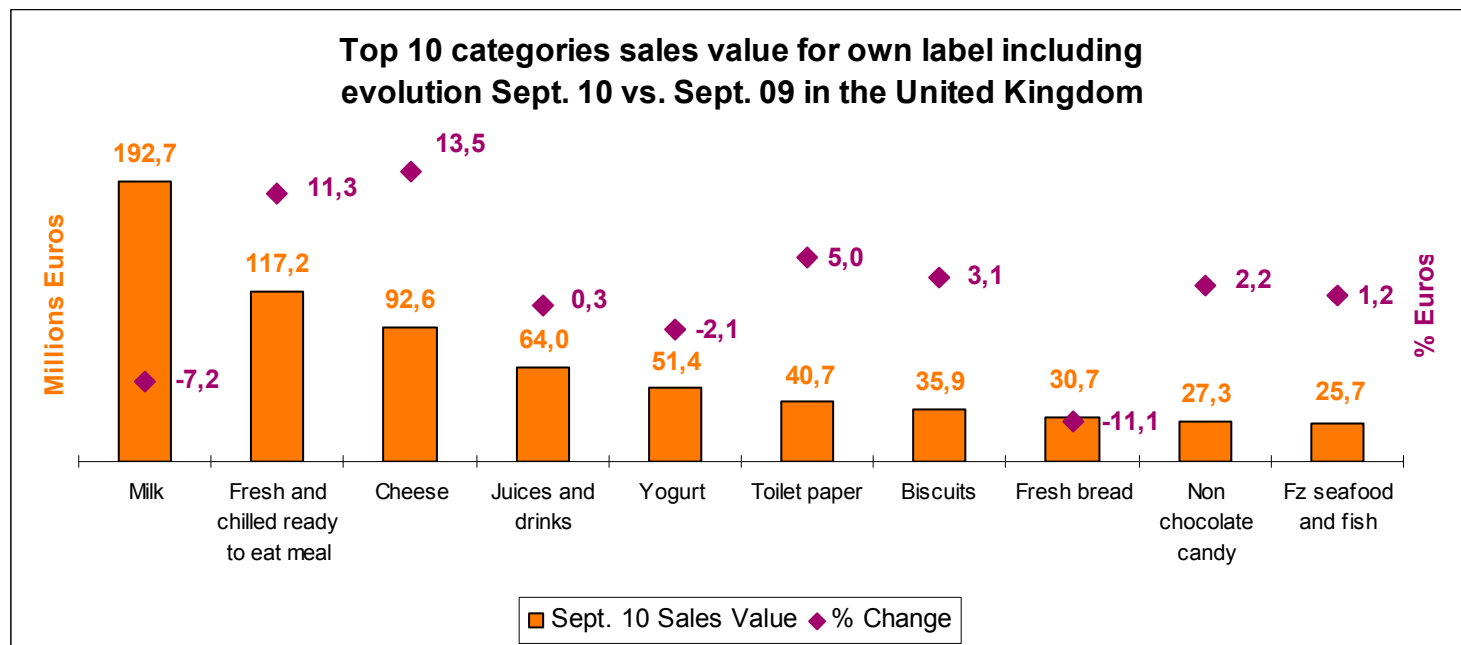
However, CPG firms will be well aware that a potential storm is brewing in the child benefit cuts announced by the government that could affect the budgets of many middle class families. More importantly, tough times lie ahead after public sector cuts were announced in October which may see job losses of up to 500,000. VAT is also set to rise from 17.5% to 20% in January, which could affect sales prices if CPG firms decide to pass them on.

Given the uncertain economic climate, British consumers are still cautious about what they spend their money on. Although there was some recovery in 2009, September sees the UK shopper increasingly selective and with an emphasis on quality but also crucially value.

September Review

Does the recovery start here?

COUNTRY-BY-COUNTRY: UNITED-KINGDOM



Own label providers have been quick to capitalise on this trend. Asda has launched a mid-range own label called 'Chosen for you' while Waitrose has added the exclusive 'Duchy' lines to its own label range and Sainsbury's has re-launched one of the retailer's own label ranges, 'Taste the Difference'. It remains to be seen whether such strategies can halt the slide of own label market share, which dropped slightly over the year to around 28% of the categories surveyed.

Promotions, although up year-on-year in volume sales from 50.1% to 54.4% are decreasing slightly from their historical high levels, having peaked at a whopping 56% of 37 categories studied. But there could be an increase ahead as CPG firms concentrate their

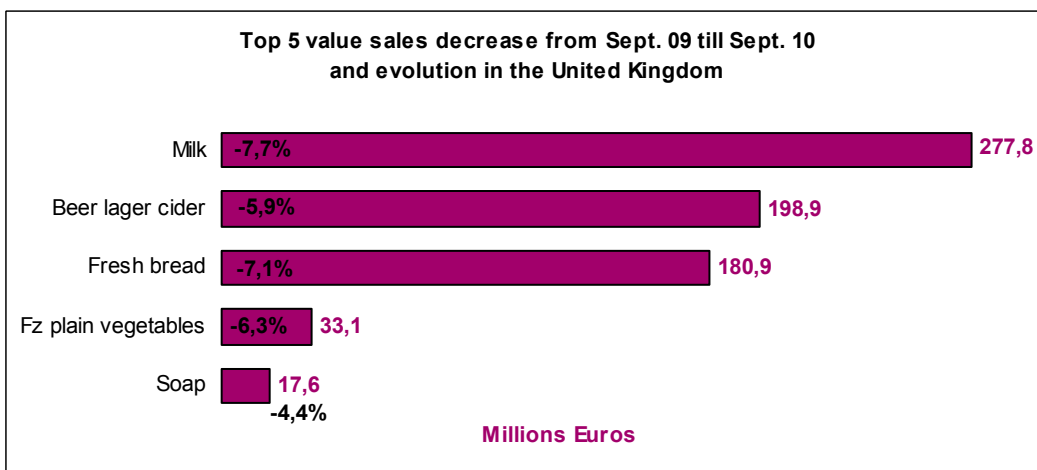
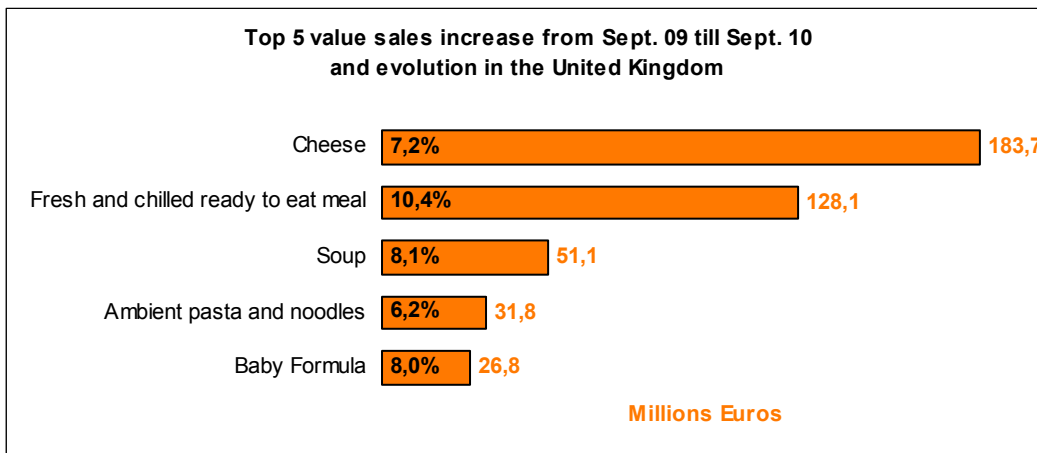
efforts on maximizing sales from Christmas period. There is still massive competition for the best deals and the lowest prices between a small number of very strong retailers and this is unlikely to change greatly anytime soon.

External factors have been at play in the past year, with World Cup increasing sales of alcoholic drinks, mainly beer, as well as snacks.

September Review

Does the recovery start here?

COUNTRY-BY-COUNTRY: UNITED-KINGDOM



The coming public sector and child benefit cuts, well publicised in the media, as well as VAT rises in January to 20%, could undermine CPG firms’ revenue growth efforts in future so it’s possible that they want to place greater emphasis on the Christmas period than usual, with promotions and intensified advertising campaigns.

Another trend set to continue is the matching of consumer desire for quality and value products, especially in the own label arena, while messages on sustainability, provenance and convenience will chime well with consumers’ changing habits. Put more simply, innovation in any area could play well with consumers under a

budget but inclined to seek out products reflecting their maturing lifestyle choices.

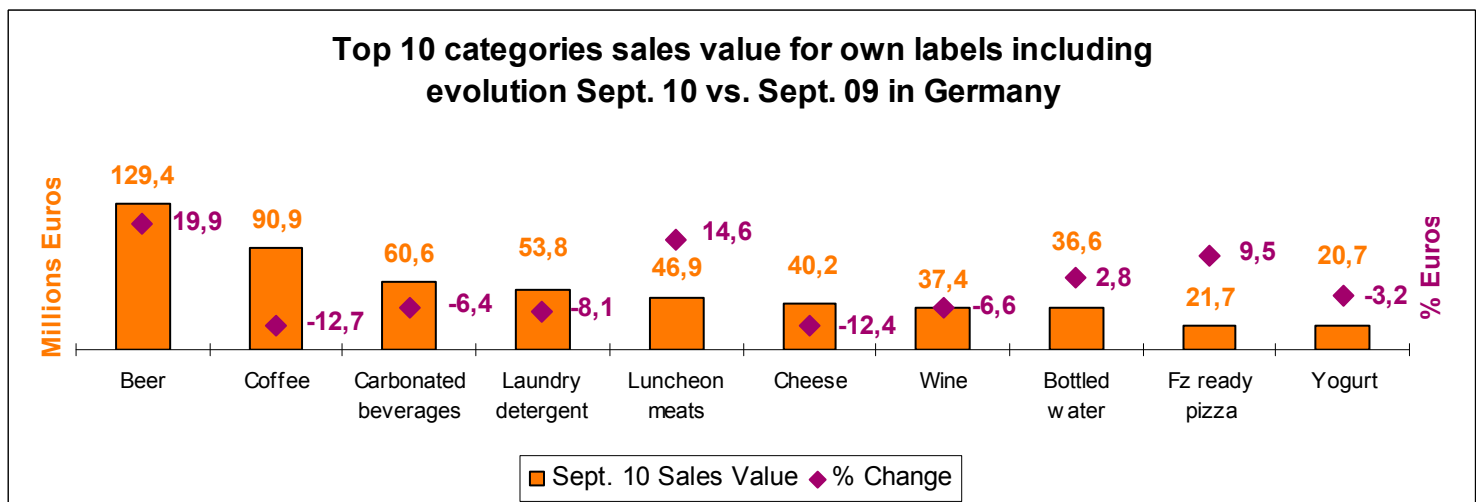
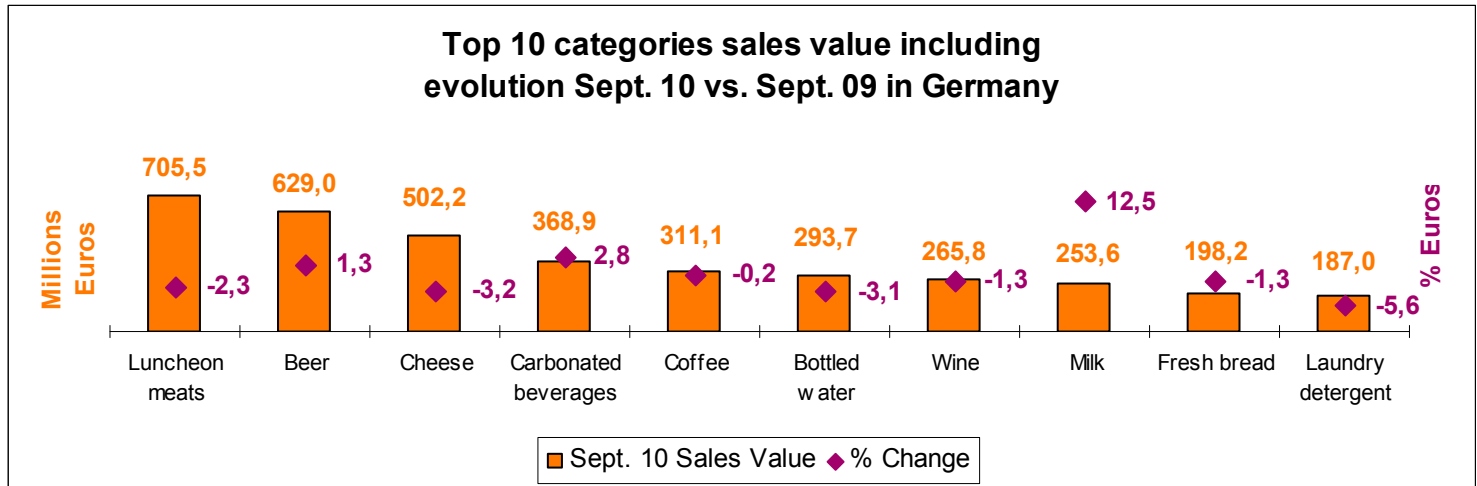
Notes:

- Top 10 categories sales value for own labels including evolution Sep 10 vs. Sept 09 is not available for the United Kingdom.
- Wine, charcuterie and luncheon meats are not available. Yogurt category includes fresh deserts. Beer category includes cider.

September Review

Does the recovery start here?

COUNTRY-BY-COUNTRY: GERMANY



Germany's current economic and CPG background is in many ways an aspirational model for most of Europe. Unemployment fell by one of the largest amounts in Europe, from 7.6% a year ago to 6.7% in September. Inflation hovers at a lowly 1 %, while the IMF expects German GDP to grow by an impressive 3.3% this year.

With personal income on the rise and a moderate price climate helped by no VAT rises, the value sales are almost flat with a year-on-year raise of 0.1%. Sep 2009 - Sep 2010 saw a cautious attitude in general. Due to the economic crisis, German consumers moved away from higher priced goods such as luncheon meats onto cheaper solutions, while manufacturers increased promotional activity to counter the trend.

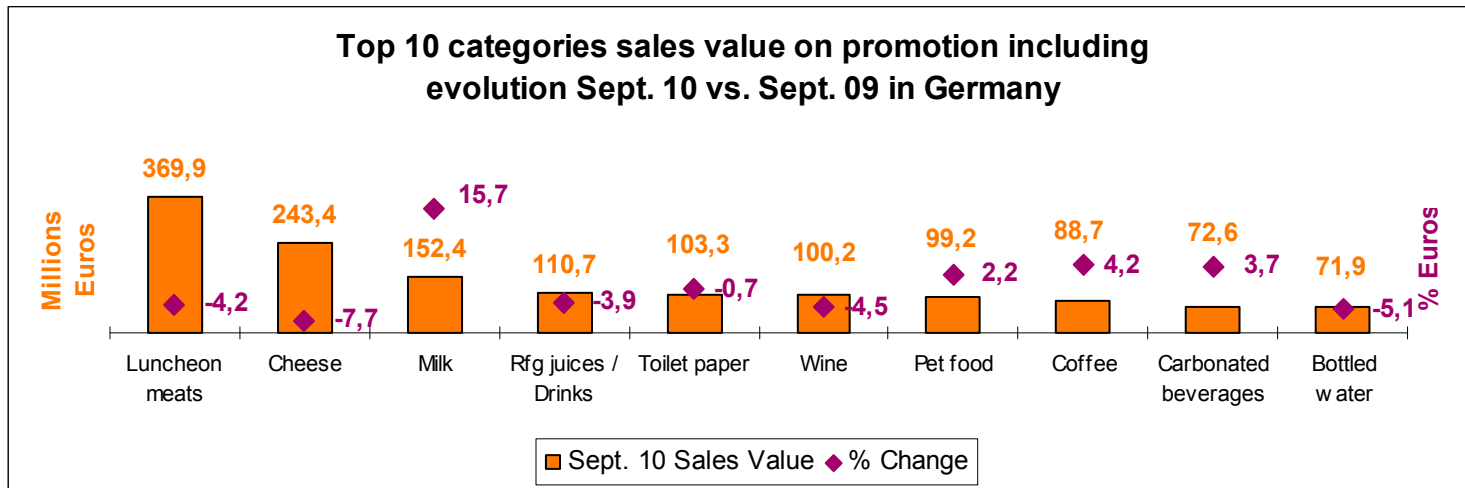
Thus we can observe luncheon meats as the top selling category

thanks to its high average price, but promotional value sales increased by 14.6% over the period, partially offsetting a general 2.3% decline in value sales. There was also a decline in volume sales of frozen seafood and fish of 5.9% thanks to price increases.

September Review

Does the recovery start here?

COUNTRY-BY-COUNTRY: GERMANY



The categories of frozen ready meals and frozen potato products have also registered significant changes. Frozen ready meals jumped 6.9% in value sales and registered a 6.4% increase in volume sales while frozen potato products saw an increase of 1.9% and 10.2% respectively. These categories could be showing growth because shoppers moved to them due to their lower average price per kg, in an attempt to save money during the crisis.

There is a limit as to the effect of low prices on the German consumer though. The cheese category posted a 3.2% value sales decline, but also declined in volume sales because a price war among hard discounters did not encourage consumers to buy more of the product. This trend can be seen in almost all food categories part of a hard discount price war and shows that for commodity items, price wars generate limited success for hard discounters.

In many cases, manufacturers have tried to promote their way out of the recession, offering deals on products to entice German shoppers. The frozen plain vegetables category increased value sales

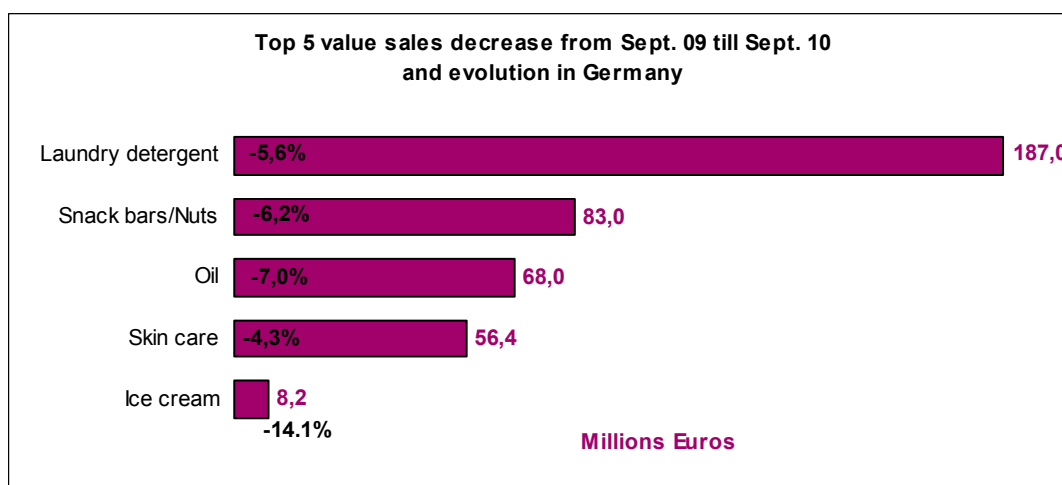
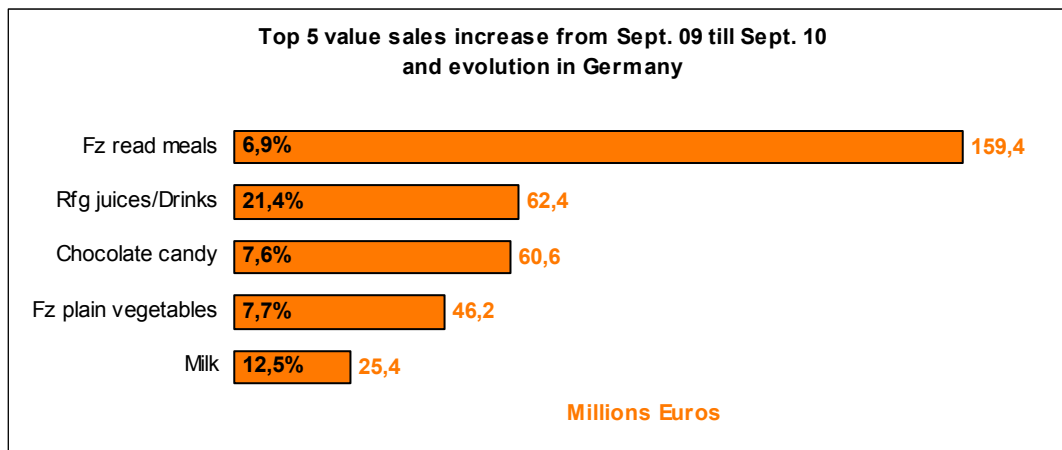
by 7.7% from Sep 2009 - Sep 2010, thanks in part to a healthy amount of promotional activity which increased value sales on promo by 86.9%. Beer was another category affected by a lot of promotions, increasing 1.3% in value sales during the period while value sales on promotion jumped 19.9%. Frozen pizza value sales increased 5.6%, buoyed by a promotional value sales increase of 19.9%.

While the past year has seen a focus from the German shopper on trading down to cheaper categories, snapping up promotional items and remaining committed to own label goods, now the crisis is abating there is greater confidence in the economy which has boosted spending power. With that there is a strong likelihood that consumers will return to the categories they moved away from to save money over the past year. So we could see a decline in sales of frozen potato products and frozen ready meals and a related increase in their chilled equivalents, for example, or an increase in sales of higher price categories such as luncheon meats.

September Review

Does the recovery start here?

COUNTRY-BY-COUNTRY: GERMANY



As relative affluence returns to the German economy, we could see a decline in the trend for eating at home, which will negatively impact sales of certain categories such as frozen pizza and ready meals. However, raw material prices are beginning to stabilise, which will give CPG firms more control over price levels.

Own label failed to capitalise on the recession-driven consumer demand for cheaper goods and was the only country to see its market share actually drop Sep 2009 - Sep 2010, down from 32.9% to 32.8%. Despite being the second highest own label market share in

Europe, therefore, there will be opportunities for manufacturers to grow and strengthen their brands over the coming months as retailers struggle to find the right strategy to compete.

Note: Non chocolate and chocolate categories are cumulated for own label sales

September Review

Does the recovery start here?

CONCLUSION

It has been a pretty tough 2010 so far for CPG firms with most countries showing some form of slowdown, and if the figures from September are anything to go by it's not going to get much easier before Christmas. With a macro-economic background that ranges from the optimistic in Germany to the downright gloomy in Greece and Spain, the byword for European consumers remains caution.

With VAT rises, high inflation and job cuts stalking consumers across Europe, it's unsurprising that many are reducing basket size, sticking strictly to shopping lists and switching from national brands to own label goods in an effort to cut costs. Although in some regions, such as France, the economy is on the up and despite underlying caution consumers are happy to take advantage of quality goods on promotion and begin spending above inflation again.

While manufacturers in many regions have predictably responded with heavy promotional activity, this may not be the best strategy going forward.

For one thing, the current economic uncertainty is set to last well into 2011, with further mass job cuts, VAT rises and other unwelcome macroeconomic factors a distinct likelihood. For another, new shopping patterns learned in this recession may be very difficult to dislodge once engrained. In short, the conservative shopper could be here to stay and with rising commodity prices a possibility in some areas, heavy promotion is a short term answer which will only hurt margins.

There are opportunities for those who have the insight to hand, though. Consumers are increasingly looking for convenience, many are staying at home rather than dining out and some are responding well to messages of quality combined with value, or looking for more ecologically sound and sustainable products. Manufacturers

and retailers will need to innovate like never before to attract the time-starved, cash-poor consumer of 2011. Manufacturers in particular will have to fight hard to convince shoppers of the real value of their products and not differentiate on price alone as retailers continue to reduce their assortments.

CPG firms must develop this growth strategy in a global context, leveraging local successes and innovations in other parts of the business. They must also serve increasingly segmented markets at home, comprising unemployed, elderly, migrant and other sections of the population, each with their own distinctive shopping habits. Brand power is the best way to create consumer loyalty across all of these countries and segments, with products and marketing strategies needing to adapt fast in order to take meet the needs of these distinct markets.

More than ever before, business growth and success is based upon the ability to anticipate the evolution of trends in these markets and build that elusive strong brand loyalty. These strategies for success won't work without a clear and in depth understanding of shopper insights, locally and globally. The CPG landscape may have become more complex than ever before, but for those with the appetite and the insight to hand, the rewards are just as great.

Consumers are increasingly looking for convenience, many are staying at home and some are responding well to messages of quality combined with value, or looking for more sustainable products.

September Review

Does the recovery start here?

NOTES ABOUT THIS REPORT

Categories

For this white paper we have defined the average European basket gathering 37 categories which are common for all the countries and which represents the type of categories that household are consuming on a regular basis.

The category list is :

1. Baby formula
2. Beer
3. Bottled water
4. Charcuterie
5. Carbonated beverages
6. Pet food
7. Cheese
8. Coffee
9. Cold cereals
10. Cookies / biscuits
11. Diapers
12. Fresh bread
13. Frozen ready meals
14. Frozen ready pizza
15. Frozen potato products
16. Frozen plain vegetables
17. Frozen seafood and fish
18. Ice cream
19. Laundry detergent
20. Luncheon meats
21. Milk
22. Oil
23. Paper towels
24. Refrigerated juices / drinks
25. Salty snacks
26. Skin care
27. Snack bars / nuts
28. Soap
29. Soup
30. Spices
31. Toilet paper
32. Chocolate candy
33. Non chocolate candy
34. Fresh and chilled ready to eat meal
35. Wine
36. Ambient pasta and noodles
37. Yogurt

Special notes:

- Germany: Non chocolate and chocolate categories are cumulated for own label sales
- Netherlands: For charcuterie, cheese and fresh bread, there is no units sales and no value sales for sales on promotion. snack bars/nuts and soap are not available.
- United-Kingdom: Wine, charcuterie, snacks bars / nuts and luncheon meats are not available. Yogurt category includes fresh deserts/ Beer category includes cider.
- France: Wine own label and promotion sales are not available. Wine category doesn't include champagne and sparkling wine.
- Greece: Pet food, coffee, cold cereals, ice cream, luncheon meats, snacks bars/ nuts, spices, chocolate candy and non chocolate candy and ambient pasta and noodles are not available.
- Italy: Fresh and chilled ready to eat meal is not available.

It's important to note here that unit sales are not always the best indicator of CPG trends given that in many countries, for the categories surveyed, the volume of goods sold remains the same but appears to go up or down because it is packaged in smaller or larger units. As such, most of the trends in this report are in value sales.

Periods

We are looking at the 5 weeks period of time, covering the month of September 35, 36, 37, 38 and 39 for September 2009 and for September 2010.

For the United Kingdom data are on four weeks: 36, 37, 38 and 39 for September 2009 and for September 2010.

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Does the recovery start here?

RESOURCES AND SOLUTIONS

InfoScan® is a syndicated retail tracking service that enables manufacturers and retailers to acquire industry insights used to make better business decisions. InfoScan Census utilizes the data that SymphonyIRI Group collects from grocery, drug, and mass merchandise retailers to provide the most comprehensive and accurate syndicated data offering in the Fast Moving Consumer Goods (FMCG) sector. With access to accurate, granular detail by category, geography, measure, and time period, clients have the tools needed to develop marketing and sales strategies based on product performance, distribution, and promotion responsiveness.

Analytics Advantage™ Suite provides global solutions for all strategic marketing needs. It enables retailers and manufacturers to get fast and in-depth category insights and dynamic analysis for identifying growth opportunities and measure business impact in term of return on investment, sales and profit. The Suite encompasses:

Brand Advantage™: Maximise short and long term return on investment by optimising budgets between brand and marketing activities.

Price and Trade Advantage™: Optimise price and promotion activity, from single product to the entire category, to drive the best sales responses.

Media Advantage™: Identify success factors and the short and long term return on investment from different media campaigns to optimise media planning

Launch Advantage™: Increase the chance of long term market success for newly launched products by forecasting and benchmarking against the success factors identified from previous new introductions.

Shopper Advantage™: Understand the influence of shopper purchase decisions and prioritise investments to grow sales and maximise brand profits.

To gain insight into opportunities across specific categories, segments, channels or retailers, contact your SymphonyIRI client service representative regarding custom analyses leveraging the following resources www.SymphonyIRI.eu

About SymphonyIRI Group

SymphonyIRI group, formerly named Information Resources, Inc. (IRI), is the global leader in innovative solutions and services for driving revenue and profit growth in CPG, retail and healthcare companies. SymphonyIRI offers two families of solutions: core IRI solutions for market measurement and symphony advantage solutions for enabling new growth opportunities in marketing, sales, shopper marketing and category management. SymphonyIRI solutions uniquely combine content, analytics and technology to deliver maximum impact. SymphonyIRI helps companies create, plan and execute forward-looking, shopper-centric strategies across every level of the organization.

For more information, visit www.SymphonyIRI.eu

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