# Consumer Index

## Western and Northern Europe

Europanel Newsletter

Quarter 2 | 2008

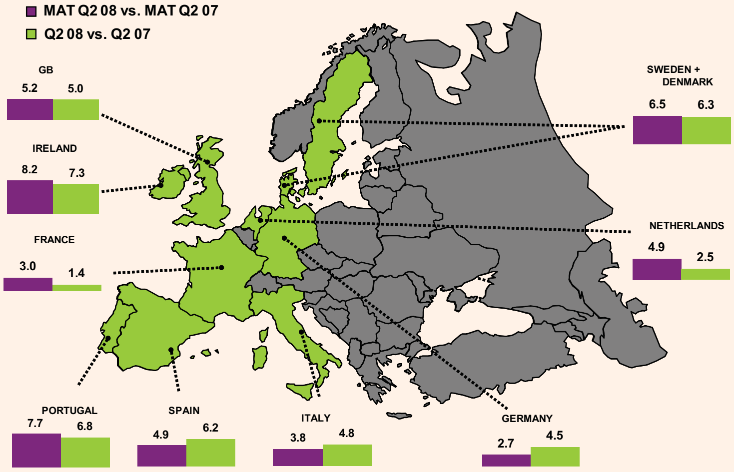
Consumer Index

"Welcome to the Q2 2008 Consumer Index, looking at the latest FMCG category and trade channel trends across nine major Western and Northern European economies.

To complement this you will also receive an Eastern European edition, which includes eleven countries, as well as a separate edition for the United States. We hope you find them useful and informative.

If you have any questions or comments, please do not hesitate to contact us using the details below."

## Total FMCG Trends
### % value changes




Economic uncertainty continues to have an impact on the FMCG market, particularly alongside the considerable price increases seen for basic products and raw materials, encouraging many shoppers to minimise their bills, seeking cheaper alternatives, such as Private Label or minimising the amount spent on 'luxury' products. Whilst inflation sustained growth in the first quarter of the year, some Western European countries are now experiencing a slow down in FMCG growth in the latest quarter. However, it is important to remember that Q2 2007 included Easter, while it was in Q1 2008.

Discounters seem to have benefited from the economic climate, showing significant value growth across all Western European countries (for example in GB Discounters grew by 17% compared with last year). To an extent, this is fuelled by relatively higher price increases. Hypermarket growth is slowing, with fuel increases dissuading consumers from stock up shops. Instead consumers are tending to shop around for bargains and to buy items when needed.

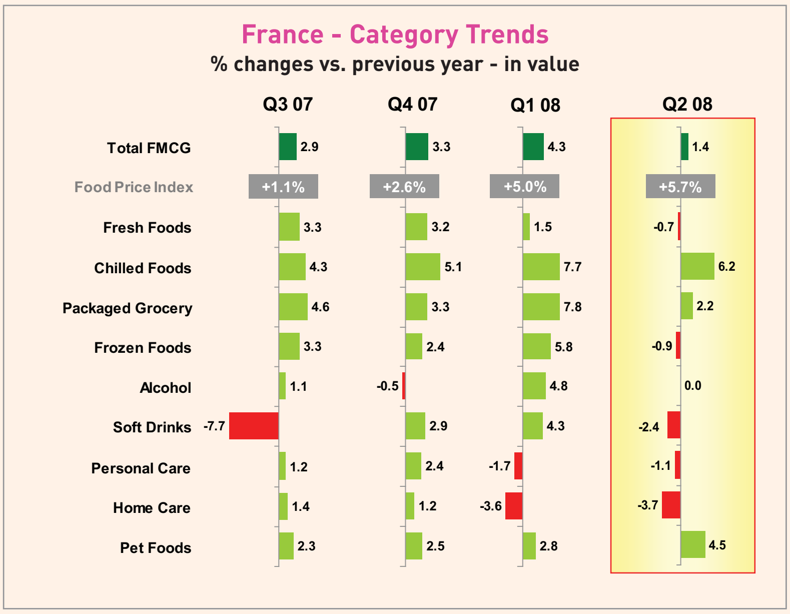
## Inside this issue:




**For more information, please contact:**
Europanel Westgate London W5 1UA
United Kingdom
Tel: +44 (0) 20 8967 4560
info@europanel.com
www.europanel.com

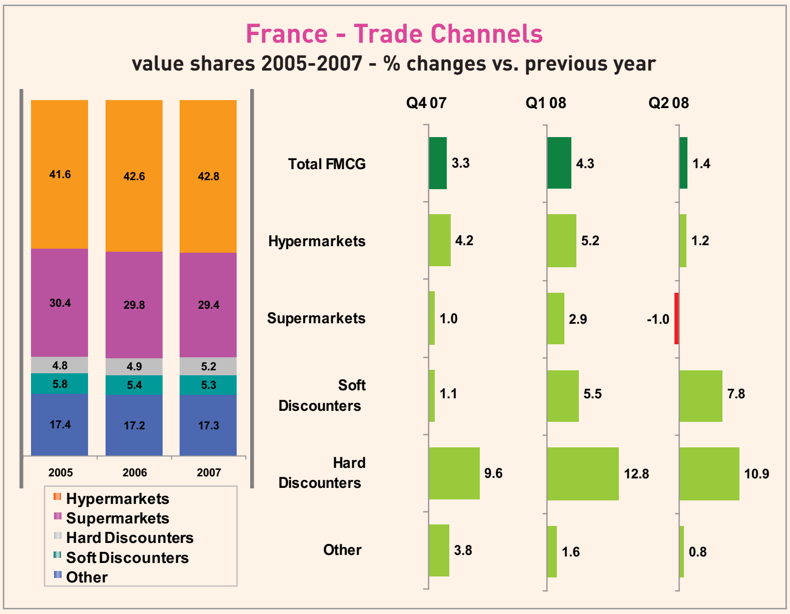
# France – Quarter 2 2008

Consumer Index




The economic situation during the 2nd quarter of 2008 has been particularly difficult in France. French morale is at an all time low, the rise in price of raw materials has caused a general discontent and purchasing power became the primary concern of French households. As a consequence they consider that food price increases are the cause of the decrease in their purchasing power and are therefore putting more and more trust in Private Label and Discounters.

The total FMCG market remains positive in value, driven by the increases, but economic growth is slower when compared with the first quarter. Indeed in volume, French households have reduced their consumption. They concentrate on basic food and reduce or eliminate their spend on non-food like homecare and personal care (which are decreasing in value). Soft Drinks and Frozen Foods have suffered from unseasonably bad weather at the beginning of the Summer, which explains the decrease when compared with last year. The decrease is mainly driven by Mineral Water in the Soft Drinks category. The Fresh Food category seems to be more sensitive to price (demand decreases as prices increase) than the Chilled Food category whose turnover has mostly increased due to price rises.




The oil price increase also provoked a change in consumer behaviour: consumers that use a car now do so more carefully in order to reduce the number of kilometres and their oil budget. They tend therefore to favour more the convenient channel to the detriment of shopping frequency in the main outlets, which decreased by 1.6%.

Despite a favourable economic situation for more convenient stores, thanks to oil prices, Supermarkets' share decreased slightly this quarter. This is due to a reduction in the number of stores, as many have been converted into hypermarkets, affecting this channel's performance.

The Discounters, which are the only channel to grow in volume, have managed to benefit from the low confidence atmosphere. Indeed, consumers are looking for cheaper products, therefore Private Label and Hard Discounters represent a more secure option. This channel is very dynamic in value as the price increases applied on its products are higher than in other channels. However, Discounters are beginning to feel a slight slow down in volume (only 1.7% growth this quarter), as French households are being more careful on their food spend including for Discounters.

Leclerc on the other hand, has reaped the rewards of its low price positioning and is the only hypermarket to do well, gaining significant market share. On the other hand, Carrefour which has reduced its promotional activity is losing market share.

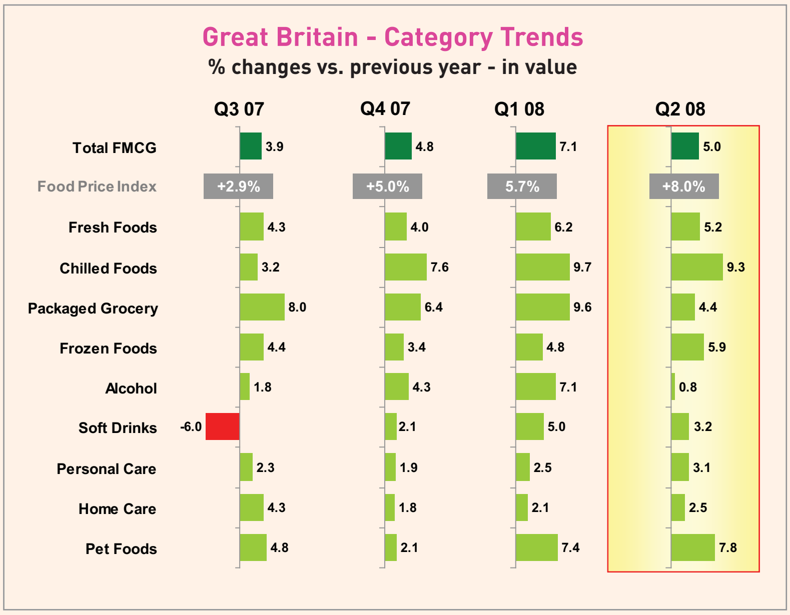
europanel™
the leader in consumer knowledge

Europanel | info@europanel.com
Westgate | London | W5 1UA | United Kingdom
Tel: +44 (0) 20 8967 4560 | www.europanel.com

GfK tns™

# GB – Quarter 2 2008

Consumer Index




Compared with Q2 2007, the FMCG market has increased by 5% in value terms as shoppers spend more per trip, although slightly less often.

The Food Price rises, which centred around the price of grain, had the greatest impact on the Dairy and Bakery sectors. As a result, the strongest growth was recorded for the Chilled Foods category, particularly Dairy Products, the dominant part of the category with more than 55% of spend, and Chilled Bakery Products (+15% and +9% respectively).

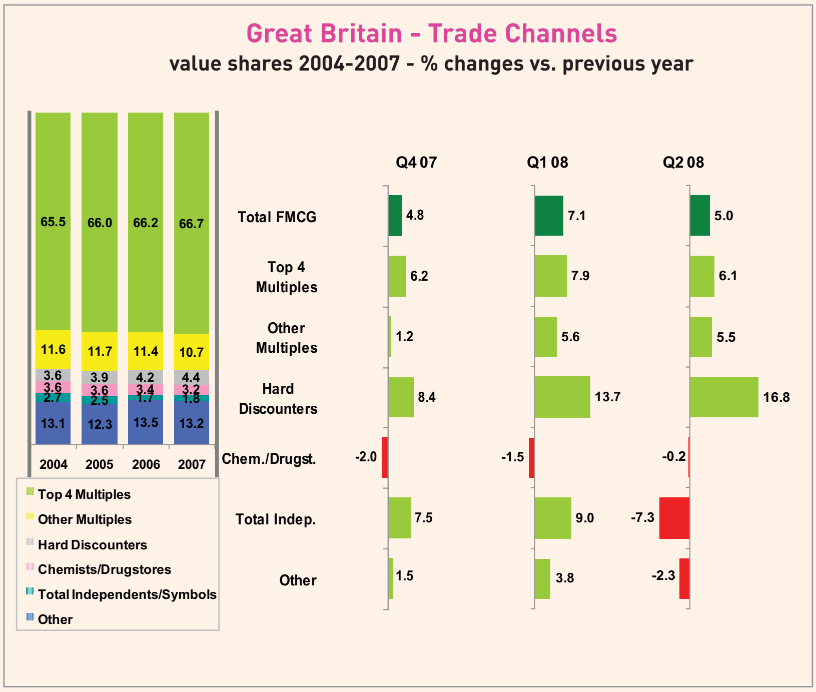
Although branded Pet Care products continued to dominate the category, growth amongst Private Label Pet Care was higher (+18% compared with the average of 8%).

Frozen Foods grew as shoppers turned to 'better value' offerings. This was driven by double digit growth of Frozen Fish (which accounts for approximately 14% of the Frozen category) but Frozen Prepared Foods was also key to the category. It represents 56% of spend on Frozen Foods and was up 7.5% on last year.

The Grocery market continued to grow strongly (+5% year-on-year) helped by food price inflation and it was apparent that shoppers' pursuit of value-for money has affected the outlet shares in the sector.

Both Aldi and Lidl delivered very strong year-on-year growth of 21% and 13% respectively and, in the case of Aldi, this has resulted in a record share of 2.9%. Similarly, Iceland continued its strong run with 12% growth as Frozen Food, with its strong value reputation, enjoyed a revival.

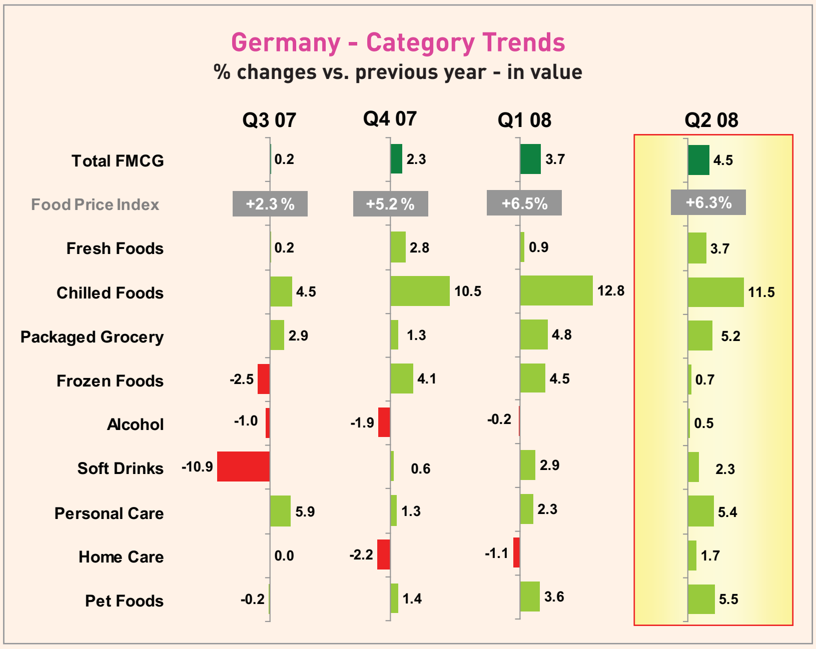
With regards to the Top 4, both Asda and Morrisons continued to enjoy growth ahead of the market thus lifting their shares. Tesco and Sainsbury's however saw their shares slip as their growth of 5% and 4% respectively were behind the market average.




europanel
the leader in consumer knowledge
Europanel | info@europanel.com
Westgate | London | W5 1UA | United Kingdom
Tel: +44 (0) 20 8967 4560 | www.europanel.com

# Germany – Quarter 2 2008

Consumer Index

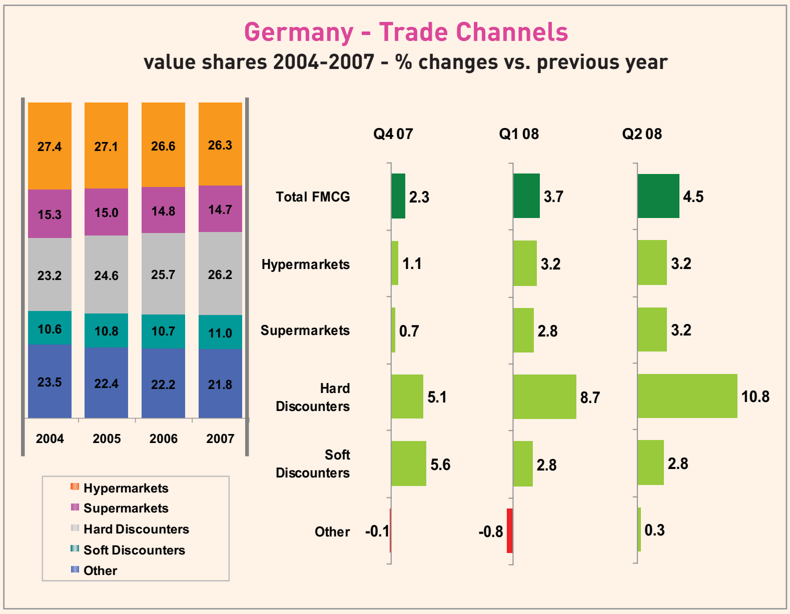



The increase in prices of energy, fuel and food have damaged consumer confidence in Germany this year.

The value growth of the FMCG market in Q2 2008 of 4.5% was driven by April (+7.3%) and May (+5.6%), while June was fairly stable. In terms of volume, however, there was a decline in May and June. Price increases, especially in Dairy, Fresh Food, Confectionery and Hot Beverages impacted on consumer behaviour as people purchased more carefully. For example, replacing butter with margarine, buying normal fresh food instead of organic food, private label instead of brands and shopping at discounters instead of supermarkets.

Once again Private Label has increased its share. Although this growth is mainly driven by price, it is also becoming an increasingly important alternative for many consumers.

Hard Discounters in Germany (Aldi, Lidl, Norma) have benefited the most from the current FMCG situation. Although they have increased their prices more than other channels, they continued to offer the best alternative as prices remained below average. Lidl had the fastest value growth rate (+13%). Lidl and Norma were the only two key retailers in Germany that were able also to grow in volume terms, while other grocers only grew due to price increases as other panel measures showed decline (including trip size and frequency). Drugstores were also an exception, particularly in the Personal Care category.

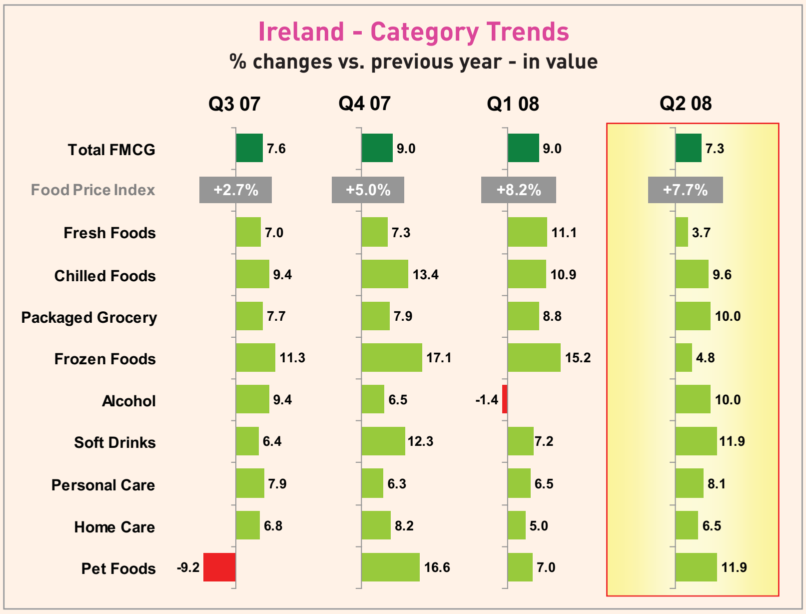



Europanel | info@europanel.com
Westgate | London | W5 1UA | United Kingdom
Tel: +44 (0) 20 8967 4560 | www.europanel.com

the leader in consumer knowledge

# Republic of Ireland – Quarter 2 2008

Consumer Index

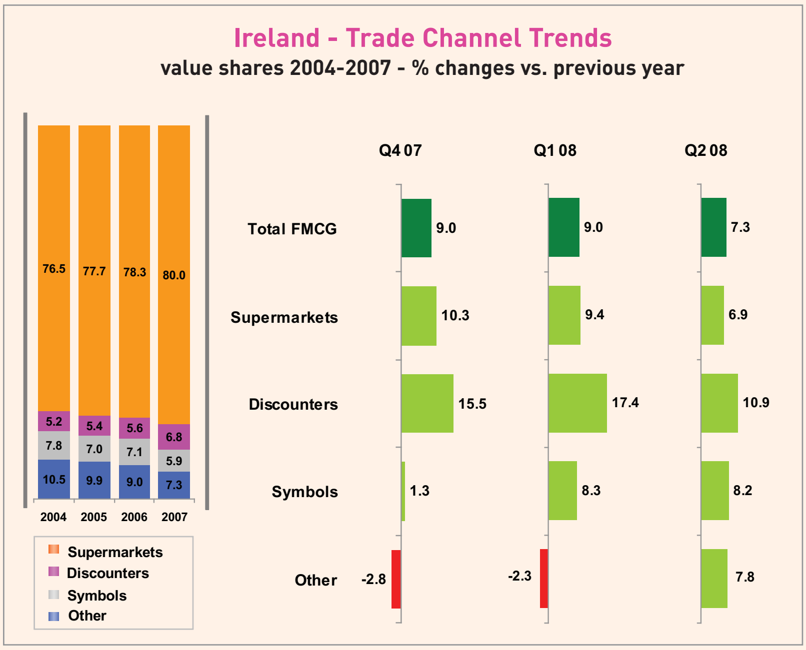



Although all categories continue to show growth in Ireland, overall FMCG performance has slowed in the latest quarter. Shoppers are reducing their trip spend compared with the previous quarter but increasing their frequency of purchase, making more top up shops. Fresh Foods and Frozen Foods have both experienced fairly low levels of growth, whilst the strongest increases can be seen in Pet Foods and Soft Drinks (the latter likely to attributed to the particularly warm weather in May). Packaged Grocery and Alcohol have also performed well, with Alcohol again experiencing growth following a decline in the first quarter of the year.

Other/Traditional stores have seen a 6% increase in value compared with the previous year. Growth within all other channels is not as strong as it was within the previous period.

Share of Private Label has dipped slightly compared with the previous quarter, now at 30%.

**Note on the Irish Panel:** The Irish Panel has increased its sample size to 3,000 Households. There have also been some changes in terms of how we process the data, and these changes have led to a rework of the historical data. These changes will further improve on data quality. For more details on the panel build please contact your Europanel or TNS Ireland Account handler.

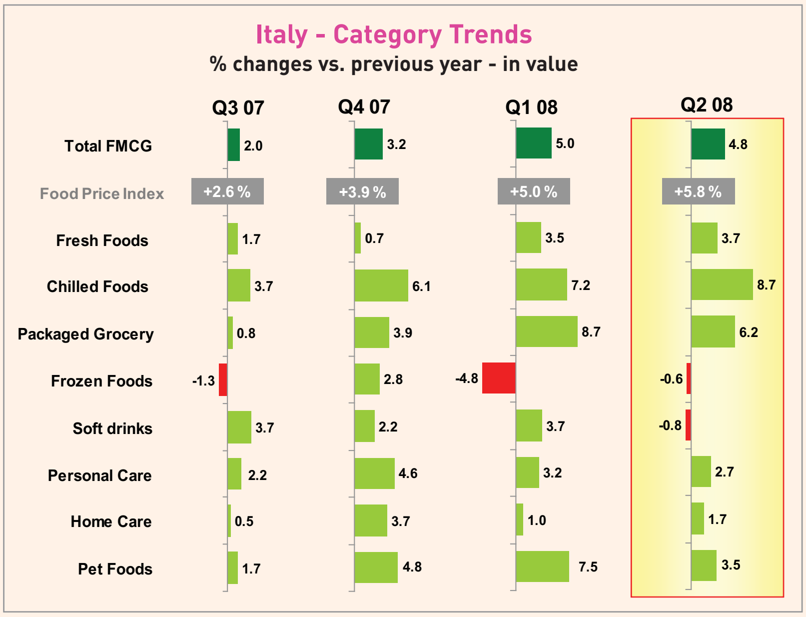



europanel
the leader in consumer knowledge

Europanel | info@europanel.com
Westgate | London | W5 1UA | United Kingdom
Tel: +44 (0) 20 8967 4560 | www.europanel.com

# Italy – Quarter 2 2008

Consumer Index



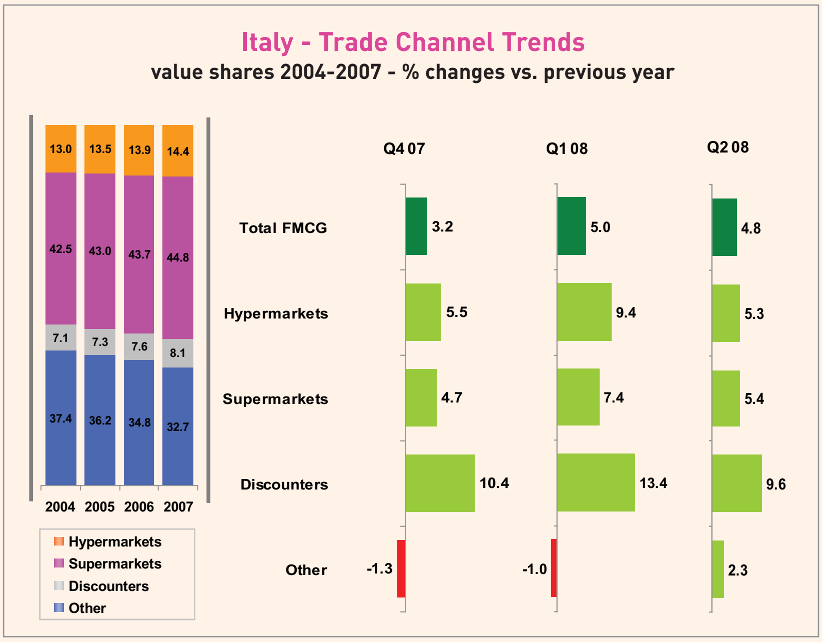

The FMCG value growth is again this quarter mainly driven by price increases. This affected particularly Packaged Grocery and Chilled Food which have both seen significant increases in value and price. However volume in general remained stable. The Chilled Foods category is mainly driven by a strong performance of added value products and innovations (e.g. Fresh Soup and Pasta, Snacks, Processed Food).

Facing price increases and declining purchasing power, households rationally shopped around in order to take advantage of the deals available. This quarter households' purchase frequency increased as well as the number of outlets they shopped in as they looked for bargains and products with a better price/quality . Households tried to keep FMCG Basket value stable by buying less products.

Less opportunity to provide lower price offerings has had a negative impact on the major brands. Having promoted heavily in previous years, the private label and low price brands are now gaining ground and the main brands are losing 'leader buyers' (people that mainly purchase the leader).

All these reasons benefit Private Label as its value share reached 7.1% this quarter (including Fresh food) and also Discounters, the channel with the highest growth rate. Private Label growth is also led by an increasing share in the major key accounts (e.g. Coop). Amongst Discounters, the largest are Lidl and Eurospin, both growing over 10%. Some supermarkets like Esselunga and Conad are also doing well.

In the current consumer climate, Hypermarkets do not seem to be the right answer. Indeed, their growth is slower than Supermarkets, mainly because the frequency and trip size is decreasing, although they still manage to attract a growing number of buyers. The wide range of products represent a temptation and a "danger" of spending more than planned.



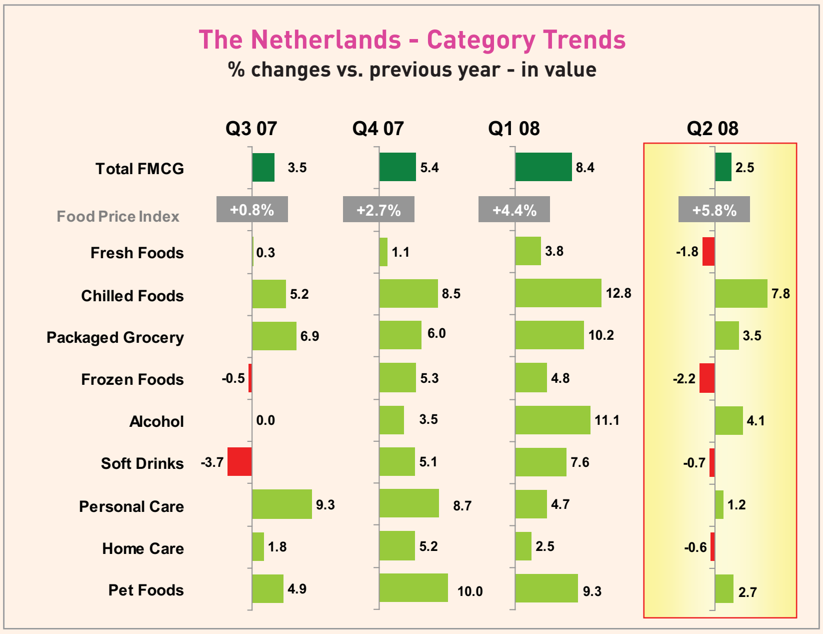

europanel™
the leader in consumer knowledge

Europanel | info@europanel.com
Westgate | London | W5 1UA | United Kingdom
Tel: +44 (0) 20 8967 4560 | www.europanel.com

GfK tns™

# The Netherlands – Quarter 2 2008

Consumer Index



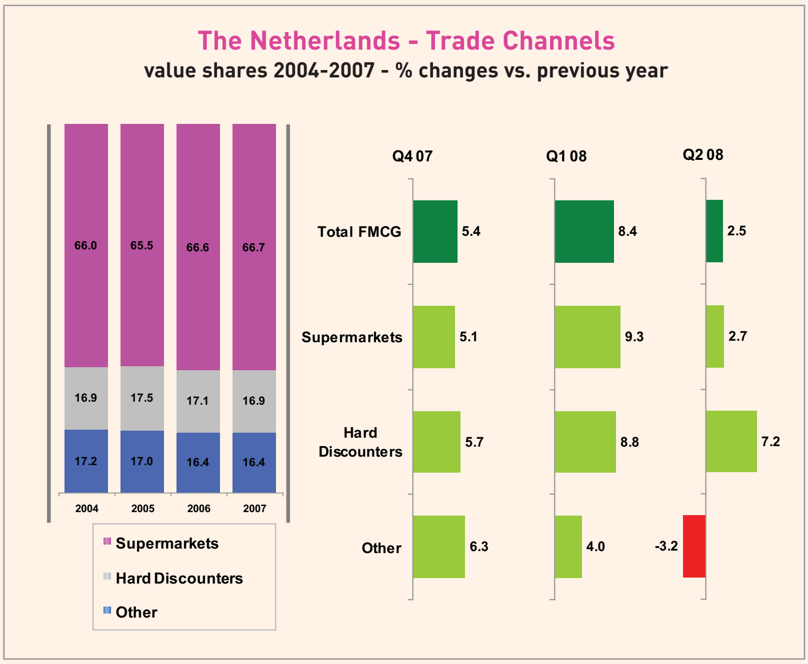

Due to the significant price increases of raw commodities (grain, milk, meat), consumers seem to have budgeted more carefully, impacting on their choice of product and retailer. This partly explains the movement seen on Fresh Foods (particularly meat and fish) and the fact that Easter fell during Q1 this year but Q2 last year also had an impact.

The decline in Frozen Foods and Soft Drinks can be explained by the bad weather in The Netherlands at the end of May and the beginning of June.

The strong growth of Chilled Foods was largely due to the high price increases for milk and cheese.

The hard discounters (Aldi, Lidl and Detailconsult FM) all attracted more customers with Lidl leading the way. Albert Heijn showed a large increase in value, mainly due to the acquisition of fifty-nine C1000 shops and also because of the higher loyalty of their customers. The chain also had a very effective advertising campaign (the Welpies Promotion which ran during Euro 2008).

Due to the decrease in confidence in the economy specialist shops are under pressure and the number of shoppers going to traditional stores (e.g. bakers, butchers, green grocers and florists) is falling.



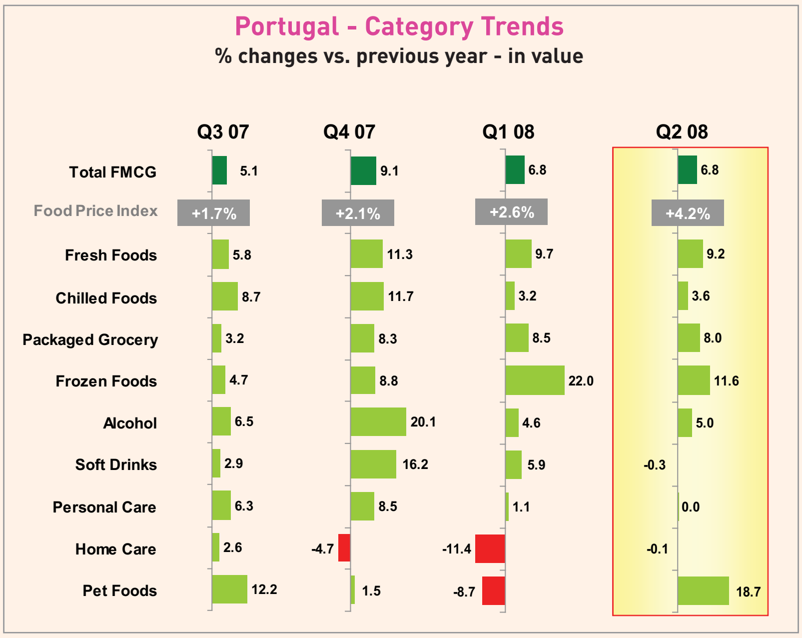

europanel™
the leader in consumer knowledge

Europanel | info@europanel.com
Westgate | London | W5 1UA | United Kingdom
Tel: +44 (0) 20 8967 4560 | www.europanel.com

GfK tns™

# Portugal – Quarter 2 2008

Consumer Index

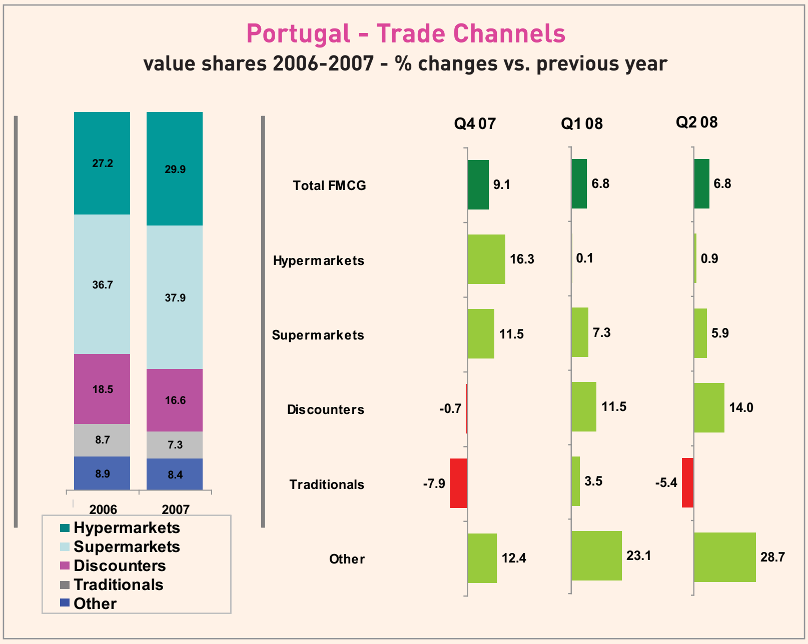



The Portuguese FMCG market is still being affected by the internal and world economic crisis but a few good signs are also visible. In this second quarter, the Portuguese economy grew 0.4%, contrary to the European trend. The FMCG market value increased by 6.8%, 3.9 points above general inflation and 2.6 points above the Food Price Index. However, several economic factors have a significant impact on consumer behaviour. Indeed, Portuguese families are spending less on secondary goods and saving less money due to high expenses with housing and high prices on consumer goods and petrol. In this climate consumer confidence index in Portugal fell to its lowest level ever.

Almost all FMCG categories registered a positive evolution. Due to the food price increases and eventually thanks to less out-of-home meals, the Fresh Foods, Package Grocery and Frozen Foods markets have increased substantially in the last few months, all increasing more than 8% in Q2. The Pet Foods category increased largely due to the increase of average price per kilo. Another factor that should be mentioned is that Private Label reached a 23.7% market share, the highest share ever. This is also a direct consequence of the basic foods price increases such as bread, milk, rice, dry pasta and cheese.

In terms of trade:

- Hypermarkets are decreasing, mainly because Sonae has not benefited from the acquisition of the Carrefour hypermarkets.
- Supermarkets are gaining market share thanks to the local retailer, Pingo Doce, which bought Plus and is benefiting from the "Every Day Low Price" strategy that was implemented two years ago.
- Discounters are growing thanks to the good evolution of Minipreço and Lidl, the two main discount chains and also thanks to private label products increasing share (23.4%).



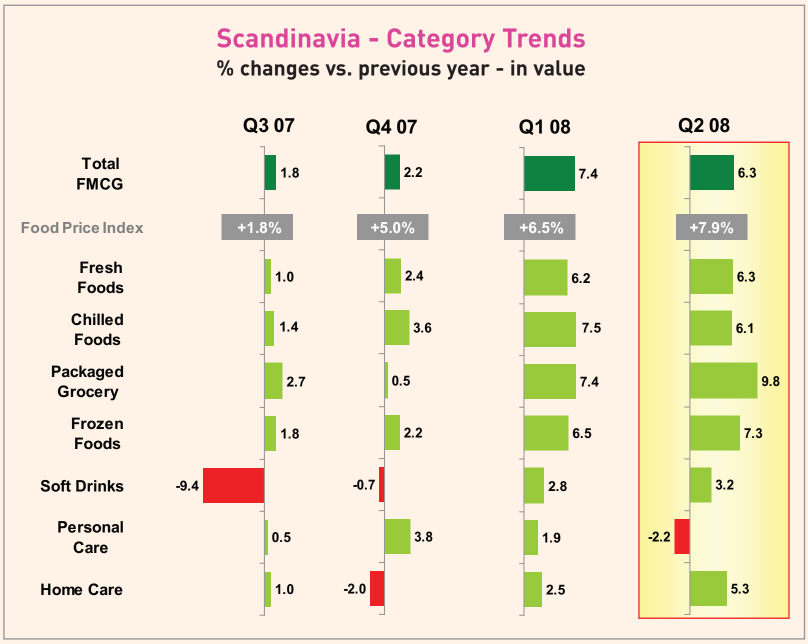

europanel™
the leader in consumer knowledge

Europanel | info@europanel.com
Westgate | London | W5 1UA | United Kingdom
Tel: +44 (0) 20 8967 4560 | www.europanel.com

GfK tns™

# Scandinavia – Quarter 2 2008
## (Denmark & Sweden)

Consumer Index

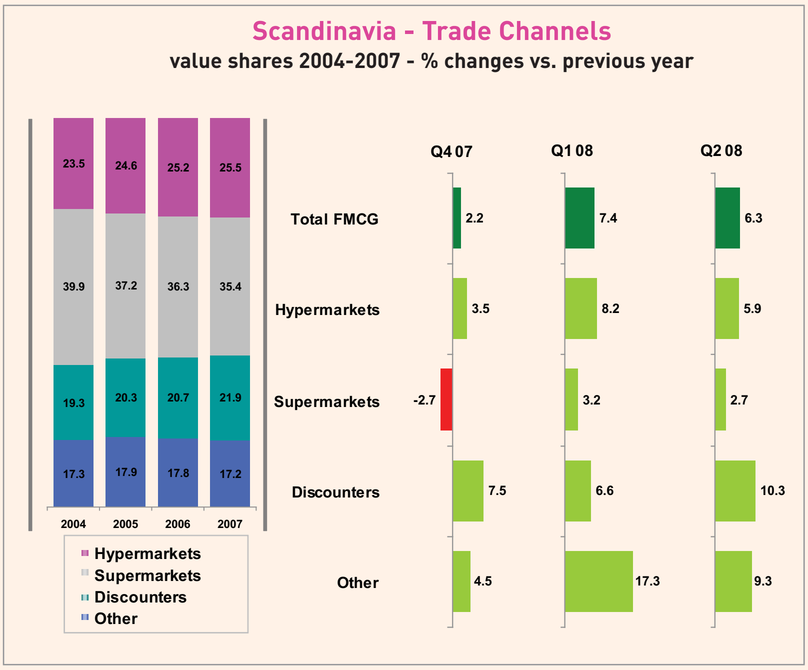



The primary driver to the Scandinavian value growth is the international price increases mainly explained by failed harvests, increased demand for dairy products globally and the production of bio petrol, amongst other reasons.

However the Scandinavian population still has resources to maintain consumption at a fairly high level and in this context the Scandinavian shopper is rather disloyal.

Total FMCG is fuelled by all categories except Personal Care. Especially in Chilled Foods and Packaged grocery both the Danish and the Swedish markets have experienced growth. Denmark is contributing mainly to the decline of the Scandinavian Personal Care category.

The most valuable categories in the Scandinavian market are Fresh Foods, Chilled Foods and Packaged Groceries. Combined these three categories amount to approx. 50% of total FMCG. Behind the development is one primary driver: Discounters are benefiting significantly from the talk about recession. With a very slim assortment in fresh foods their growth in packaged and chilled is almost inevitable.




Supermarkets and Discounters are the main trade channels. Supermarkets have a market share of 33.8% on total FMCG, which makes it the preferred trade channel in Scandinavia. Especially in the Danish market. In comparison Hypermarkets account for the largest share in the Swedish market.

The recession however has definitely sparked growth in discounters.

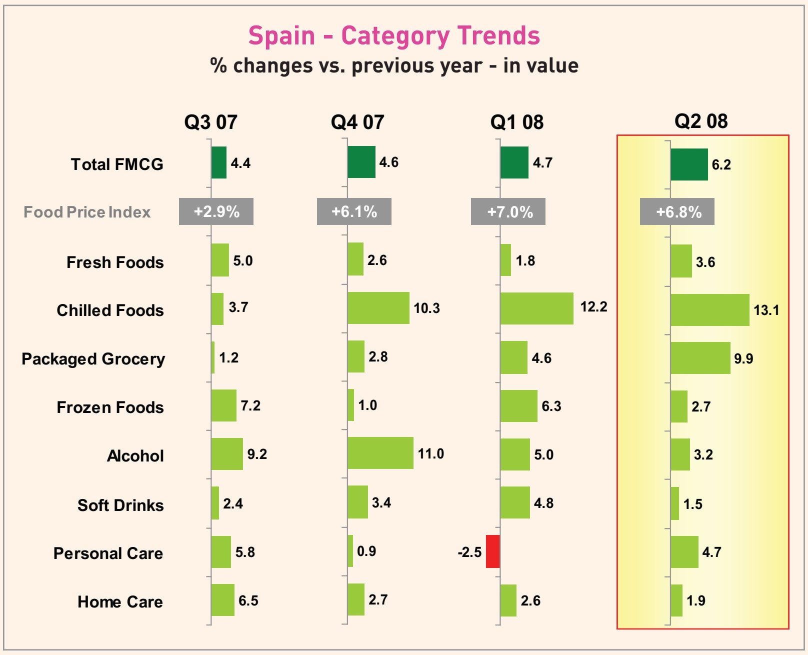
Many of the traditional supermarket formats like Føtex and SuperBest in Denmark are announcing an even harder focus on lowering prices to fight off the competition from Discounters.


europanel
the leader in consumer knowledge

Europanel | info@europanel.com
Westgate | London | W5 1UA | United Kingdom
Tel: +44 (0) 20 8967 4560 | www.europanel.com


GfK tns

# Spain – Quarter 2 2008




The FMCG market has grown above the rate of inflation but below the food price growth this quarter. The market volume has slightly increased for the first time since Q3 2007, mainly due to transporters' strike in June encouraging consumers to buy more products to fill their stores cupboards in case it happens again.

Fresh meat, around a third of the value of Fresh Foods, fuelled the growth of the category in both value and volume. Chilled Food continued its spectacular growth, 13.1% in value, mainly due to the price increases of basic products (fresh bread, milk, eggs). On the other hand, the Soft Drinks category slowed down due to the weather and the uncertain economic climate. The Fruit Juice sector was an exception to this rule, growing faster than the FMCG market.

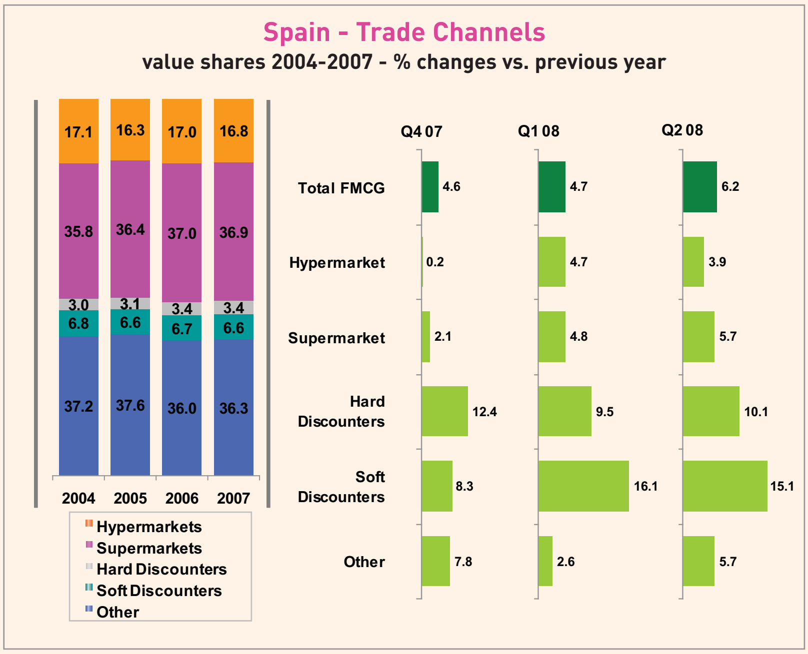
Packaged Grocery strong value growth was mainly driven by the price increases in biscuits, bread and dry vegetables.

The Personal Care category has recovered from the slow down seen in the previous quarter. This quarter's improvement was mainly driven by the first month of the summer during which facial cosmetics and perfumes saw their volume and value increase driven, amongst others, by seasonal products like dermabrasion kits.

With the economic deceleration seen in Spain in this second quarter of the year there has been a change of behaviour within the market.

For several years the frequency of purchase has been decreasing while the trip size was increasing. During the latest quarter, consumers were more careful with their spending, buying less but more frequently.

The situation has benefited Discounters which have experienced the strongest growth mainly driven by Lidl. Indeed, this trade channel represents a good shopping alternative for consumers looking for cheaper prices.




europanel™
the leader in consumer knowledge

Europanel | info@europanel.com
Westgate | London | W5 1UA | United Kingdom
Tel: +44 (0) 20 8967 4560 | www.europanel.com

GfK tns™

# Source & Definitions

Consumer Index

**Methodology**

- A consumer panel is a permanent, syndicated and representative sample of consumers, who provide ongoing details of the fast moving consumer goods they purchase. Using the scanning methodology, each panel member records the details of every item they purchase.
- Sample sizes in number of households: GB: 25,000 ; Germany: 20,000 ; France: 20,000; Ireland : 2,650 (2,000 Republic + 650 N.I.); Italy: 8,000 ; Portugal: 2,500; Spain: 8,000 ; Netherlands: 6,000, Sweden: 3,000, Denmark: 2,000.

**Categories Universe:**

- FMCG: Fast Moving Consumer Goods (includes foods, personal care and home care; excludes clothes, white goods etc...) Total FMCG is not necessarily the sum of the categories shown below it.
- Categories:
  - Fresh Foods: fresh fish, fresh meat, fresh poultry/game, fresh fruit, vegetables, salads
  - Chilled Foods: chilled deli products, chilled dairy products, chilled bakery products
  - Packaged Grocery: bread, biscuits, canned goods, hot beverages, packet breakfast, pickles, sauces, condiments, savoury carbohydrates and snacks, home cooking ingredients, take home confectionery and savouries
  - Soft Drinks: carbonated soft drinks, chilled drinks and mineral water
  - Home Care: softeners, detergents and rinse conditioners
  - Personal Care: bathroom toiletries, hair care, healthcare, oral care, other toiletries

**Trade Channels:**

- Top 4 Multiples (GB) — Tesco, Asda, Sainsbury's, Morrisons
- Other Multiples (GB) — All multiples excluding top 4
- Symbols (IR) — Convenience stores
- Hypermarkets (All) — Retailer - selling area> 2500 m² (excl. Hard Discounters)
- Supermarkets — *France, Spain, Italy*: selling area: 400 m² to 2500 m² (excl.HD); *Ireland*: typical multiple (no Hypermarkets), *Netherlands*: all retailers excluding Soft Discounter, *Portugal*: selling area: less that 2500m² *Germany*: selling area up to 1500m²
- Hard Discounters — *GB*: Lidl, Aldi, Netto / *France*: Lidl, Aldi, Norma, Colruyt / *Netherlands*: Aldi, Lidl, Koopconsult, / *Germany*: Aldi, Lidl, Norma, Netto / *Portugal*: Lidl, Dia, Plus / *Ireland*: Aldi, Lidl / *Spain*: Aldi, Lidl, Plus, Familia (Eroski Group) / *Italy*: Lidl / *Scandinavia:* Aldi, Lidl
- Soft Discounters — *France*: Ed ( recently bought Penny ), Leader Price, Netto, Le Mutant, *Ireland*: no soft discounters, *Italy*: Eurospin, *Spain*: Día, Maxi Día, Día Market, *Germany*: Penny, Plus , Netto

**Food price index:** Average based on Eurostat Food Prices Indices

**Country Key Facts:** *Source: CIA World Fact Book*

| Country | Individual Population (in 000's) | Number of Households (in 000's) | GDP per capita (2007 est.) |
|---|---|---|---|
| Denmark | 5,476 | 2,532 | $37,400 |
| France | 60,470 | 26,130 | $33,800 |
| Germany | 82,315 | 38,477 | $34,400 |
| Great Britain | 60,600 | 25,000 | $35,300 |
| Ireland | 4,240 | 1,484 | $45,600 |
| Italy | 57,993 | 21,686 | $31,000 |
| Netherlands | 16,358 | 7,190 | $38,600 |
| Portugal | 10,599 | 3,772 | $21,800 |
| Spain | 44,474 | 16,340 | $33,700 |
| Sweden | 9,000 | 4,300 | $36,900 |