

NPD in a tough economy



March 16, 2009

Jonathan Banks



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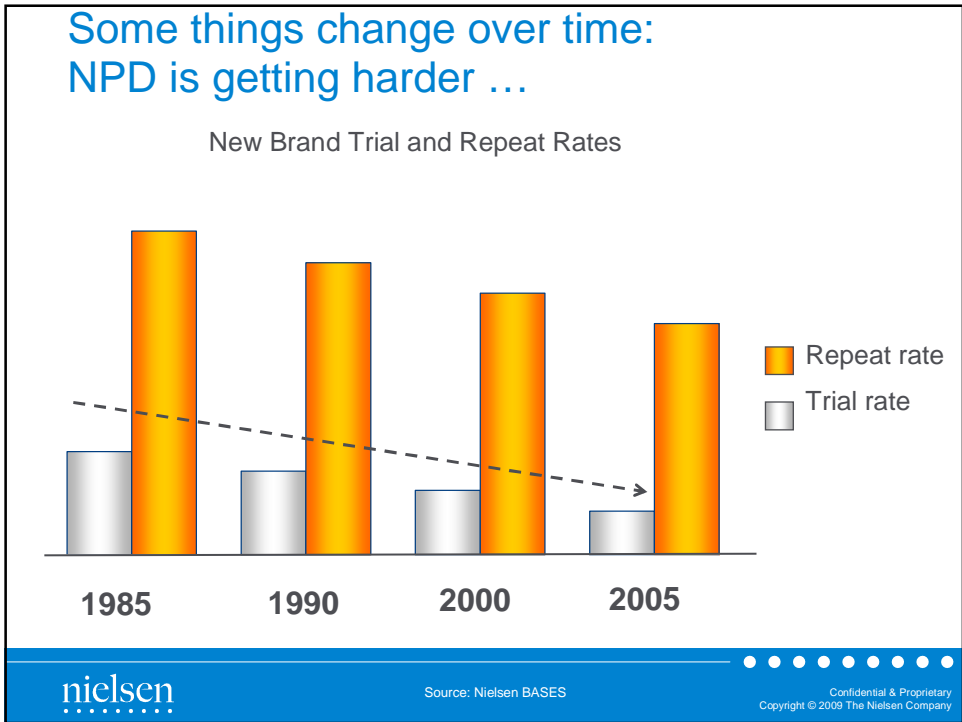
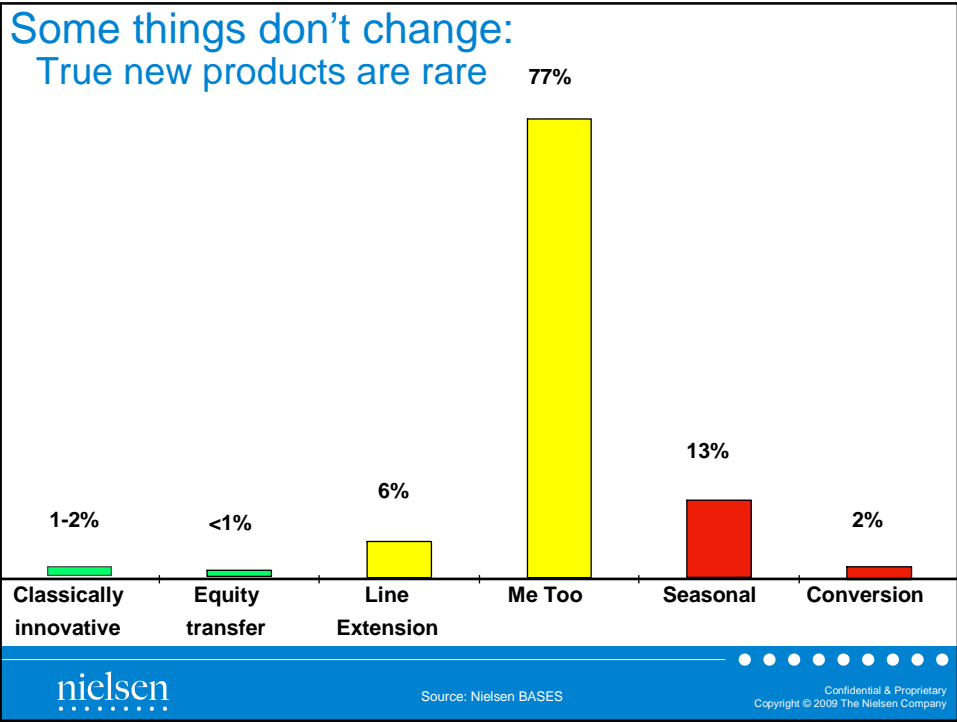
NPD in a tough economy

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

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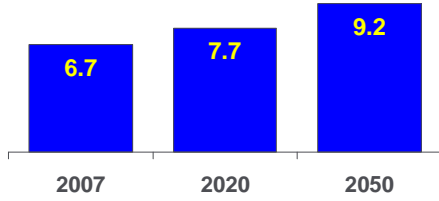


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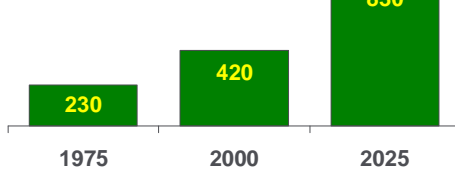


Demographics: a changing world

World population

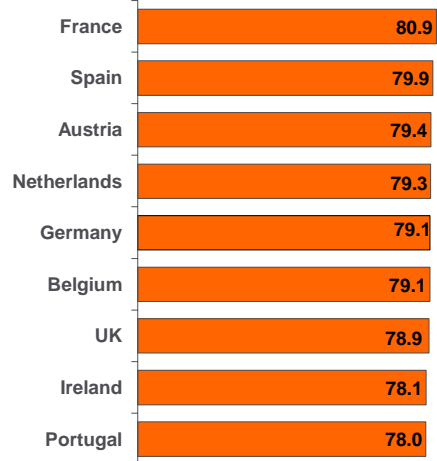


Over 60s



Life expectancy

Swaziland 32, Andorra 83

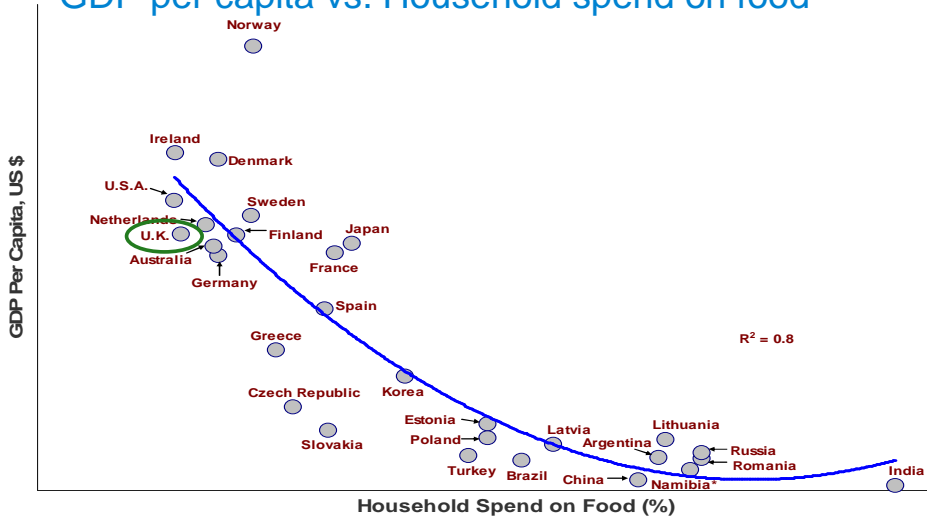


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Source: CIA World Factbook; UN

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



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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

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Change

- 1981 IBM PC
- 1985 Windows
- 1989 Berlin Wall falls
- 1990 Nelson Mandela; Windows 3.0
- 1991 1st web site
- 1993 1st Browser

- iPods, podcasting, wikipedia, blogs
- YouTube – 65k uploads, 1m downloads per day

- www.springwise.com
- www.thecoolhunter.net/news
- www.trendwatching.com
- www.superfuture.com/city/home

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NPD in a tough economy

- Change

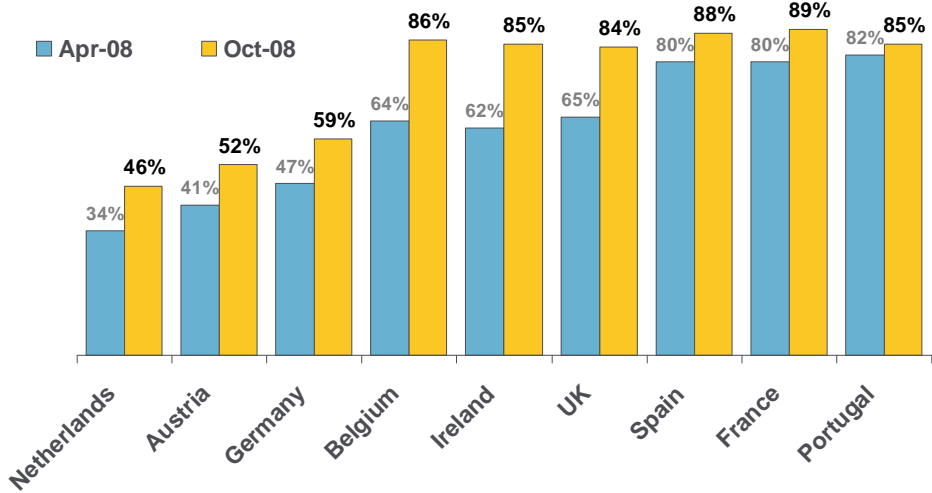
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Are we having a recession?

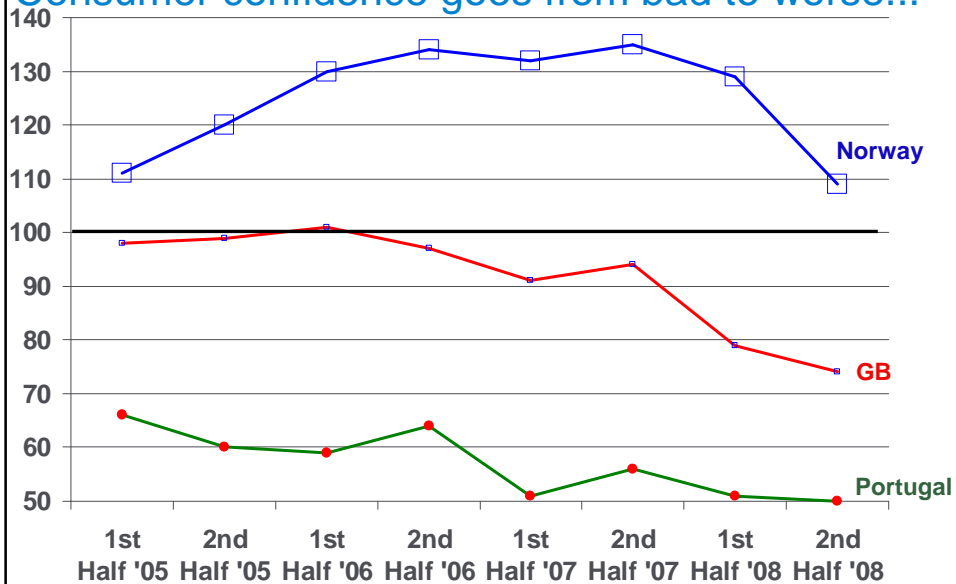


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Source: Nielsen Global Online Survey

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Consumer confidence goes from bad to worse...

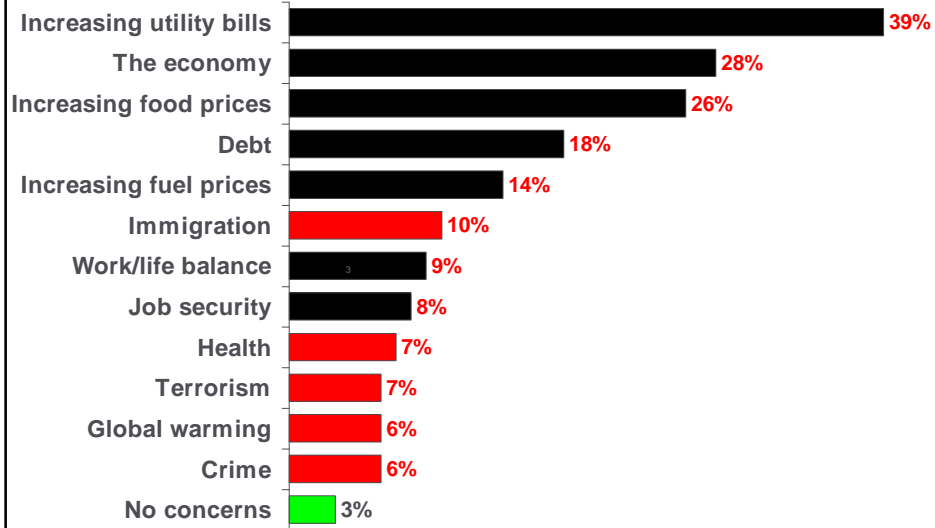


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Source: Nielsen Global Online Surveys to October 2008

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Biggest+2nd biggest concerns in next 6 months

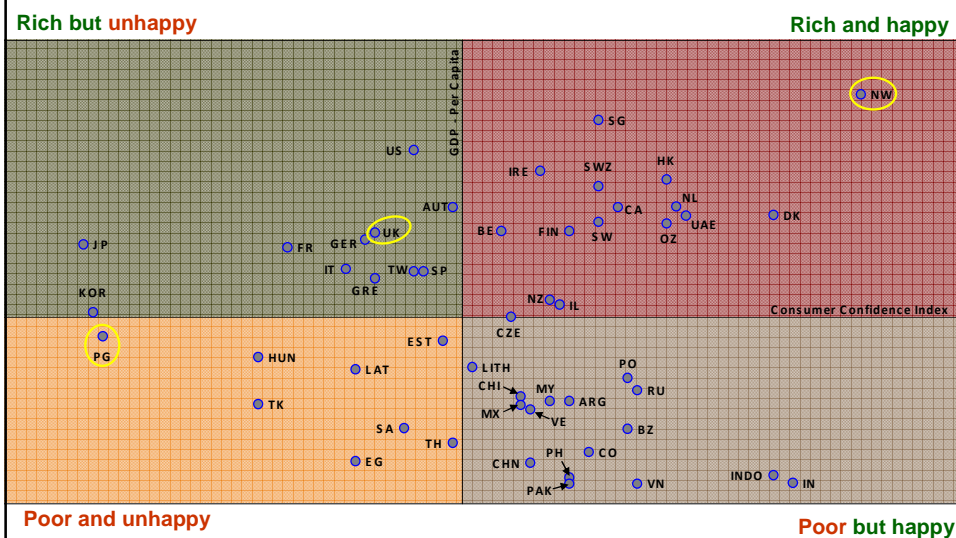


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Source: Nielsen Global online survey; UK Oct 08

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Consumer Confidence Index - 1st Half '08 vs. GDP



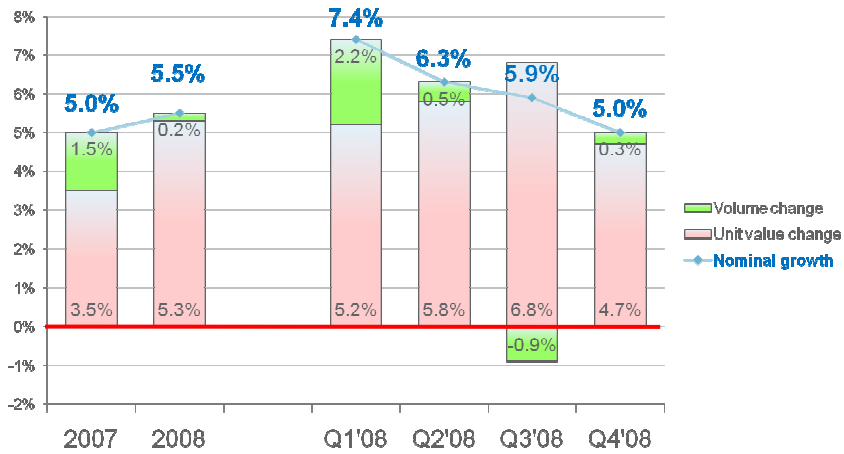
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Source: The CIA World Factbook; Nielsen Global Online Survey – 1st Half 2008;
ACNielsen Analysis

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UK

Fast Moving Consumer Goods market dynamics



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Source: Nielsen GrowthReporter

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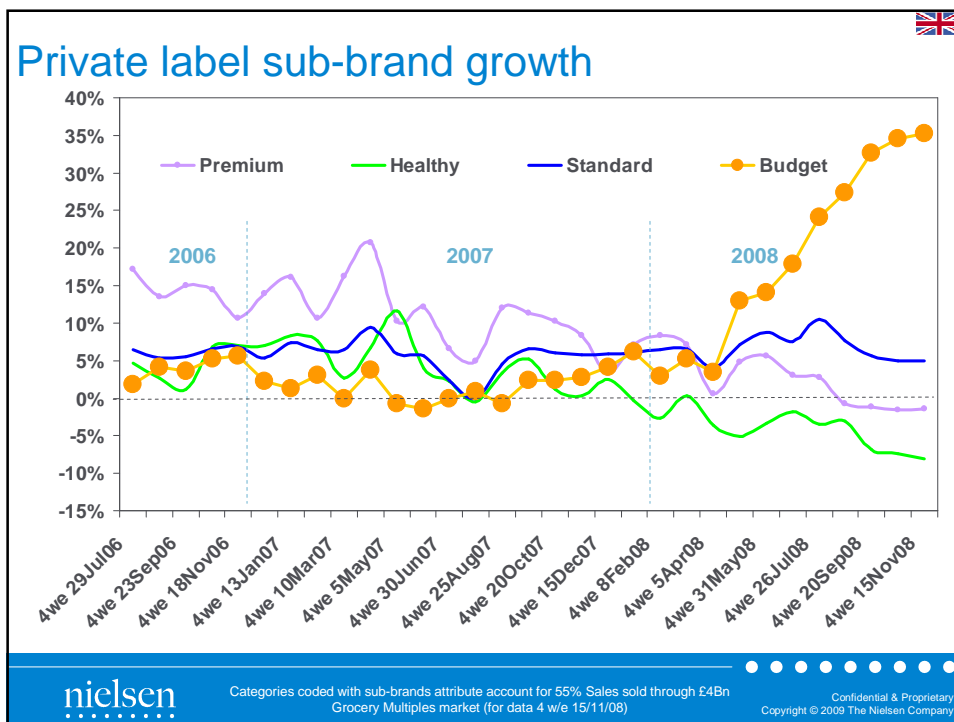
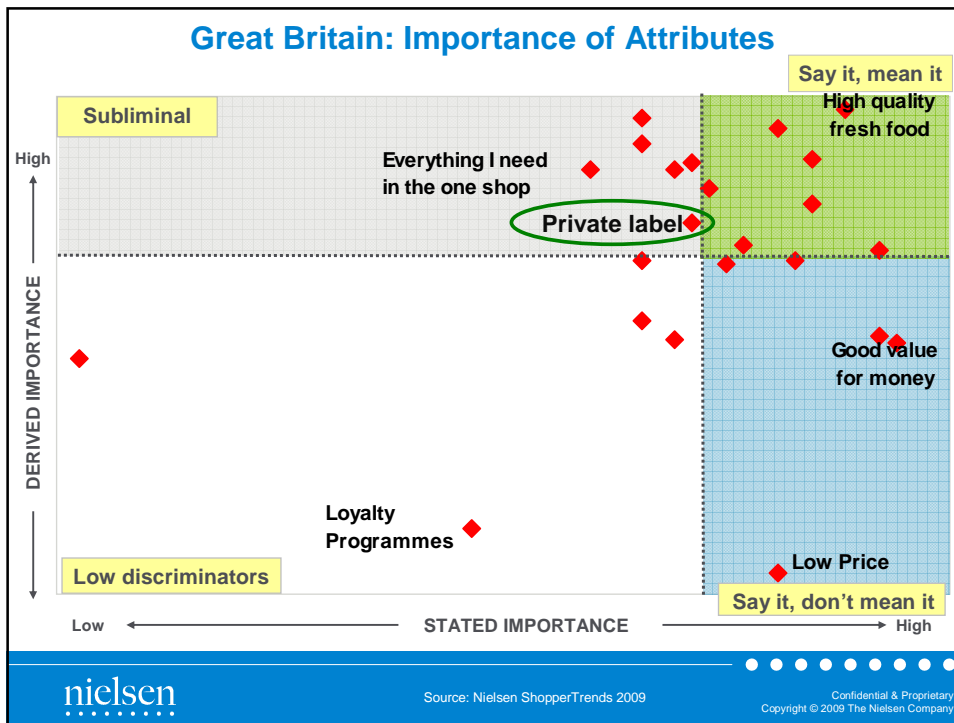
Key UK Economic Measures

	<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%
Savings Rate	2.2%	1.0%	5.2%	7.7%

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Source: Nielsen EconomicCurrent, UBS

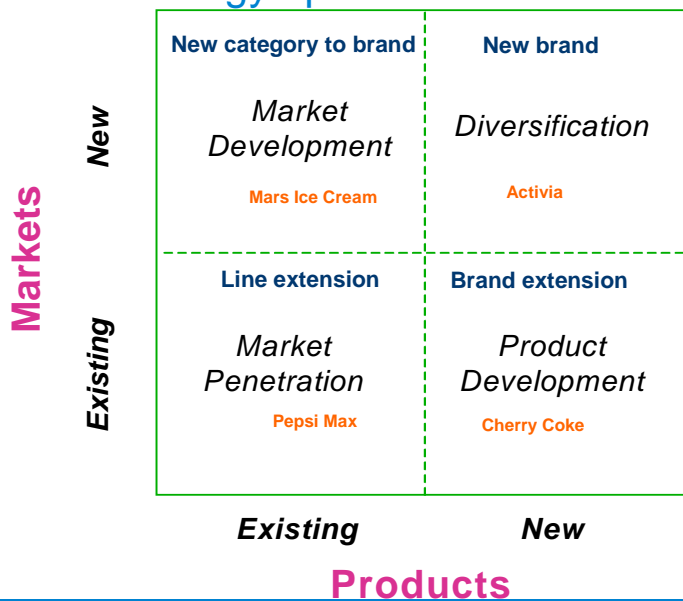
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Degree of commoditization of categories is measured through the share of private labels!

- 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



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Category performance through the downturn



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

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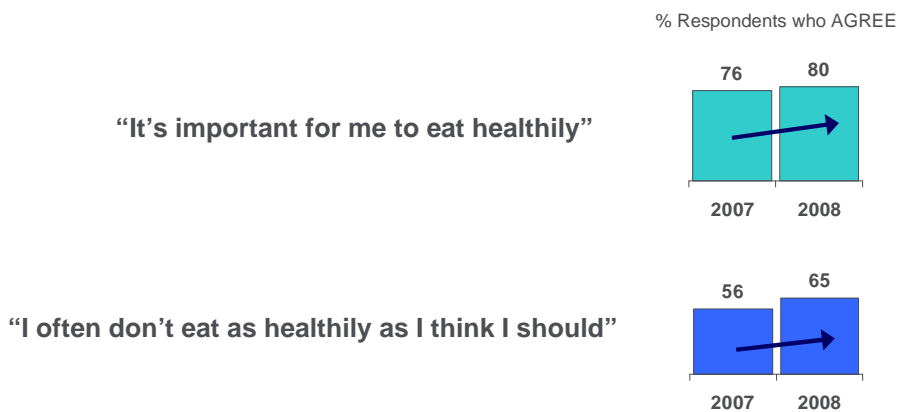
4 megatrends



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Attitudes to healthy eating



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Source: Nielsen Homescan

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Ethical consumers...



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



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Source: Nielsen Global Online Survey – April 2007

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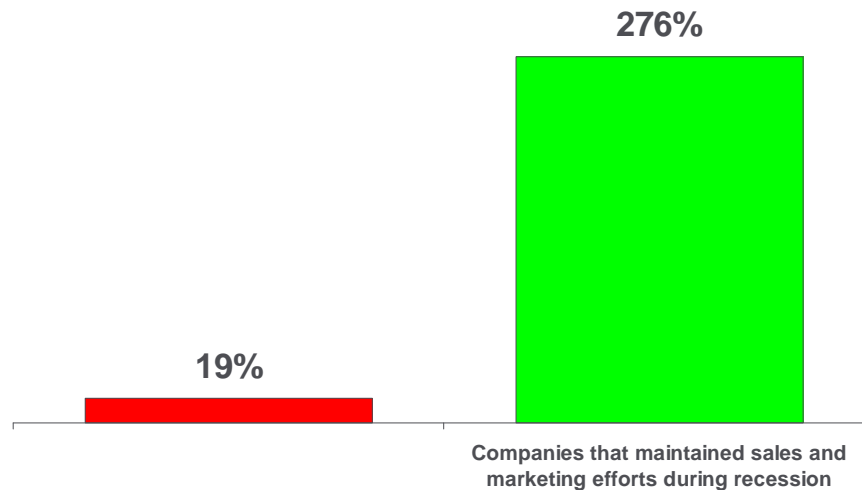
How to succeed!

- 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

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Revenue growth in first 5 years after 1980's recession



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Source: McGraw-Hill Research

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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!

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