What is your biggest concern over the next six months?

- Economy: 35%
- Job Security: 13%
- Children: 17%
- Health: 22%
- Debt: 15%
- Work-life balance: 28%
At times when the cost of living is rising rapidly, what actions do you take to stay within your budget? Global average.

- Cut down on out of home entertainment: 57%
- Spend less on new clothes: 53%
- Delay upgrading technology, such as pc, mobile: 48%
- Cut down on take-away meals: 44%
- Try to save on gas and electricity: 37%
- Delay the replacement of major household items: 36%
- Switch to cheaper grocery brands: 35%
- Cut down on telephone expenses: 34%
- Cut out annual vacation: 29%
- Use vehicle less often: 27%
- Use coupons more often: 19%
- Look for better deals on home loans, insurance: 17%
- Cut down on smoking: 10%
- Buy cheaper brands of alcohol: 8%
- Something else: 7%
- I don’t take any actions: 4%

Good intentions!
How do Shoppers **Actually** react to inflation?

<table>
<thead>
<tr>
<th>Country</th>
<th>Buy cheaper products</th>
<th>Reduce number of trips</th>
<th>Reduce basket content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>44%</td>
<td>37%</td>
<td>18%</td>
</tr>
<tr>
<td>UK</td>
<td>55%</td>
<td>43%</td>
<td>54%</td>
</tr>
<tr>
<td>Spain</td>
<td>34%</td>
<td>28%</td>
<td>39%</td>
</tr>
<tr>
<td>France</td>
<td>13%</td>
<td>36%</td>
<td>46%</td>
</tr>
<tr>
<td>Italy</td>
<td>3%</td>
<td>75%</td>
<td>22%</td>
</tr>
</tbody>
</table>

**Total Europe view**

Fast Moving Consumer Goods market dynamics
The Nielsen growth reporter by country
2nd quarter of 2008 versus 2nd Quarter of 2007

Nominal growth by country

<table>
<thead>
<tr>
<th>Country</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>12.7%</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>12.6%</td>
</tr>
<tr>
<td>Turkey</td>
<td>12.4%</td>
</tr>
<tr>
<td>Norway</td>
<td>9.5%</td>
</tr>
<tr>
<td>Portugal</td>
<td>8.7%</td>
</tr>
<tr>
<td>Sweden</td>
<td>7.6%</td>
</tr>
<tr>
<td>Hungary</td>
<td>7.6%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>6.9%</td>
</tr>
<tr>
<td>Greece</td>
<td>6.8%</td>
</tr>
<tr>
<td>Spain</td>
<td>6.5%</td>
</tr>
<tr>
<td>UK</td>
<td>6.4%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>5.8%</td>
</tr>
<tr>
<td>Denmark</td>
<td>4.9%</td>
</tr>
<tr>
<td>Sweden</td>
<td>4.5%</td>
</tr>
<tr>
<td>Ireland</td>
<td>4.4%</td>
</tr>
<tr>
<td>Italy</td>
<td>4.3%</td>
</tr>
<tr>
<td>Finland</td>
<td>4.3%</td>
</tr>
<tr>
<td>Belgium</td>
<td>4.3%</td>
</tr>
<tr>
<td>Germany</td>
<td>3.6%</td>
</tr>
<tr>
<td>Austria</td>
<td>3.6%</td>
</tr>
<tr>
<td>France</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

Decomposition of growth

<table>
<thead>
<tr>
<th>Country</th>
<th>Unit Value</th>
<th>Volume Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>5.5%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>3.4%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Turkey</td>
<td>9.1%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Norway</td>
<td>3.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Portugal</td>
<td>4.1%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Sweden</td>
<td>4.1%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Ireland</td>
<td>2.5%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Italy</td>
<td>5.8%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Finland</td>
<td>3.5%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Germany</td>
<td>3.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Austria</td>
<td>3.6%</td>
<td>0.9%</td>
</tr>
<tr>
<td>France</td>
<td>3.2%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
IDEAL FORMAT?

Evolution of formats in Europe
Number of stores per million inhabitants

Format structure by country
### Ranking of store selection attributes

<table>
<thead>
<tr>
<th>Rank</th>
<th>Attribute</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A place where it's easy to quickly find what I need</td>
</tr>
<tr>
<td>2</td>
<td>Everything I need in one shop</td>
</tr>
<tr>
<td>3</td>
<td>Pleasant store environment</td>
</tr>
<tr>
<td>4</td>
<td>High quality fresh food</td>
</tr>
<tr>
<td>5</td>
<td>Always have what I want in stock</td>
</tr>
<tr>
<td>6</td>
<td>Spacious</td>
</tr>
<tr>
<td>7</td>
<td>Food and Groceries are good value for money</td>
</tr>
<tr>
<td>8</td>
<td>Wide range of fresh fish and meat</td>
</tr>
<tr>
<td>9</td>
<td>Staff provide good service</td>
</tr>
<tr>
<td>10</td>
<td>Clean and hygienic store</td>
</tr>
<tr>
<td>11</td>
<td>Convenient to get to</td>
</tr>
<tr>
<td>12</td>
<td>Has wide range of well known brands</td>
</tr>
<tr>
<td>13</td>
<td>Provides their own brands of groceries which is a good alternative to the</td>
</tr>
<tr>
<td>14</td>
<td>Efficient checkout counters</td>
</tr>
<tr>
<td>15</td>
<td>High quality prepared meals</td>
</tr>
<tr>
<td>16</td>
<td>Has programs that reward regular purchase of food, groceries and petrol</td>
</tr>
<tr>
<td>17</td>
<td>Ease of parking</td>
</tr>
<tr>
<td>18</td>
<td>Low prices for most items</td>
</tr>
</tbody>
</table>

### Importance of Attributes in Germany

#### Stated vs. Derived Importance

- **Stated Importance**
  - High quality prepared meals
  - Wide range of fresh fish and meat
  - Efficient checkout counters
  - Low prices

- **Derived Importance**
  - Good service
  - Loyalty programs
  - Display of products
  - Good value for money
  - Wide range of fresh fish and meat
  - Always well clean and stocked
  - High quality fresh food
  - Ease of parking
  - Attractive promotions
  - Convenience to get to
  - High quality brand name

**Subliminal**

- Loyalty programs
- High quality prepared meals
- Wide range of well known brands
- Long opening hours
- Attractive promotions
- Display of products
- Good value for money
- Wide range of fresh fish and meat
- Always well clean and stocked
- High quality fresh food
- Ease of parking

**Mean it, say it**

- Good service
- Loyalty programs
- Display of products
- Good value for money
- Wide range of fresh fish and meat
- Always well clean and stocked
- High quality fresh food
- Ease of parking
- Attractive promotions
- Convenience to get to

**Say it, don’t mean it**

- Low prices
- High quality prepared meals
- Wide range of fresh fish and meat
- Always well clean and stocked
- High quality fresh food
- Ease of parking
- Attractive promotions
- Convenience to get to
Importance of Attributes: UK 2007
Stated vs. Derived Importance

Subliminal

Mean it, say it

High

Derived Importance

Not Important

Stated Importance

Say it, don't mean it

nielsen

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Similar expectations!!!

Subliminal

Mean it, say it

High

Derived Importance

Not Important

Stated Importance

Say it, don't mean it

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Easy to quickly find what I need
Everything I need in one shop
High Quality fresh food
Wide range fresh products
Clean & hygienic store
Are shoppers more and more price sensitive? Are shoppers more and more promotion sensitive?

Low prices for most items
"I change stores based on which one I think has the best promotions that trip!"

Market share discount in Europe
Number of discount stores

Development of Aldi and Lidl stores
I also shop at Store C.

All the rest!!
"Which of these types of products do you actively try to buy?"

- Local products: 57%
- Products with minimum/no packaging: 55%
- Energy efficient products or appliances: 48%
- Products in recyclable packaging: 44%
- Products not tested on animals: 43%
- Fairtrade products: 33%
- Products from a Farmers’ market: 26%
- Products grown without pesticides: 26%
- Ethically produced or grown products: 21%
- Organic products: 17%
- None of these: 7%
Private Label?

Automatic win? ...
or...
Fatality?

Private Label Category Share by Country

[Bar chart showing private label category share by country]
Where do Private labels thrive?

• In categories where brand manufacturers have lost the art in creating added value. (real or perceived)

• In categories where price has become the only true differentiator.
  – Brand price premium is perceived excessive
  – Too much short term price tactics

• In categories where true innovation is scarce.

• In categories with excess production capacity available

• With retailers/ countries where there is scale big retailers and/or big countries

Closing comments

• Are we getting what we want or do we want what we get?
• Are we trying enough to connect with the consumer?
  – Positioning and differentiation
    – Perception in terms of quality, price and choice
    – Ease of access
  – Create true shopper preference and distinctiveness
    – Get the basics right
    – We need to dare challenging conventional beliefs and viewpoints
    – Consumers reward difference, courage and against the tide swimming
    – Excite and surprise the shopper
  – Develop the “Magnetism” of stores, categories and brands!

• Foresight:
  – More and more equity building initiatives to be expected
  – More and more consolidation of equity to be expected