THE YEAR THAT WAS

AS 2011 KICKS OFF, *ADNEWS* AND THE NIELSEN COMPANY TAKE A LOOK BACK AT 2010 AND REVEAL THE CHALLENGES FACING MARKETERS AND ADVERTISERS IN THE YEAR AHEAD.

Australia's resources boom boosted advertising spending in 2010 to the pre-GFC levels of 2008. The strenghtened economy helped Australia out-do markets globally and a market boom in August, with significant ad spending during the federal election, ensured the Australian media market was surging.

Compared to 2009, the media market last year amplified by an estimated 13% and remained strong, albeit at lowering percentage increases after mid-year.

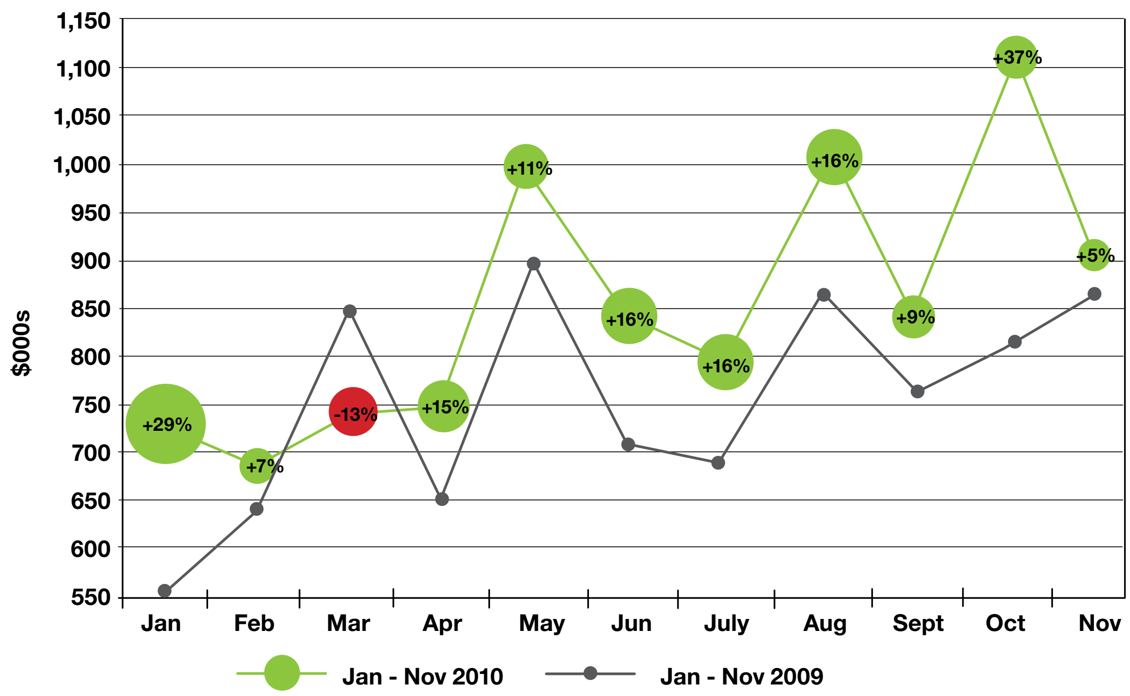
Improved performances was key as the market started lifting in the second half and particularly in the last quarter of 2009.

On a year-to-date basis to November 2010 - adjusted to reflect equal numbers of weeks to 2009 - only five of the 39 major categories decreased.

Among the top 20, which combined represented 89% of all media ad spending, only the Media category recorded a marginal 1% decline.

The top-ranking Retail category lifted 10%, followed by Motor Vehicles (16%). The largest percentage increases however, were for Home and Outdoor Appliances (51%), Real Estate (25%), Building and Construction (22%), and Toiletries and Cosmetics (20%).

MAIN MEDIA ADVERTISING SPEND, 2009 V 2010



THE CONNECTED CONSUMER: CHALLENGES FOR THE INDUSTRY FACED WITH DIVERSIFYING CONSUMER PLATFORM CHOICES

Over the last few years, and particularly in 2010, the pace and dynamic changes in the media landscape were impacting on how marketers, agencies, media owners and researchers conducted their business strategies. We see this trend continuing on the back of further technological and societal changes in the years ahead.

Based on our review of top advertisers in 2010 and current social media trends, traditional and new media were becoming more closely aligned and playing a vital cross-platform role for many leading marketers.

The pace of traditional media developing new technologies and further expansion of new media adoption will continue to be the biggest learning curve facing marketers and agencies.

The key challenge is for marketers and agencies to understand, quantify and increasingly engage with "connected consumers" across a continually diversifying media ecosystem.

Last year saw exponential growth in the popularity of mobile devices.

Driven by new product releases such as the iPad and Internet TV, and product enhancements such as improved functionality of smartphones, Australians are getting connected like never before.

This increased connectivity has resulted in significant changes in the way Australians consume media – television viewing is becoming more flexible through the advent of Personal Video Recorders (PVRs) and Digital Video Recorders (DVRs), and television programs and movies are available for "on demand" viewing.

Digital Free TV delivered substantial growth in the number of commercial free-to-air channels as the end of analogue television kicked off in some regional Australian centres.

Increasing connectivity means Australian consumers are accessing information wherever, whenever and often at the same time. It is critical to identify and understand consumers, so we need to know their relationships with all media types and help find new ways for marketers to engage with them.

Through innovative vertical and cross media research initiatives, fusing data from multiple research platforms, we are now beginning to see the complete picture of consumer media consumption and purchasing habits, providing unique insights on what they buy and consume in a holistic, measurable and actionable way.

This can be from online visits and purchases, radio listening, TV viewing and engagement, their use of mobile communications, through to shopping habits across product and brand preferences, their travel and lifestyle behaviour, and how they interact with each other on social media.

The list is endless.

At the centre of it all is the advertiser. Faced with tight budgets, brand marketers are challenged with apportioning their advertising spend across expanding media platforms.

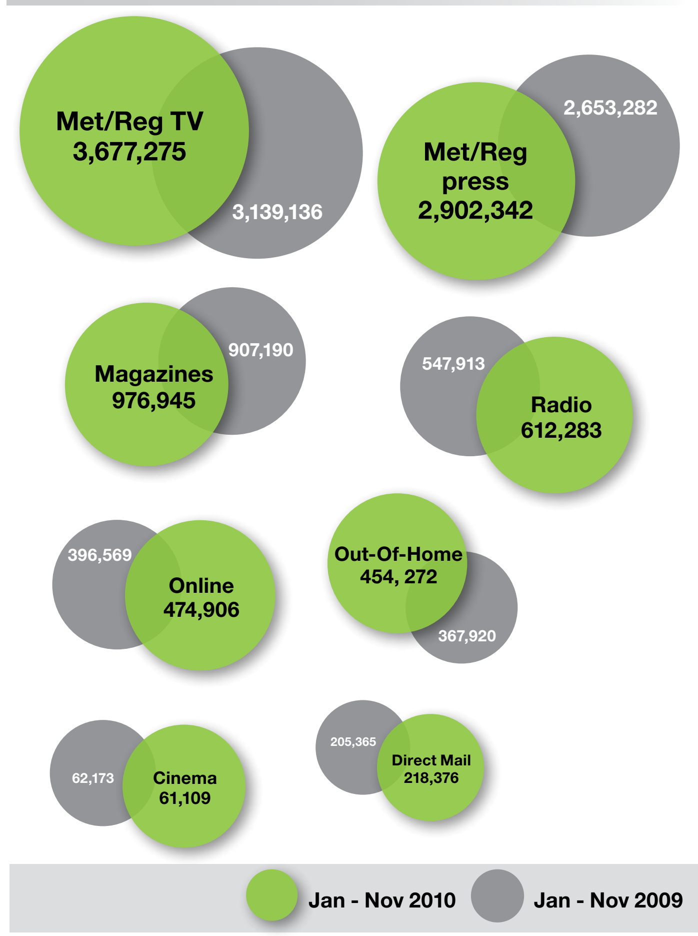
In many ways 2010 was a year of learning, but this year will be about results and, as the art of "media blending" becomes more ingrained, advertising campaigns and media buys will no longer be looked at in isolation.

Just as consumers look and expect information and entertainment across multiple platforms, marketers require the tools to confidently build marketing campaigns across this ever expanding media landscape.

The challenge is to keep pace with the ever-changing and expanding media landscape. <

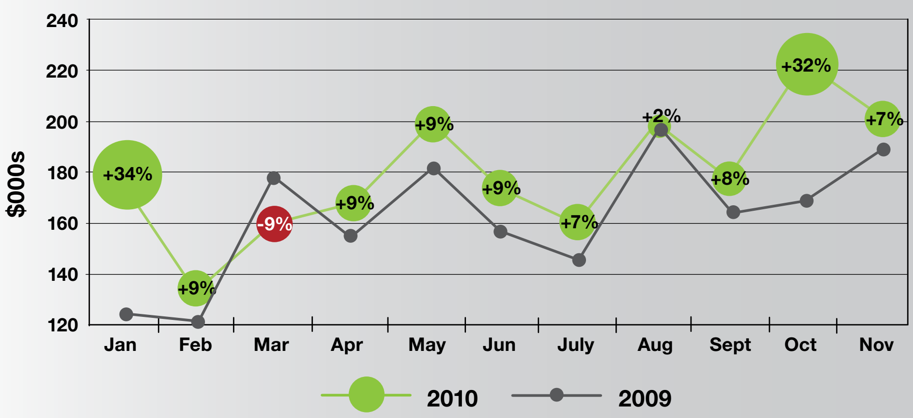
Peter Cornelius is managing director media – Pacific The Nielsen Company

MAIN MEDIA AD SPEND BY CATEGORY $000s

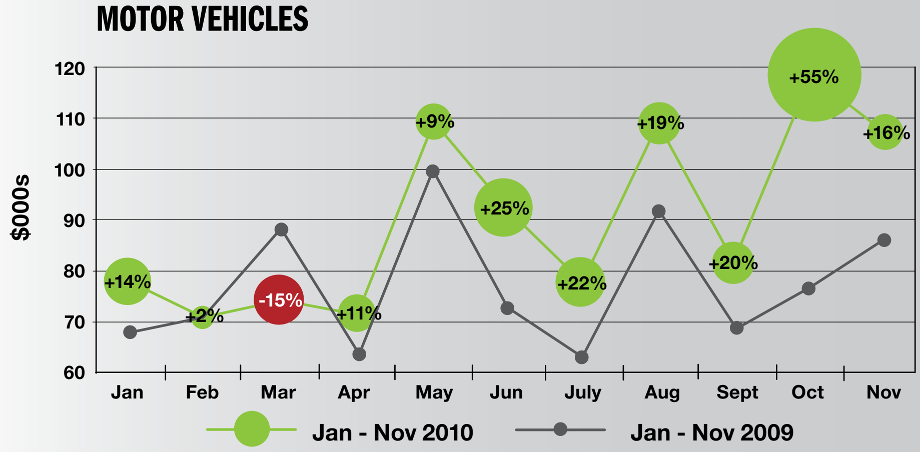


MAIN MEDIA AD SPEND

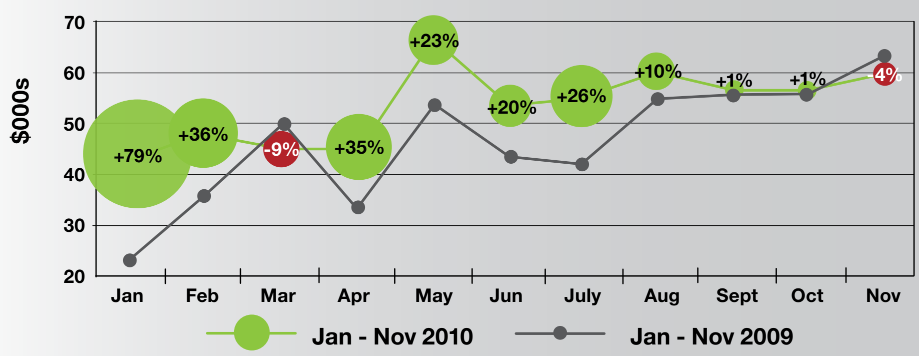
RETAIL



MOTOR VEHICLES



FINANCE



TRENDS IN ACTIVITY FOR RETAIL, AUTOMOTIVE AND FINANCE CATEGORIES IN 2010

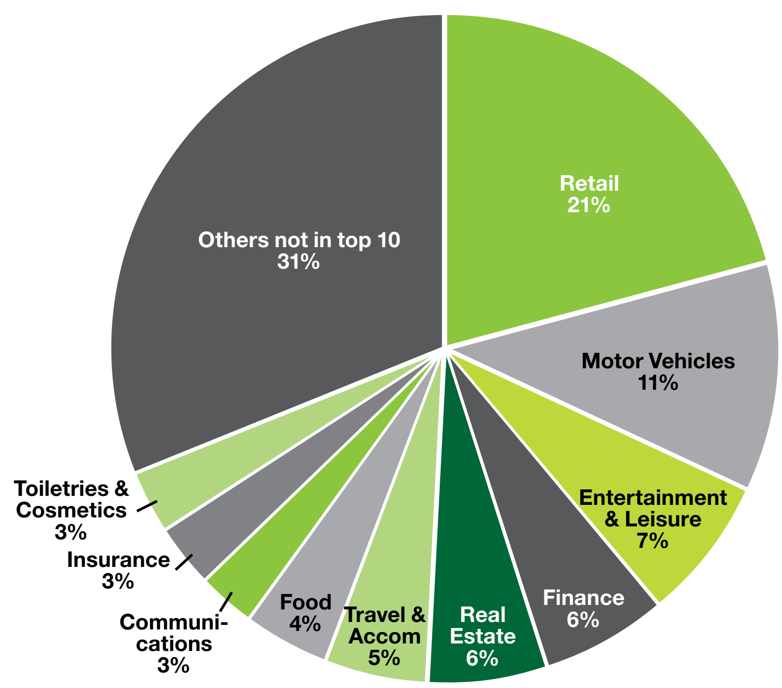
Reviewing the individual category performances throughout 2010 revealed some significant differences in the actual monthly activity trends.

In three of the top four categories, Retail, Motor Vehicles and Finance, there was consistency in the dip for March 2010 when compared to 2009 where the government stimulus packages were clearly stimulating advertising activity.

That aside, the trend across Retail, Motor Vehicles and Finance shows considerable variances as ad spending settled into more traditional industry marketing levels.

Finance showed a substantial slow down in the September to November period as rising interest rates presumably influenced their visibility in mainstream media.

TOP 10 ADVERTISING CATERGORIES 2010

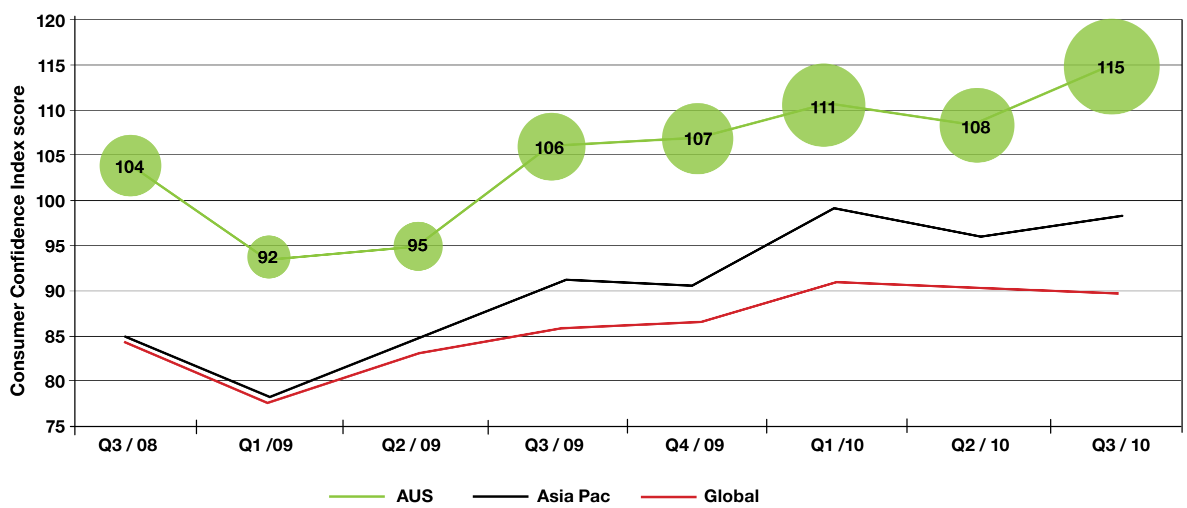


THE CONFIDENT YET CAUTIOUS CONSUMER

Rising confidence in Australia in 2010 defied the trend of other developed markets and reflected the strongest outlook Australia has had in more than two years for job prospects, personal finances, and the ability to buy things over the next 12 months. Australia was the third most confident market globally, boasting a Consumer Confidence Index score of 115 which was 25 points above the global average of 90. An overwhelming 74% of Australians said their perception of local job prospects over the next 12 months was excellent or good; 70% believed that the state of their personal finances was positive; and 59% (the highest score globally) claimed the next 12 months was an excellent or good time to buy the things they wanted and needed.

The results are consistent, with the continued rise in Australia's employment growth fuelling a strong labour market and underpinning household income. Our economy also benefited from expansion over the first half of 2010 with Gross Domestic Product (GDP) growth forecast to be around 3.25% for the year – a result of rising commodity prices, increased public investment and a growing population.

CONSUMER CONFIDENCE TABLE



Source: Nielsen Global Online Consumer Survey

THE DEMANDING CONSUMER

Hard times have a way of transforming consumers and the past couple of years have been harder than most. While the Australian economy emerged in 2010 relatively unscathed from the GFC, the downturn has left an indelible impression on consumers' attitudes and purchasing behaviours. During the economic downturn, consumers shopped around for specials to cut costs, and this has created a new, savvy consumer who is more demanding than ever.

Despite the positive outlook among Australians, we are still seeing evidence of cautionary behaviour, with almost half of all consumers channeling their spare cash into savings (47%), and 40% using surplus cash to pay off debts, credit cards and loans.

Plus, the majority of consumers are curbing their household expenditure by trying to save on gas and electricity; cutting back on take-away meals, new clothes purchases and out-of-home entertainment, and making the switch to cheaper grocery brands.

A strong labour market and perceived financial position may be driving up our confidence, but in reality, while we are also seeing a return in business confidence among grocery

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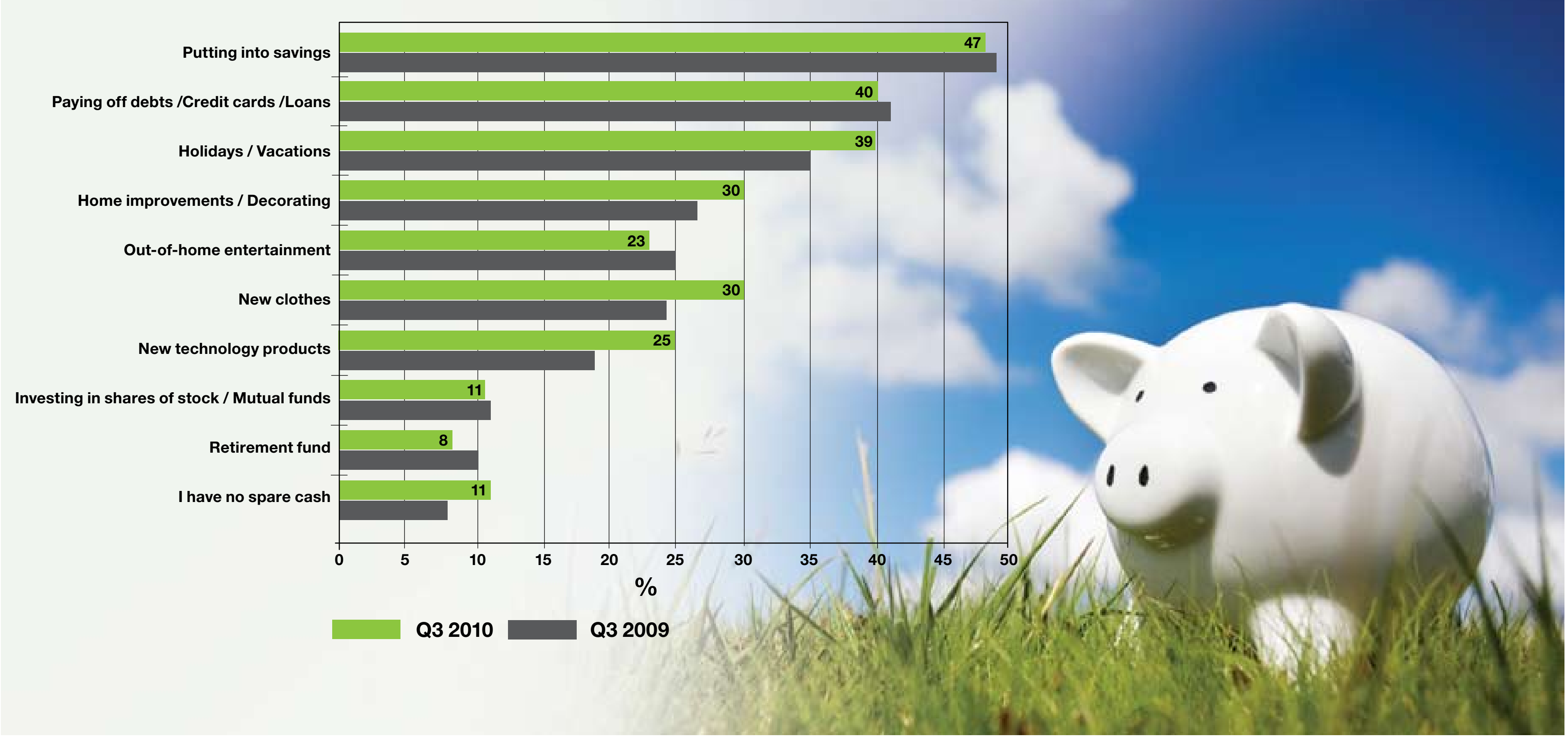
HOW AUSTRALIANS WILL UTILISE SPARE CASH



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manufacturers – it has been tempered somewhat by the sluggish growth performance of the grocery channel overall (value sales growth for total grocery excluding tobacco dropped from a healthy 7.8% for the Moving Annual Total (MAT) 16 August 2009, to just 3.6% for the same period this year).

This was driven by a combination of continued deep discounting by the retailers, a 5% fall in value for grocery baskets compared to a year ago, and the rise of the savvier shopper who is continuously on the hunt for "value for money".

> "Aside from heavy retailer promotional activity, we are seeing a decline in the amount spent per shopping trip."

Australian shoppers are prepared to shop around for the best deal.

The average shopper repertoire now includes about four different stores in a week. In fact, it's estimated that more than 30% of all Australian grocery purchases are made on promotion. Aside from heavy retailer promotional activity, we are seeing a decline in the amount spent per shopping trip – from $49.80 in 2009 to $48.40 this year; and each of these trips have become more rational with a 5% increase in the purchase of items costing less than $5, while the purchase of items priced between $10-15 has declined by 4%.

PRIVATE LABEL

Private label perception in the eyes of the shopper has come a long way over the past five years, with many seeing the benefits it can offer in terms of "value for money", and as a good quality alternative to name brands.

Private label continues to steadily gain traction with its representation in all of the major grocery retailers, recording an increase in value share for the quarter to 2 October 2010, to just under a quarter (23.9%) of total supermarket sales. Nielsen Homescan indicates that everybody buys private label products (100% household penetration), with the average household spend reaching over $200 for the first time ever in the latest quarter – up $3.48 on the previous quarter.

ONLINE SHOPPING

As Australians demand better deals on everything they purchase, online trading is also playing a larger role in the shopping channel mix, with the key drivers being the availability of a broader range of products and services and the ability to get products and services at a cheaper price than they are available through traditional retail channels. Among Australia's internet population, the vast majority (96%) have made an online purchase.

THE DIVERSIFYING CONSUMER

Cultural diversity from changing immigration, population growth and ageing consumers is set to impact Australian retailing in the next four decades.

Key insights from the 2010 Nielsen ShopperTrends Report reveal that the Australian shopper is evolving, and to succeed in the future, retailers and manufacturers will need to develop strategies that accommodate growing ethnicity, population increases and an ageing society. Nielsen research shows that among Australian households in 2010, Thai cuisine was the second most popular eaten out-of-home (after traditional Australian); followed by Italian, Chinese and Japanese.

> **Increasing cultural diversity will have a huge impact on Australian eating habits. In 2006, 7% of the population was born in Asia, however based on current migration trends this could rise to be as high as 21% by 2050.**

Asian food items in Australian family pantries has grown by 268,000 households since 2007.

This represents an opportunity for grocery marketers to provide simple and convenient Asian meal solutions.

From a marketers perspective, it is important to understand how ethnicity impacts on how people shop and demand for products and brands – which products and brands consumers are looking for and where they expect to find them.

Over the past 50 years Australian households have been adopting Mediterranean cuisine as part of their everyday menu, with ingredients available in both supermarkets and specialist retailers.

Now, as migration shifts from European countries towards Asian countries, there is a need to understand how these influences will change the way Australians shop, what they buy, where they buy it from and what they eat. <

Chris Percy is managing director, consumer group - Pacific The Nielsen Company