

# GLOBAL TRENDS





# 77pts

Nielsen Consumer  
Confidence Index down  
to lowest level since it  
began in 2004

GLOBAL  
TRENDS

# GLOBAL TRENDS OVERVIEW

## LOOKING TO 2010...

While purse strings may be loosening in some markets, there's clearly a big difference in the pace of expected recovery between the emerging and developed markets. In the more developed economies, consumers' increased confidence is not yet translating into a widespread readiness to start spending.

**James Russo**, Vice President, Global Consumer Insights, The Nielsen Company

Around the world, fears for the economy and job security were foremost in consumers' minds as the recession began to bite. At the start of 2009 the global average on the Nielsen Consumer Confidence Index was down to 77 points – the lowest level since the company launched its worldwide consumer confidence survey in 2004.

Although the index increased five points in the second quarter, consumers remained pessimistic. As in the UK, they responded by spending less on fuel, clothing, entertainment and groceries.

However, while the economic concerns remained broadly consistent, their influence on purchasing behaviour was strongest in countries with more mature soft drinks markets. In less developed markets, sales continued to thrive.

In the saturated United States market the picture was almost uniformly negative. Consumer confidence was below the global average and soft drinks sales value and volumes dropped, reversing the promising performance of 2008. In the Republic of Ireland, one of the countries hardest hit by the recession, deflationary pressure on many consumer categories, including soft drinks, made for a difficult time.

This was in marked contrast with Brazil and India: growth in these two confident, developing nations continued unabated. In India sales of soft drinks soared, with fruit/vegetable still drinks leading the way. Health was also high on the agenda in South Africa, where there is growing enthusiasm for pure juice and diet carbonates.

Sports and energy drinks surged in popularity, with double-digit sales increases in the less developed markets of India, South Africa, Brazil – and France, where bottled water is still the dominant soft drink sub-category.

As the world emerges from recession and consumer confidence grows, it will be interesting to see how long consumers maintain their cautious spending patterns. Meanwhile, as we have seen in the past, strong brands are likely to continue showing their resilience in tough economic conditions.



# GLOBAL TRENDS

# NATIONAL MARKETS

## IRELAND

### A TALE OF TWO CURRENCIES

Economic gloom continued in the Irish Republic as market conditions curtailed consumer spending even further in 2009. Although prices were cut by 13%; this was not enough to halt the flow of consumers crossing into Northern Ireland to take advantage of the pound's weakness against the euro. In the last 12 weeks of the year, Republic of Ireland shoppers accounted for 18% of Sainsbury's sales and 17% of Asda's in Northern Ireland.

The licensed channel was hit hardest, with volume and value both down 20%. Take-Home sales dropped 10%, on volumes down 3%.

Deflationary pressure was most evident in the water sub-category: all major brands lowered their prices in 2009, with the most dramatic decreases coming in the final quarter as retailers looked to drive sales around the important Christmas period. One of the few bright spots was squash, which achieved 8% volume growth over the year while losing only 2% of sales value.

The market recovered slightly in the final quarter with volumes rising for water (6%), sports drinks (1%), juice drinks (3%) and squash (22%). However this was not mirrored in sales value, which was down 11%, 17%, 15% and 4% respectively.

In marked contrast with its neighbour, Northern Ireland experienced 9% growth in volume and value in the take-home channel. Cola, mixers, energy drinks and squash all saw double-digit value and volume growth. Squash was the top performer, with sales value up 17% and volume up 10%. However, the licensed channel followed a similar trend to the Irish Republic, with value down 11% and volume down 15%.

## SOUTH AFRICA

### HEALTH IS FOREMOST

Although consumer confidence in South Africa was in line with global averages, high inflation continued to affect the market. This was evident in soft drinks, where sales value growth of 13% reflected steady underlying volume growth of 4% – boosted by price rises averaging over 8%.

South Africans' growing interest in health and wellbeing was demonstrated in a 25% increase in value sales of diet carbonates and 20% value growth in chilled pure juice.

# GLOBAL TRENDS

## NATIONAL MARKETS

### LOOKING TO 2010...

It's going to take a lot for the US consumer to come fully off the sideline, as scepticism regarding a recovery remains high. With a weak labour market, record foreclosures and tight credit, the consumer has a lot to work through before a sustained recovery is seen.

**James Russo**, Vice President, Global Consumer Insights, The Nielsen Company

### UNITED STATES

#### CARBONATES STAY STRONG AS WATER AND JUICE WEAKEN

After starting 2009 three points ahead of the global average on the Consumer Confidence Index, American consumer confidence fell by five points by the end of the year. Almost 50% of those polled listed the economy in their top two concerns.

The resulting belt-tightening sent the well-developed soft drinks market into reverse. Sales value was down marginally, compared to a 1% increase in 2008. However, the 2% drop in volume was an improvement on the previous year's 3% fall.

This decline was felt in all sub-categories except carbonates, which continued to account for 46% of consumption. The worst performers were ambient juice, with value sales down 2%, and bottled water, which saw sales fall by 8%.

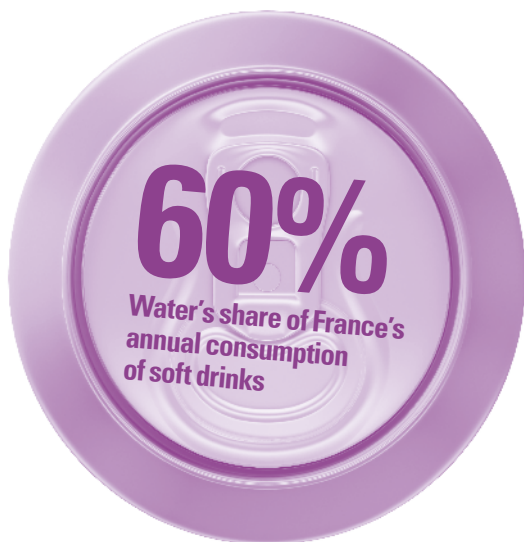
### FRANCE

#### COLA AND ENERGY DRINKS BOOST SALES

At just 60 points, France had one of the weakest scores on the global Consumer Confidence Index. But, despite this, the soft drinks market saw a marked improvement.

Volumes rose by 2% – after falling more than 4% in 2008 – and sales value was up 5%. There was growth in nearly all sub-categories, with cola and fruit juice/drinks leading the way: their sales were up 7% and 5% respectively. Energy drinks, a relatively small sub-category in France, saw sales rocket by 40% with the introduction of Red Bull.

Water levels are still high, making up 60% of the nation's 130-litres-a-head annual consumption. Following 2008's 5% value and 8% volume decline, water sales stabilised to grow 1% in value while slipping 1% by volume.





**INDIA**  
**FRUITFUL GROWTH**

India was the second most confident nation in the 2009 Consumer Confidence Index (only Indonesia was higher). It scored well above the global average, despite major concerns over rising food prices. Encouraged by low unemployment, 83% of consumers thought that job prospects would be excellent or good in 2010.

The 4% price rises in soft drinks did nothing to halt the double-digit upward trend of 2009: sales value increased 28% on volumes up 23%.

Fruit/vegetable drinks appeal strongly to Indian consumers and have a 14% share of the market by value. The sub-category is punching well above its weight: last year it contributed 18% of the overall value growth in a booming soft drinks market.

**BRAZIL**  
**SPORTS AND ENERGY DRINKS PROVIDE THE STIMULUS**

Enthusiasm for sport and energy drinks is high in Brazil, driving runaway growth of 21% and 41% respectively. The mineral water market, though under-developed, is bucking the downward trend in other countries: volume and value were both up 15%.

Soft drinks as a whole increased 8% in value terms and 2% by volume. All sub-categories performed well – except diet carbonates, which declined by 3%.

Brazil was also one of the most confident nations in 2009, ranked third in the global Consumer Confidence Index. This confidence is set to continue in 2010, as Brazilian consumers are among the most likely to go on a post-recession spending spree.

