

Consumer Confidence Survey GB Q4, 2010

Survey field dates 10th November to 1st December 2010

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Topline Summary Nielsen/BRC Consumer Confidence Survey December 2010

- Consumer Confidence ended 2010 lower than at the start, Q4 did however see a marginal improvement on Q3.
- Latest quarters, Consumer Confidence saw a slight improvement as consumers felt slightly more positive about their job prospects and their personal finances. Less negativity around willingness to spend likely to be a seasonal fluctuation.
- Top 6 GB concerns all impact household income.
- The proportion of consumers who have 'no spare cash' has **increased** from 26% in Q3 to 27% in Q4. This is at an all time high.
- Putting spare cash into savings or paying off debts is higher up shoppers agendas than spending on discretionary items.
- With rising food costs and falling disposable incomes, switching to cheaper grocery brands is an established strategy for staying within budget.

Confidence has fallen in 25 out of 52 Markets

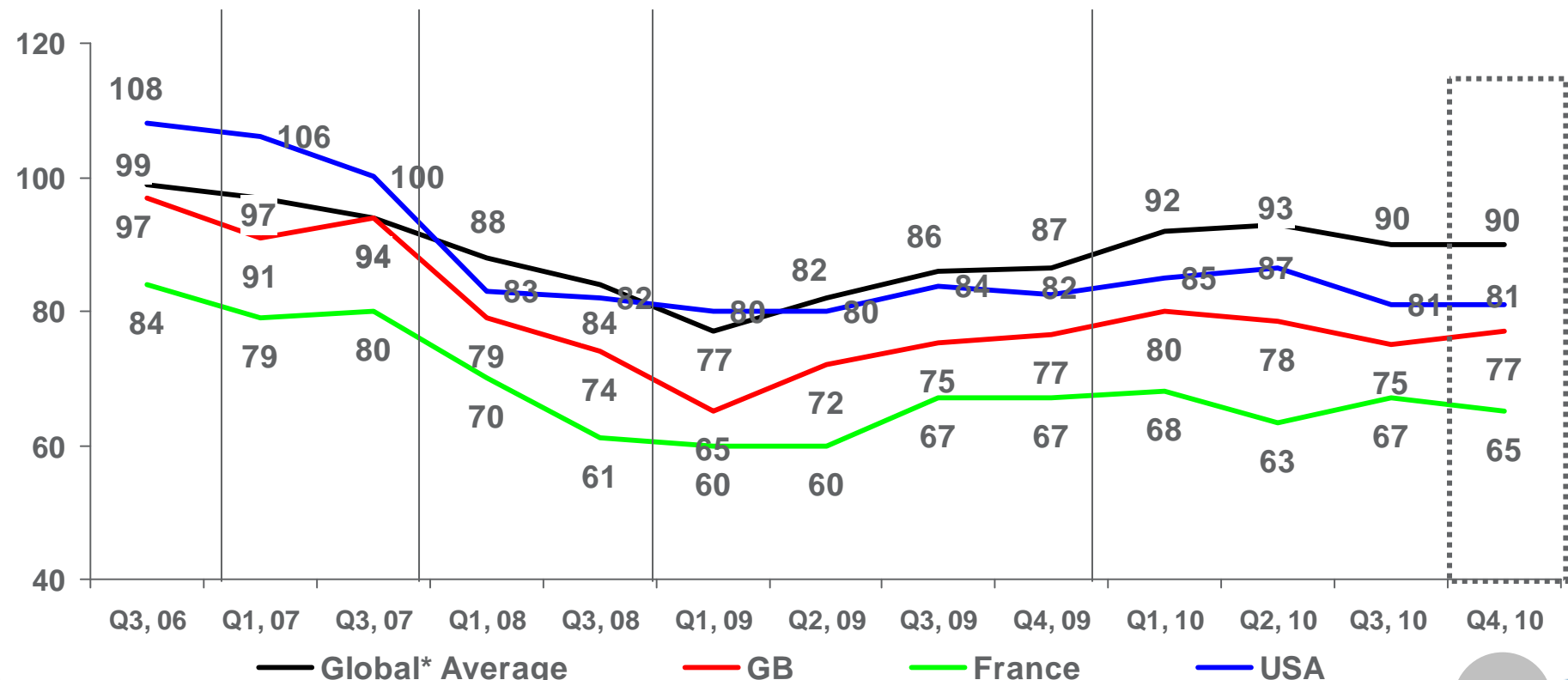
Q4 2010 Nielsen Consumer Confidence Index

Consumer Confidence Fell in 25 of 52 Countries in Q4 2010



Global Consumer Confidence remained unchanged from Q3 at 90, but finished the year 2 index points lower than the start. GB Consumer Confidence improved on Q3 but also ended the year lower than the start.

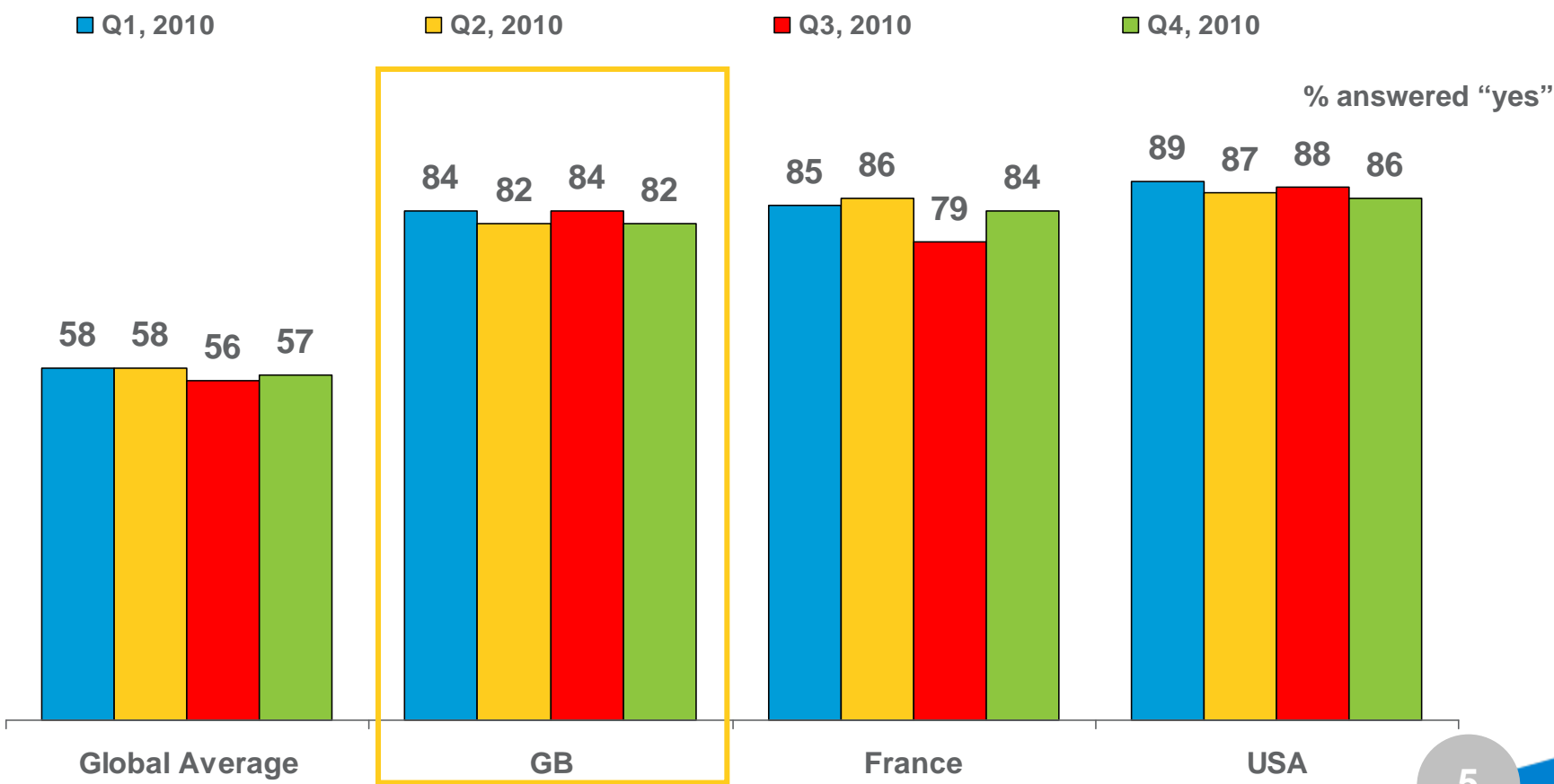
GB Consumer Confidence Index versus Global Average, Neighbouring Countries & USA



The proportion of global population believing we are in recession remains polarised, as the Asia Pacific economies are booming and Europe continues to be hit by escalating concerns over debt.

Optimism continues to be driven by Asia Pacific where the economies of China, Australia, Hong Kong, Singapore are all in growth, whilst Europe continues to struggle especially those close to bankruptcy collectively known as PIIGS*.

“Do you think your country is in an economic recession at the moment?”





Great Britain

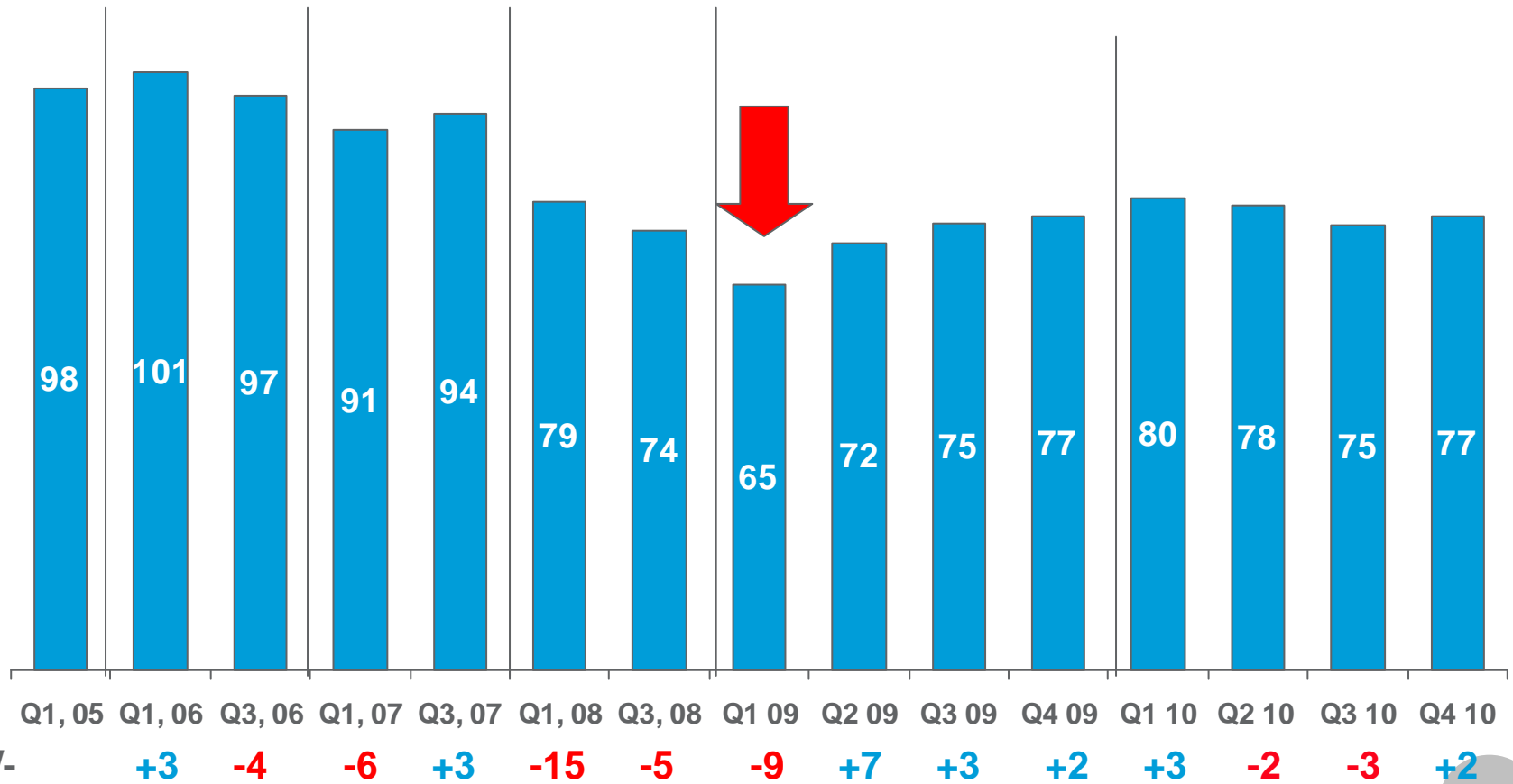
Consumer Confidence Q4, 2010

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Nielsen Consumer Confidence Index



GB Shoppers confidence **improved** in the final quarter but ended the year lower than the start.



The proportion of shoppers feeling 'good' about their job prospects improved on the previous quarter, **but** is still lower than two years ago.

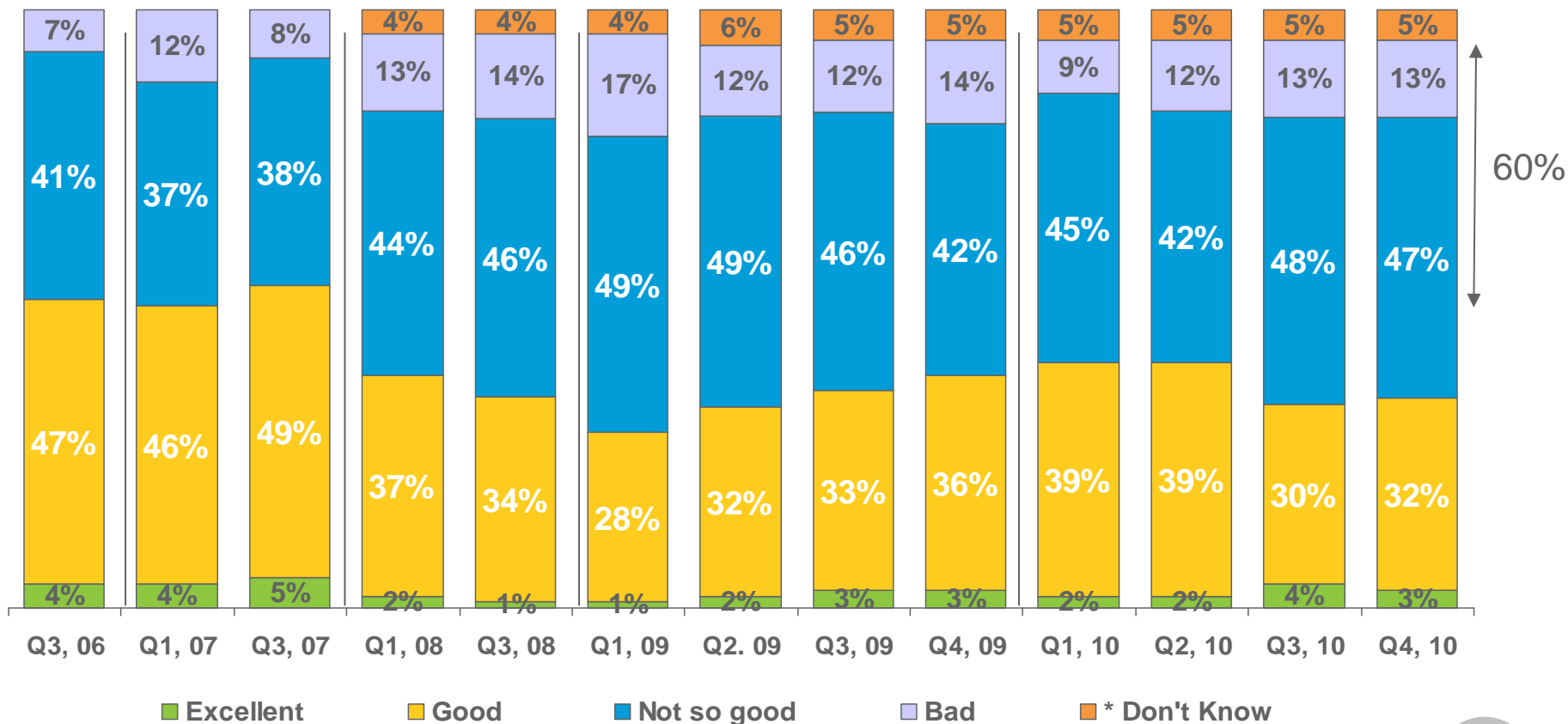
“Do you think job prospects in your country over the next 12 months will be...”



* new survey response option Q1 2008

Compared to the start of 2010, the proportion of shoppers feeling good about their personal finances has fallen from 41% to 35%, as income has not kept pace with rising household costs, there was however a slight improvement on the previous quarter.

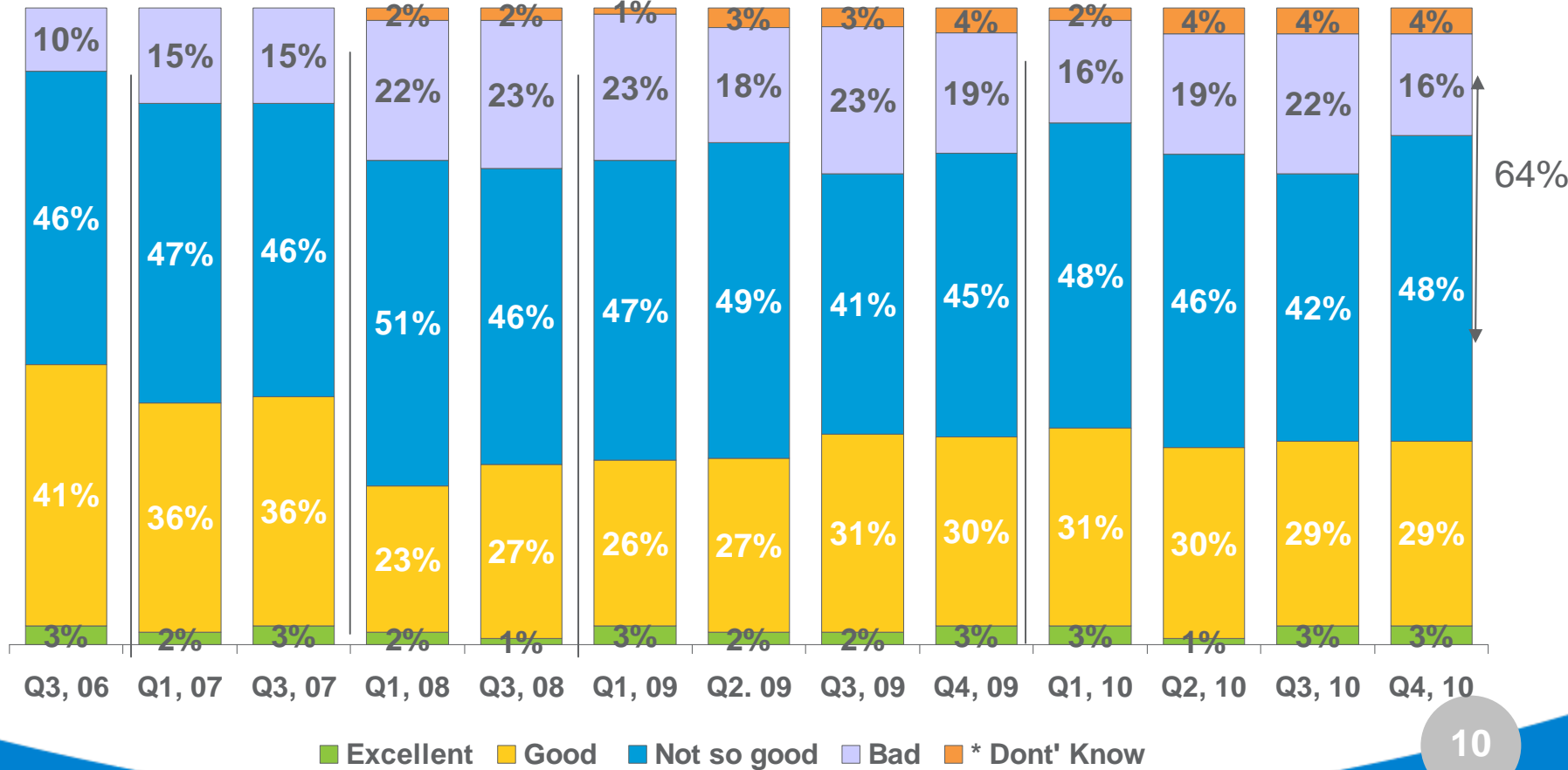
“Do you think the state of your own personal finances over the next 12 months will be..”



* new survey response option H1 2008

GB has ended Q4 as it started, with a third of the population able and willing to spend discretionary income but two thirds are reluctant over spending

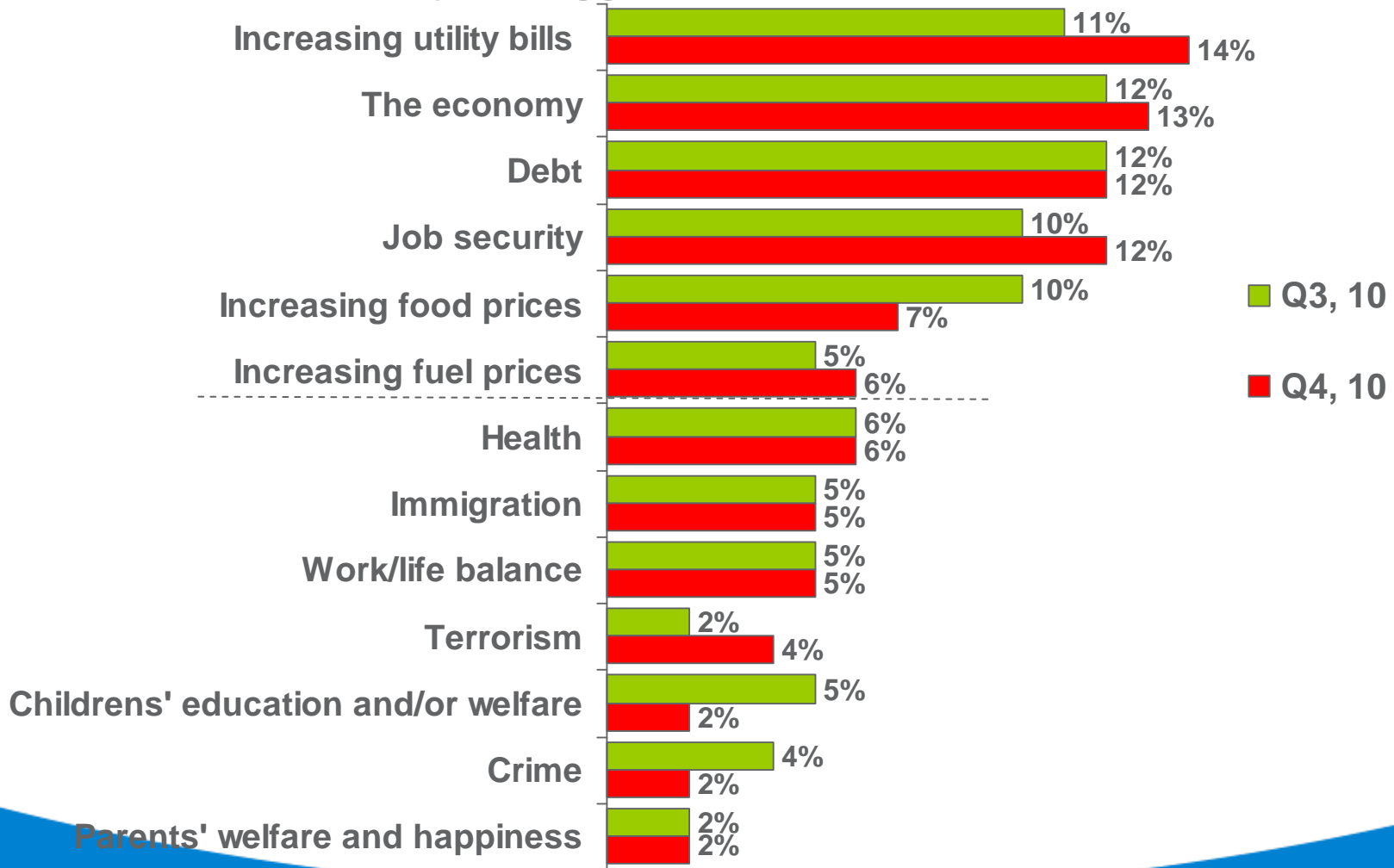
“Considering the cost of things today and your own personal finances, would you say at this moment the time to buy the things you want and need is...”



* new survey response option H1 2008

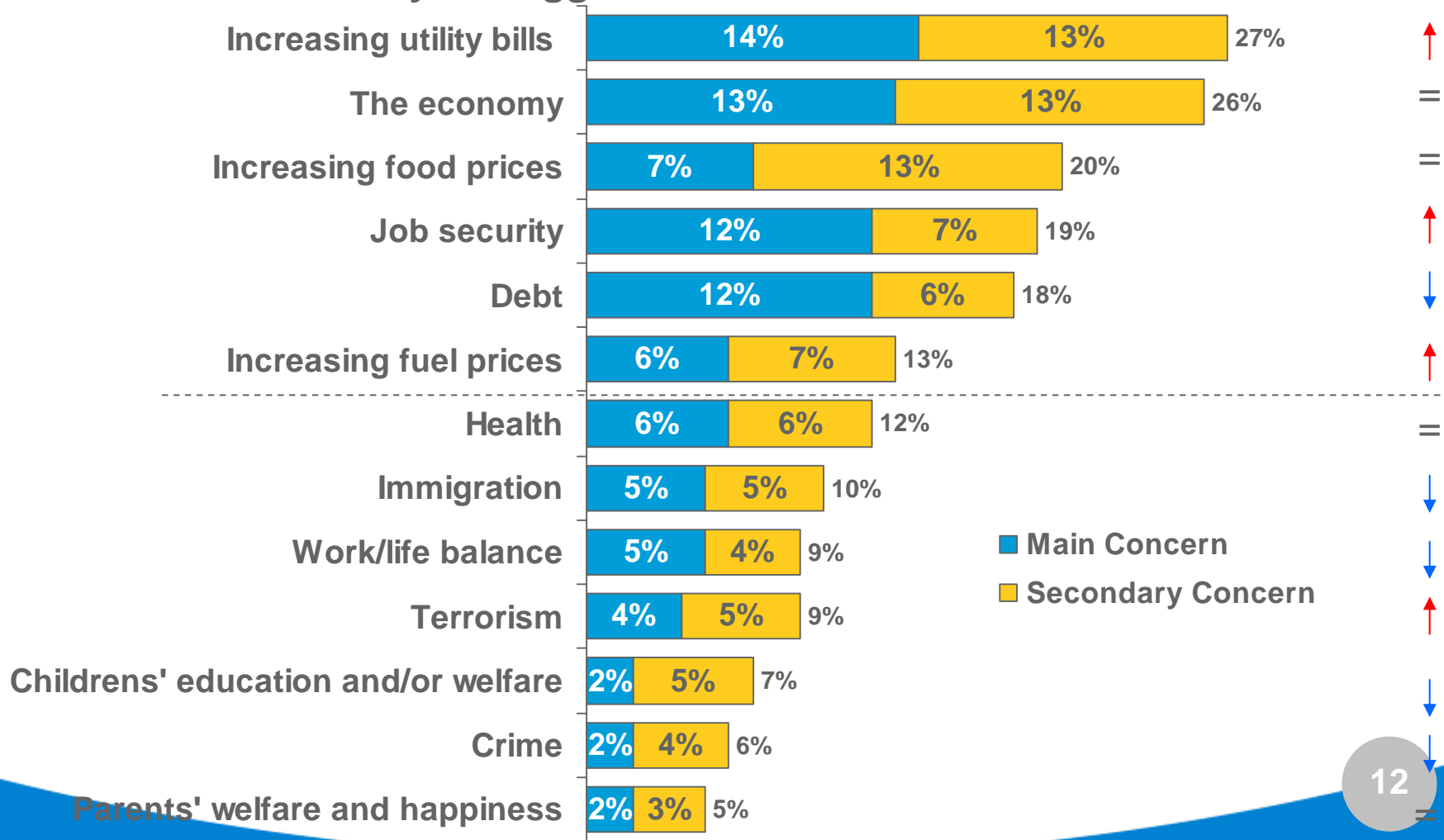
Top 6 GB concerns all impact household income and 4 of these have increased since October ..

“What is your biggest concern over the next 6 months?”

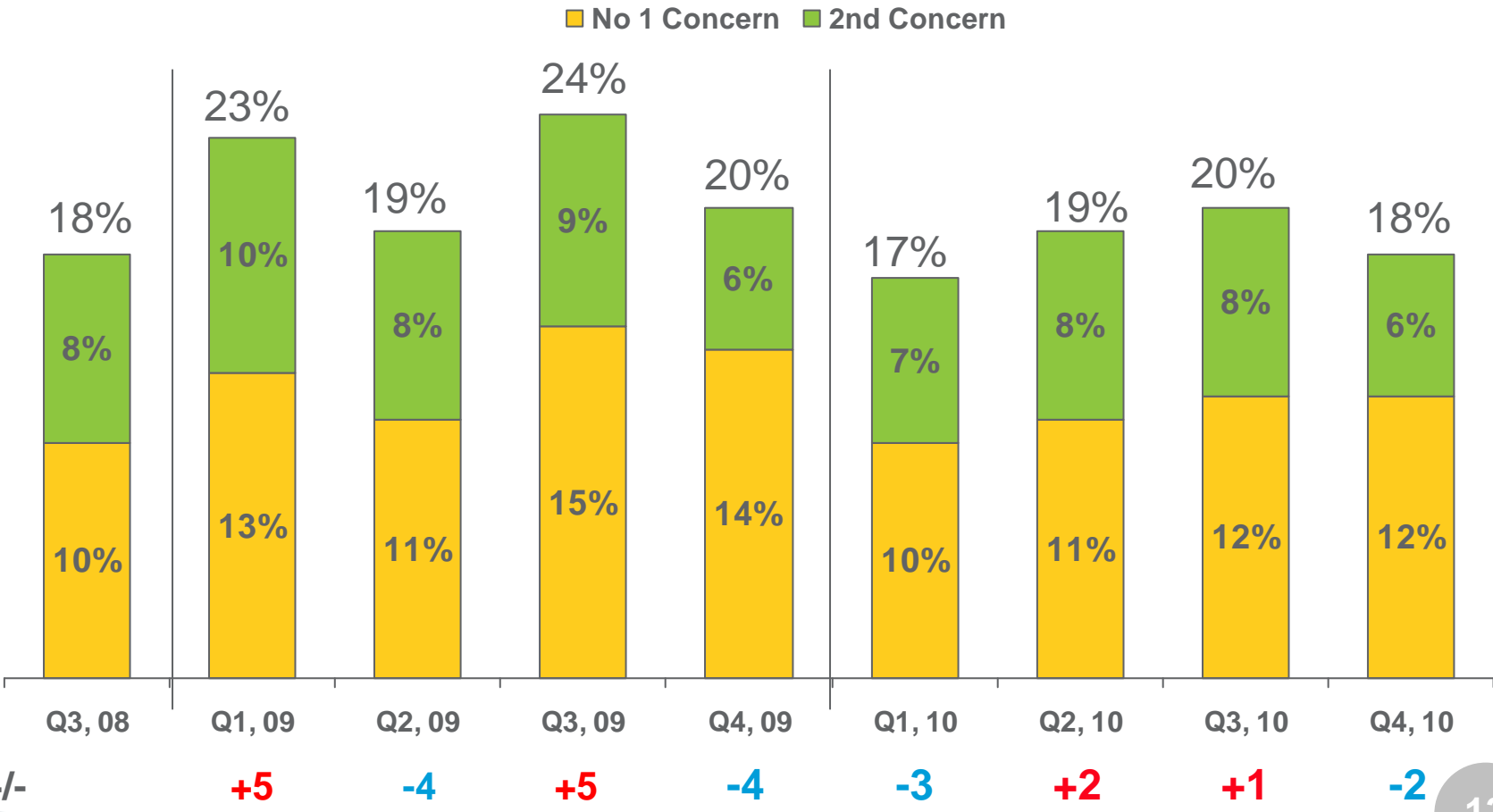


Increasing utility bills has become the number 1 concern, overtaking the economy. Increasing fuel prices have not gone unnoticed.

“What are your biggest concerns over the next 6 months?” vs Q3, 10



Personal debt remains a persistent worry for one in five shoppers and as a **main** concern has actually increased for some in 2010.



% pt +/-



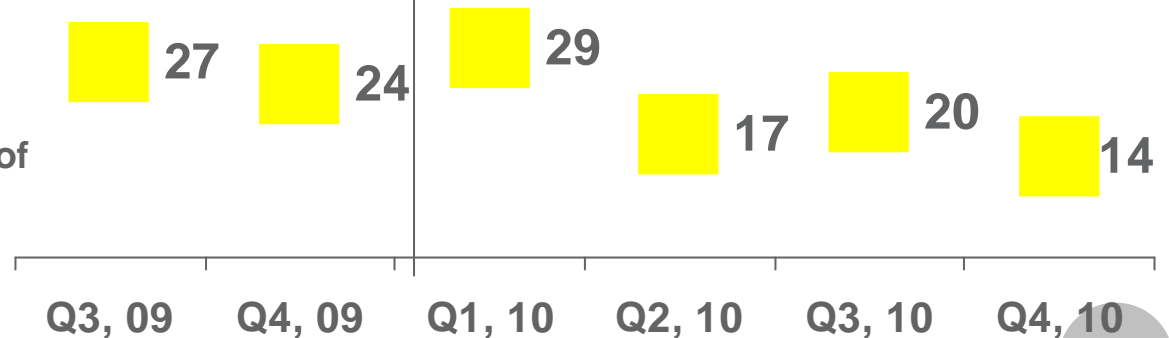
4 out of 5 shoppers still believe GB to be in economic recession and a diminishing proportion expect to be out of it in the next 12 months

Do you think your country is in an economic recession at the moment? (Yes)



of those who think we are in a recession

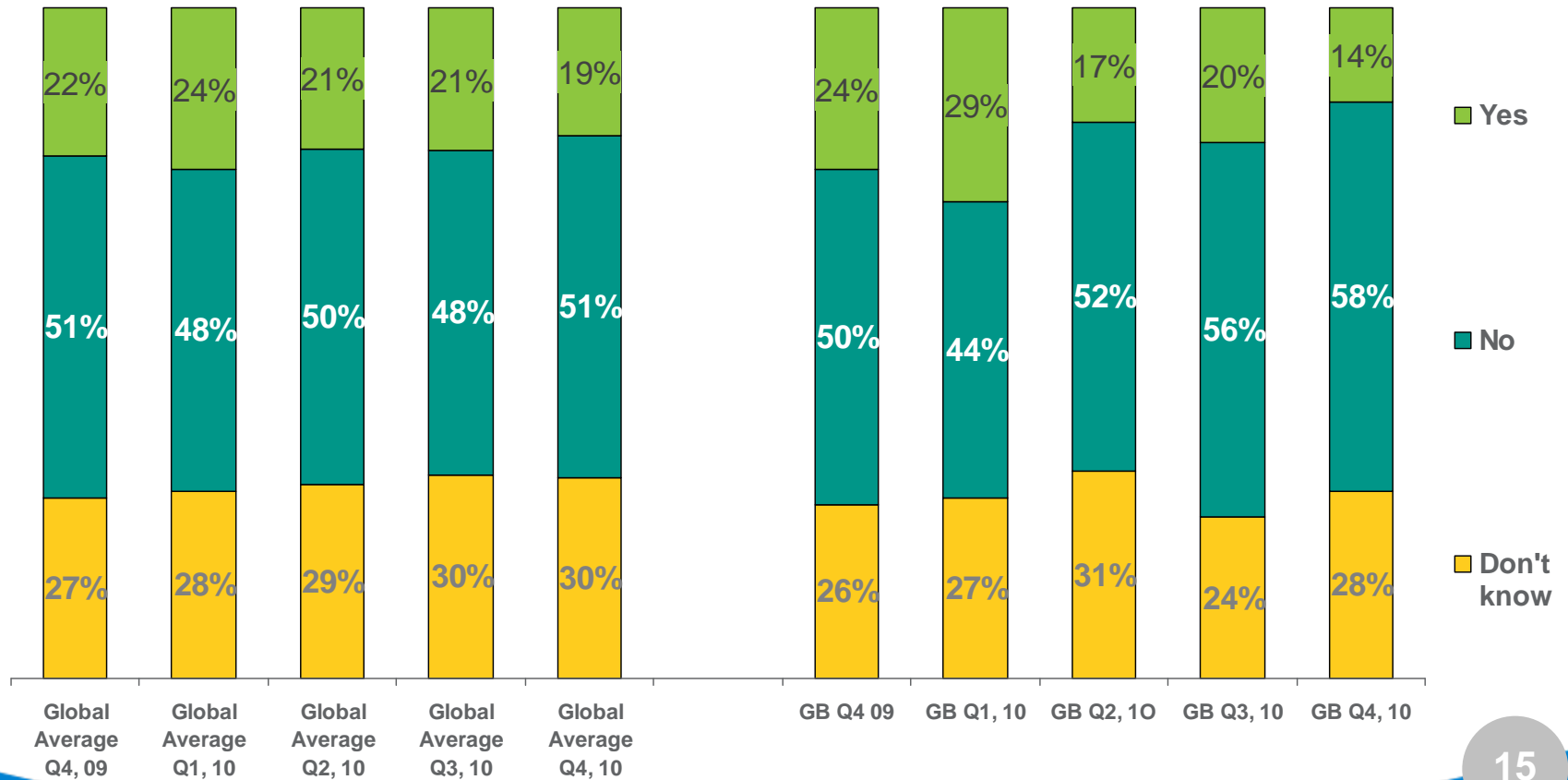
Do you think your country will be out of economic recession in the next 12 months? (Yes)



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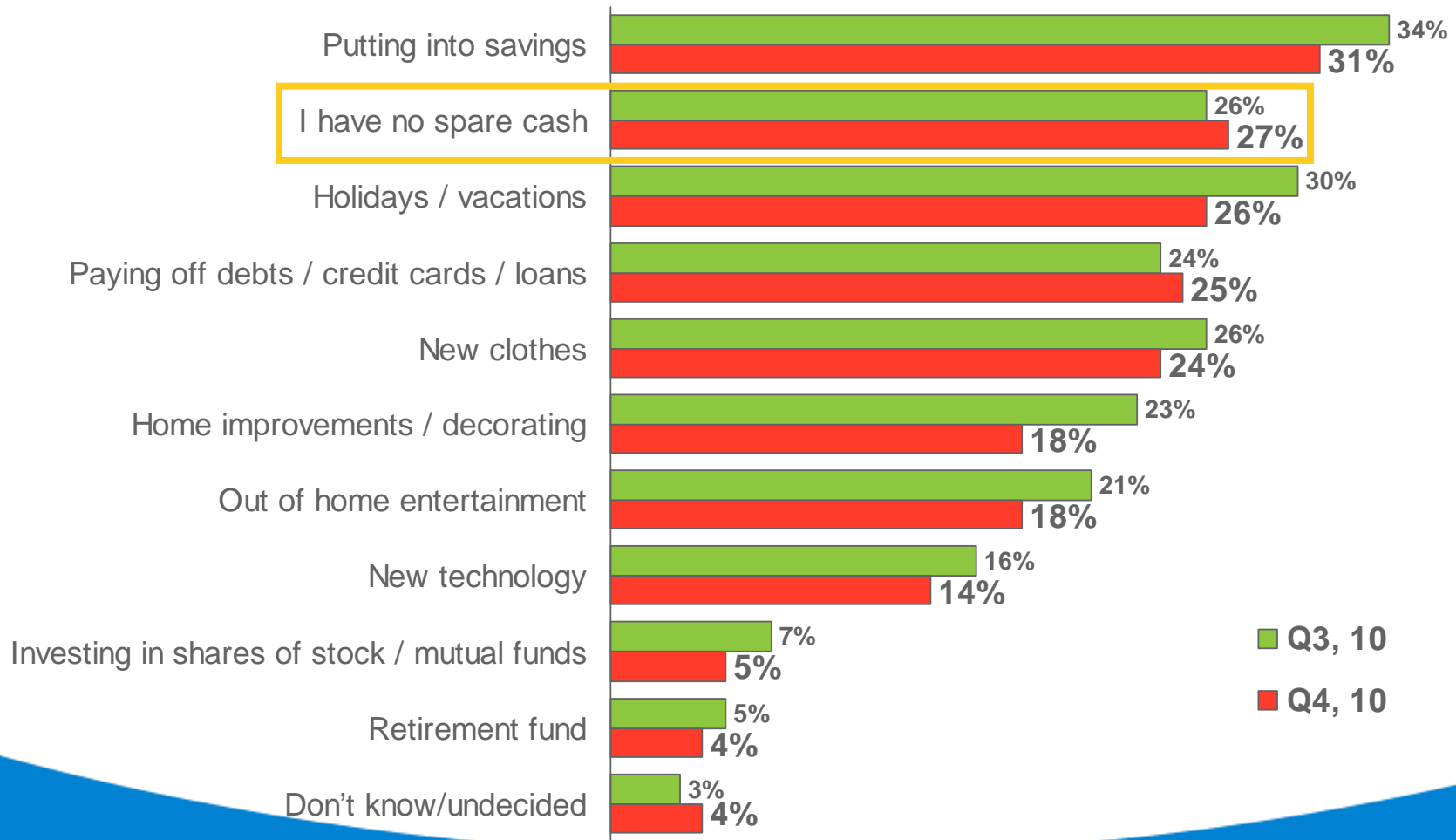
Proportion of GB shoppers anticipating a double dip recession are **increasing**

“Do you think your country will be out of an economic recession in the next 12 months?”



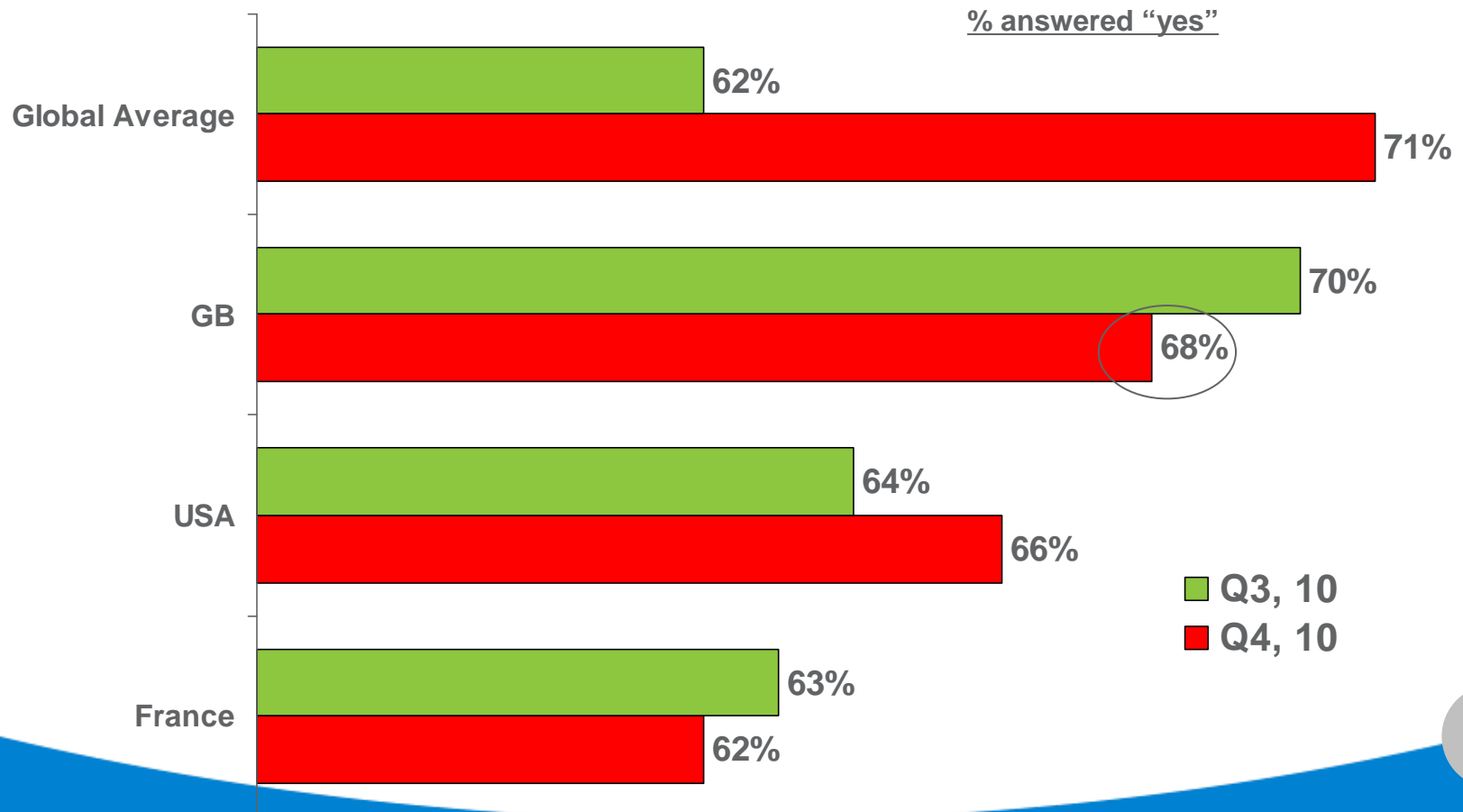
The proportion of GB shoppers claiming to have no spare cash continues to **increase** and quarter of those that do are paying off debts.

“Once you have covered your essential living expenses, which of the following statements best describes what you do with your spare cash...?”



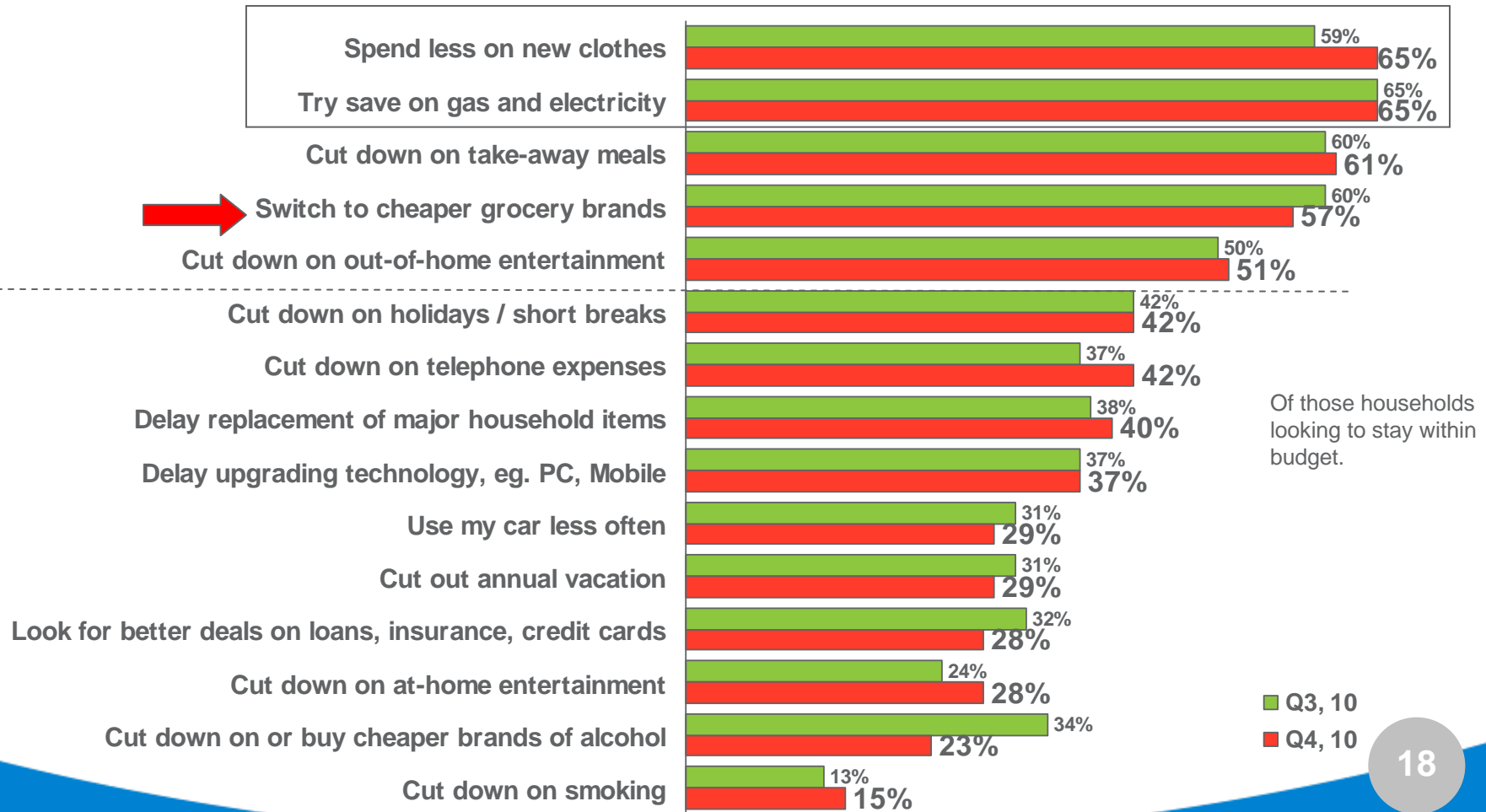
68% of GB shoppers are making savings to stay within budget.

“Compared to this time last year, have you changed your spending to save on household expenses?”



Reigning in expenditure on new clothes is further evidence that shoppers are once again feeling the pinch and this strategy has moved back up the savings hierarchy to joint first place with 'bills'.

“Compared to this time last year, which of the following actions would you take in order to stay within your budget?”

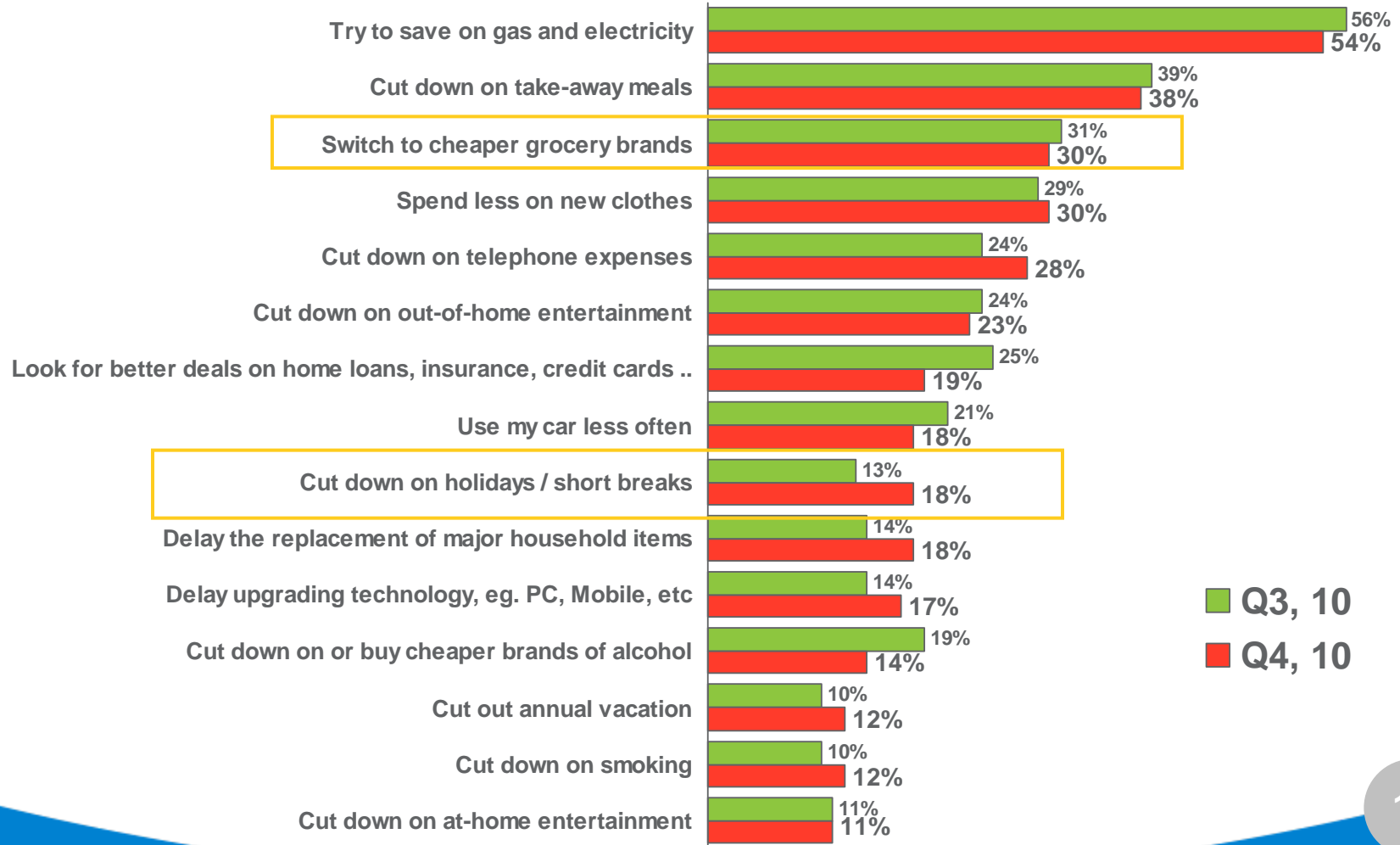


*results from a sub-set of those who have said yes, they have changed the way they shop to save money

Shoppers will continue to make savings by switching to cheaper grocery brands.

The continued poor exchange rates for GB shoppers may explain the increase in those looking cut back on holidays.

“When economic conditions do improve, which of these do you expect you will continue to do?”



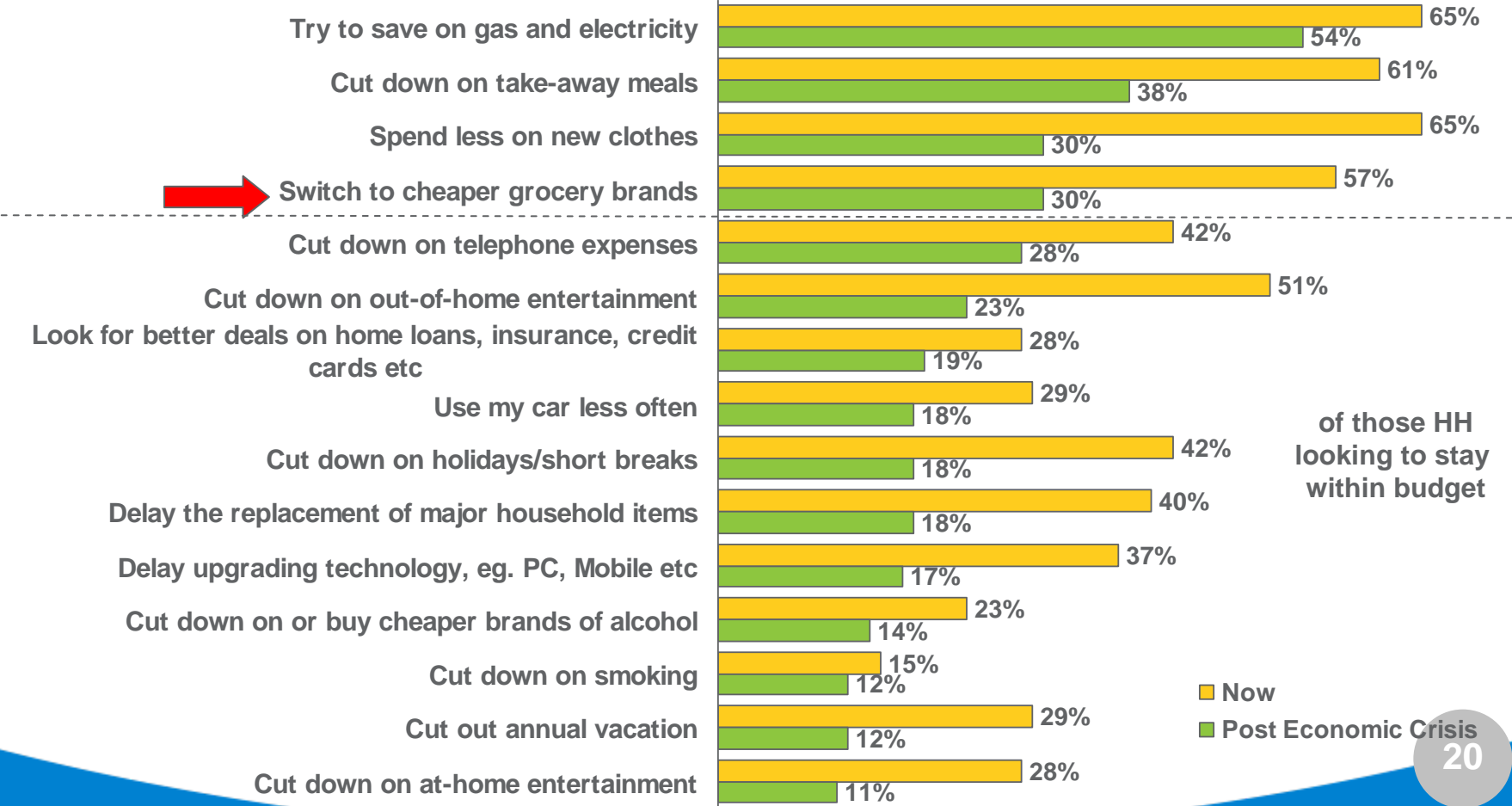
*results from a sub-set of those who have said yes, they have changed the way they shop to save money

Source: Nielsen – Global Consumer Confidence Survey
Q4 2010 - GB results

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Saving on household essentials such as bills, groceries and discretionary items: clothes and take-aways are established strategies to save money

“Compared to this time last year, which of the following actions would you take in order to stay within your budget?”



*results from a sub-set of those who have said yes, they have changed the way they shop to save money

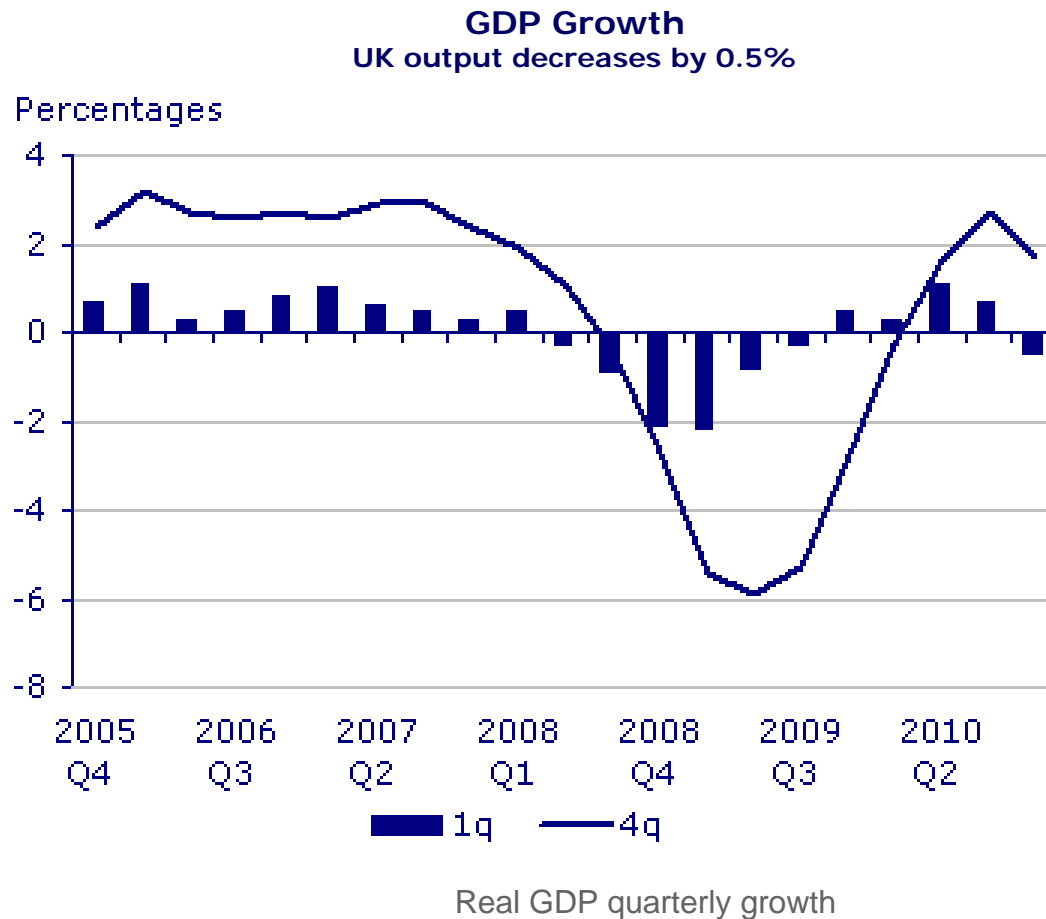
Outlook for 2011

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GDP declined 0.5% in the final quarter of 2010. Worst December weather on record has been widely blamed, as hotels and restaurants contributed most to the decline.

Negative growth will re-ignite fears that GB is heading for a double dip recession, analysts have reworked GDP accounting for the weather and suggest the final quarter would have come in at zero.



Bleak GB Outlook for 2011



- Negative GDP in Q4 will re-ignite fears that GB is heading for a double dip recession.
- Nielsen's Consumer Confidence survey has identified a diminishing proportion of shoppers believing GB will be out of recession in 12 months
- There is significant evidence that Shoppers are already feeling the impact of falling disposable income ...
 - Unit growths remain weak
 - Promotions remain at an all time high
 - Shoppers are not willing to spend on discretionary categories such as general merchandise
- Despite GB Consumer Confidence improving in the final quarter, it ended the year weaker than at the start.
- Discretionary expenditure is expected to be squeezed harder in 2011 as household income for most shoppers is unlikely to keep pace with the cost of living.

Retail Outlook for 2011



- An increasing proportion of shoppers have no spare cash, those that do are more likely to put into savings or pay off debts than spend on discretionary items.
- For many homeowners there is an anticipation that interest rates will rise in the second half of 2011, putting another squeeze on discretionary spend.
- Looking ahead Grocery Retailers will need to find new incentives to encourage shoppers to spend, as shoppers **will** have to manage on **LESS** household income.