

A no-frills philosophy is expected in 2009. Emerging markets show a glimmer of economic optimism. Retail expansion opportunities are revealed. Health and wellness is still paramount. Income inequality increases. **Cautious consumers go back-to-basics.**

cautious



2009 Industry Outlook

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topline



The Economic Divide
*Finding Opportunities in Rich
& Poor Countries.*

Trend Index

Movies, TV, Books, Ads, Music, and mo ▼

Top 10 Digitally Downloaded Songs November 29, 2008

1. If I Were A Boy
2. Live Your Life
3. Hot N Cold

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http://www.nielsen.com/consumer_insight/ci_story1.html

2009 Industry Outlook:

When times get tough, the tough go back-to-basics

By: Tom Pirovano, Director of Industry Insights, The Nielsen Company

CI SUMMARY: The economic crunch will drive tighter spending across the board. As consumers continue to make tough choices, they will spend less on products that don't deliver a rational benefit. Expect continued decreases in the purchasing of premium products, organics and more-expensive sustainable goods. Increases will be found in the online, mobile and in-home entertainment sectors.

When times get tough, the tough go back-to-basics. Expect a no-frills philosophy to kick into high gear in 2009, reflecting not just a consumer mindset, but one that is paramount to retailers and manufacturers alike, who are looking for growth in a downturn economy. From sustainable manufacturing techniques to innovative national brand offerings, the products and services likely to succeed in 2009 will be those that appeal to the sensible consumer looking for a rational benefit.

Based on industry trends, marketplace dynamics and the expert knowledge of Nielsen analysts, below is a preview into twenty of the trends—in no particular order—that are expected to shape the New Year.

“Going green” will be fueled more by cost-cutting than planet-saving intentions.

Families on a tighter budget will be less likely to pay extra for environmentally-sustainable “green” products, but they will improve the environment as a by-product of cost-cutting strategies. Expect consumers to continue saving money on gas by combining errands (lowering car emissions), and on purchasing less non-essential goods (producing less waste). Manufacturers will also incorporate more sustainable manufacturing techniques to save on costs by using more efficient product packaging—also good for the environment.

Cutting-edge wireless devices will expand.

With a near saturation of mobile subscriptions in the U.S and competitive price pressures, expect operators to attract new customers with cutting-edge devices and advanced data services to drive higher subscriber revenue. Mobile Internet subscriptions are up 32% year-over-year in the U.S., and the adoption of Internet capability on phones shows no signs of slowing. Look for an even greater push for services such as mobile Internet and mobile video, as well as an array of new “Swiss Army” style phone-as-media-devices to broaden the mobile consumer experience.

The adoption of Internet capability on phones shows no signs of slowing...

National brands will offer innovation to win back store brand business.

2008 saw unprecedented growth of private label sales. In the early part of the year, private label dollar growth was driven by higher pricing. As the economy continued to struggle, however, more and more consumers began replacing their branded products with private label equivalents. Winning back these shoppers will not be easy for branded manufacturers. Look for established brands to aggressively go after private label switchers with innovative packaging, unique flavors and additional health and wellness claims.

Cinema admissions will increase fueled by growing availability of 3D movies and theatres.

While many families are likely to keep a tight reign on their budgets in 2009, movie theatres might just be the exception. Why? Consumers appear to love 3D films. In fact, gross sales increased over 60% for films exhibited in 3D as compared to traditional film, and this increase is due to higher prices and higher attendance. With over a 1000 3D theatres already in the U.S. and with studios helping to fund the transition from 35MM to 3D, 2009 is looking particularly good. In fact, with as many as 11 major movie releases expected to hit the screens in 2009, including James Cameron's "Avatar", this is bound to have the cinemas seeing green.

Growth of organics will slow dramatically.

Unless organic marketers can do a more effective job of demonstrating better taste or concrete health benefits, expect the growth of UPC-coded organics to decline to less than +10% . For each of the past five years, products labeled “organic” show year-after-year growth of greater than 20%. In recent weeks, however, this dramatic growth rate has slowed

Expect the growth of UPC-coded organics to decline...

to as low as +4% vs. year ago in recent weeks.

Old can be new for some last-generation gaming consoles.

Last-generation consoles (and even older consoles) are still being used, with varying degrees of economic and ad-related implications. The PS2—the best selling console of all time—still dominates as the most used, (29.7% of total usage minutes in September 2008). With a huge library of available games (many available at budget-friendly prices) the PS2 could still enjoy a strong holiday and consistent use in 2009 from owners who have not taken the leap to PS3. How quickly will these PS2 owners migrate to PS3? From an advertising perspective the answer will be important since the PS3 now has an ad network that serves dynamic ads into various games.

Cash will be king.

As credit card companies continue to raise fees on retailers, there is more motivation than ever before to offer discounts for shoppers paying cash. Look for convenience stores to take the lead on cash discounts, as many already offer lower gas prices for cash purchases. As other retail channels offer cash discounts, the credit card companies may get enough pressure to reduce fees for retailers.

Marketers will think "renovation" as much as "innovation"

Nielsen has seen steady growth in testing of established brand restages and re-launches over time, and we expect this trend to continue into commercialization as marketing budgets are tighter. Reinventing established brands can be managed as a lower risk innovation strategy. However, making this strategy a success requires a delicate balance of providing continuity to current buyers while offering sufficient novelty to attract new triers.

Reinventing established brands can be managed as a lower risk innovation strategy...

Text messaging will broaden its audience beyond teens.

Today, Nielsen reports that more than half (57%) of the population texts on a regular basis and the average number of text-messages a typical subscriber sends per month is up 107% year over year (today, subscribers tend to send more text-messages than phone calls). The continued expansion of unlimited text-message packages and the increasing use of text-messaging for search and mobile marketing will help grow this medium overall and expand the universe of users ages 25 and older, who today still send fewer than a third as many text messages per month as their younger counterparts.

Savings from declining commodity prices will NOT be passed on to the consumer .

Over the past several years, grocery price increases have remained modest while other household expenses (gas, healthcare, college, utilities, housing) have all increased prices dramatically. In 2008, food manufacturers felt pressure from retailers to keep price increases to a minimum while production and shipping cost rose significantly. As the price of fuel and food ingredients decline, don't look for retail price decreases anytime soon.

Ad spending will be tight.

Nielsen reported significant ad spending declines in the first half of 2008 by eight of the top 10 advertisers—down roughly 6% during the same period in 2007. As companies continue to downsize and scrutinize spending, expect these declines to continue, especially within the automotive category and with Financial Services companies. However, product categories such Direct Response Product, which increased spending 20.48%, and Credit Card Services (+18.95%), should continue to spend on advertising.

Coupon redemptions will rise.

As consumers look for more deals, expect coupon redemptions to increase. While coupon activity is actually flat versus year ago, this is positive news as it is the first time in many years that redemptions didn't fall. As more manufacturers and retailers make it easier for consumers to gain access to coupons via email, mobile phones and in-store methods, consumers will take advantage of this cost-cutting strategy.

Expect coupon redemptions to increase...

Cooking from scratch will make a comeback.

Sales of cooking and baking supplies are on the rise as shoppers are buying more flour, shortening, oils, and even canning supplies. Although the motivation may be cost savings, many families will find that cooking from scratch may be a step up in both taste and nutrition.

Brand prestige will be driven less by premium price.

Expect to see fewer premium-priced new products introduced into the market in 2009. However, focusing on low price may under-deliver on expectations. Marketers should look to emphasize a brand's value proposition in new and unique ways by linking the value message to the consumer benefit.

Fresh meat will shift from the butcher to the shelf.

As more retailers look for ways to cut costs, look for less meat to be cut in the store, and more UPC-coded meat to be packaged centrally and sold on the shelf. For the past few years, we've seen the transition from random weight to pre-

Look for less meat to be cut in the store...

packaged, UPC-coded meat. Retailers will need to decide whether they want to compete on price or rely on their butchers and deli counters to create differentiation and customization.

Online activities will continue to grow.

With less money to spend, consumers will undoubtedly be spending more time at home. Nielsen witnessed significant year-over-year (ending September '08) growth in online activities with increases in time spent daily on videos (+46%), blogs (+20%) and e-commerce sites (+17%). Expect this trend to continue, as well as increases in newer in-home entertainment options such as video vending.

Vitamins sales will outpace other categories.

While health and wellness trends may come and go, vitamins may be the one HBC category that will show steady growth in 2009. For most of 2008, the vitamin category was the only HBC category to grow unit sales by more than 2%. As the U.S. population gets older and time-stressed families supplement less than desirable eating habits, vitamins will continue to grow unit volume, though competitive pricing may keep dollar growth lower.

Vitamins may be the one HBC category that will show steady growth...

Consumers will watch more TV on their mobile phones.

Nielsen expects the use of mobile video to expand in 2009, but not simply by mobile video subscriptions, which today are still too expensive for many subscribers. An increasing number of mobile subscribers are accessing video content through their mobile Internet subscription. This trend will continue in 2009 as mobile data speeds and mobile Internet penetration increase, and as additional Web video options become available to mobile Internet users. Additionally, some subscribers may begin to access local television content on their phones in late 2009, through mobile digital television technology that would allow local stations to broadcast to certain digital-television-ready mobile handsets.

Next-generation gaming consoles will continue to gain traction.

Nielsen continues to see system migration from last-generation consoles (PS2, Xbox and Gamecube) to next-generation consoles (PS3, Xbox 360 and Wii) in terms of usage/gameplay, and this trend is expected to continue. There is variation among next-generation system usage, with attach rates (number of games owned), installed base (number of next-generation systems sold) and blockbuster game releases (*Gears of War 2*, *Resistance 2*, *Fallout 3*, *Lips*, *Little Big Planet*, *Wii Music*, *Call of Duty: World at War*, etc.) all factoring into the current and short-term usage dynamics. Currently the Xbox 360 enjoys the highest level of usage from next generation systems. But the usage picture could change based on the 2008 holiday sales season. Console cost-cutting measures, inventory levels at retail and potential consumer cost-consciousness may all have impacts on how and when next generation systems will be used .

Book sales will not increase.

Unfortunately, more time spent at home will not translate into increased bookworms. Technology-driven gadgets, gizmos and games will dominate spare-time activities. Expect U.S. book sales to remain essentially flat with a modest 1.5% unit growth rate. Look for a rise, however, in self-help books, as out-of-work consumers look to rediscover themselves.

Notation: Book sales data does not reflect 2008 retail holiday shopping trends.

Nielsen Consumer Insight, December 2008

http://www.nielsen.com/consumer_insight/ci_story2.html

Times Are Not As Tough for Some: *Consumers in emerging markets are likely to perceive the recession will be short*

By: James Russo, Vice President, Marketing, The Nielsen Company

CI SUMMARY: The global financial crisis is impacting every market around the world, but that doesn't mean consumers everywhere are reacting the same way. While huge numbers of people feel the impact of rising fuel prices and plan cutbacks in new clothes, utilities and entertaining, it's the consumers in the world's developing markets who feel the most optimistic.

While the world remains firmly ensconced in a severe credit crisis, consumers in the world's fastest developing countries believe the global recession will be over within a year. Results from the Nielsen Global Consumer Confidence Survey, which polled 26,202 consumers in 52 countries as the global financial crisis reached a fever pitch in late September and early October, found that consumers in some parts of the world think the turbulence might ease in the coming year—especially if financial markets stabilize—encouraging the return of consumer confidence.

Things are okay here

Despite being affected by current global conditions, consumers in large developing markets view their medium-to-long-term prospects as strong. More consumers in India (51%), Vietnam (45%), China (34%) and Russia (31%) expect the global recession to end within the next 12 months as compared with the other markets surveyed. One in two Indians believe the local economy will continue to show good growth, and that the global recession will have limited impact on their buoyant domestic market.

Consumers in large developing markets view their medium-to-long-term prospects as strong...

Some of this positive outlook is based on cultural differences. Indian investors have been safeguarded by the country's relatively nascent financial market, where savings accounts are the principal investment option for many consumers, mainly due to the fact that fewer investment options exist overall. According to Nielsen's 2008 *Money Monitor*, Indians are more comfortable putting their money in fixed deposits and saving for a secure tomorrow than they are in spending for a comfortable today, a marked contrast with consumer attitudes in other, more developed markets.

In fact, consumers in India were the most optimistic of all markets surveyed with regards to their job prospects and personal finances over the next 12 months, with 75% optimistic that their job prospects are good or excellent and 77% expecting their personal finances to be in good or excellent shape in the coming year. On the flip side, Korea and Japan were the most pessimistic, with a whopping 96% of Koreans reporting not so good or bad job prospects over the next 12 months, and 91% of Japanese expecting their personal finances to be not so good or bad.

Consumers in India were the most optimistic of all markets surveyed...

View from the regions

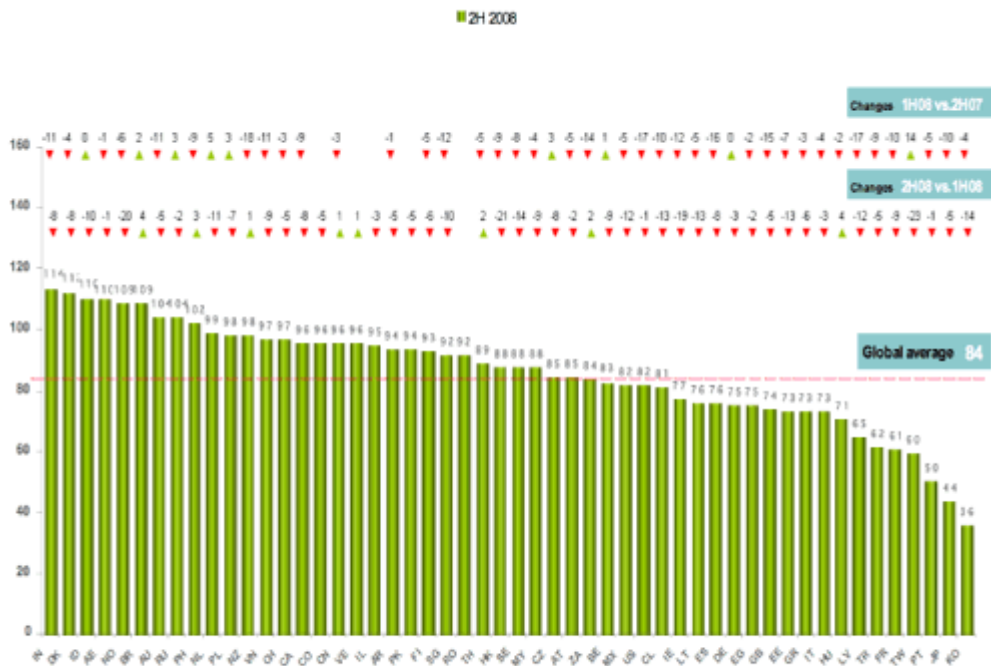
Globally, the Nielsen consumer confidence average, which is based on consumers' confidence in the job market, status of their personal finances and their readiness to spend, fell four index points from 88 to 84 points since May 2008, with declines across all regions. The largest half-yearly survey of its kind, the Nielsen Global Online Consumer Confidence and Opinion Survey experienced its largest single drop in three years with a six point drop in May, including a 17 point drop in the U.S. between October 2007 and May 2008.

The October 2008 results showed that Latin America remained the most optimistic region, with a regional consumer confidence index average of 96.8, followed by EEMEA at 88.5 and Asia Pacific at 85.1. Consumer confidence in North America fell two points to 83, while Europe fell five index points to 77.

Despite a drop of eight points in the past five months, India (114) and Denmark (112) came out on top of the new global consumer confidence rankings, while South Korea, which in October saw its

stock market close at its lowest point in three years, languished at the bottom of the rankings, at 36 points—a loss of 14 points. Norway, the world's most optimistic nation in May 2008, dropped to fifth place with a decline of 20 points, and Sweden dropped 14 points. Bucking the trend, seven markets saw their consumer confidence index go up since May: Brazil (+4 points), Hungary (+4 points), Philippines (+3 points), South Africa and Thailand (+2 points), and New Zealand and China up one point since May 2008.

Nielsen Consumer Confidence Index



Source: The Nielsen Global Online Consumer Survey, Conducted 9/22/08 – 10/6/08 in 52 Markets

[Click image to expand](#)

No surprise

Those results suggest that without predicting the extent of the global financial crisis, Western consumers had already started changing their spending patterns and shopper behavior a year ago in preparation for a tough 2008. Countries including the United States, United Kingdom, Italy and France actually recorded their most significant declines in consumer confidence six to 12 months ago, when people began to tighten their belts in response to the U.S. sub-prime crisis, falling property prices, rising food and fuel prices and volatility in local stock markets. Today, consumers are intensifying previous cutbacks as they shift into serious credit crunch mode.

Consumers are intensifying previous cutbacks...

However, while spending will be tight over the upcoming holiday season, a few consumers in the more-developed markets are still hopeful that things will be better by the end of 2009: one in six U.S. consumers expect to see the end of a global recession within 12 months, even as 52% of them cite the economy as one of their top two concerns.

Coping methods

One-fifth of global consumers reported that the economy is their number one concern, followed by food prices, except in the U.S., where fuel prices are even more concerning than food prices. Worldwide, 62% of the survey respondents reported that they have a car, ranging from 86% of the people in Australia and France all the way down to only 21% in Hong Kong. A vast majority of car owners (83%) say they are somewhat or very impacted by higher gas prices. To cope, 69% are using their car less, 45% are combining errands/trips and 20% are using more public transport.

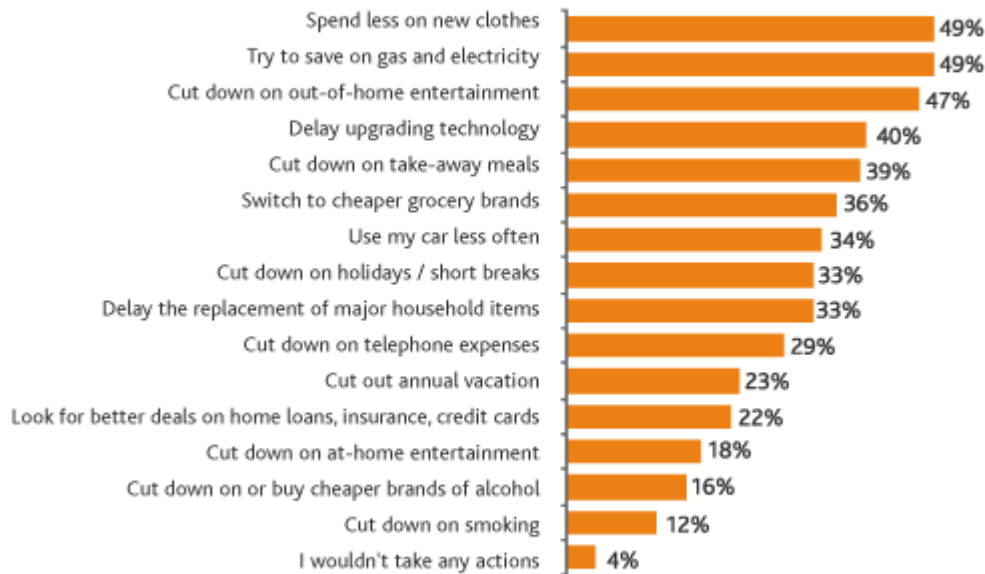
Compared to previous downturns, 2008 is likely to have a serious impact on lifestyle and way of life in many parts of the world. Nielsen's survey results suggest that the retail clothing sector may be among the hardest hit, as one in two global consumers say they'll cut back on buying new clothes, while 40% of global consumers plan to delay mobile phone or laptop technology upgrades, also suggesting a tough 2009 for the personal technology sector.

The retail clothing sector may be among the hardest hit...

In this environment, "staying in" has become the new "going out." Almost half (47%) of global consumers will cut back on out-of-home entertainment and one in three will switch to cheaper grocery brands. In the U.S., more than half are cutting down on out-of-home entertainment, and Nielsen Consumer Panel research found the changes going even farther in France, where

consumers plan to cut back on their consumption of meat and wine—the mainstays of their cuisine—and 37% will also cut back on at-home entertainment, an integral part of the French lifestyle.

How Consumers Try to Stay Within Budget In Times of Rising Living Costs



Source: *The Nielsen Global Online Consumer Survey, Conducted 9/22/08 – 10/6/08 in 52 Markets*

Nothing to spare

Globally, three in five (62%) consumers described their state of personal finances as “not so good/bad”—a clear indication that all these budget cutbacks and lifestyle changes are increasingly involuntary. According to the Nielsen Consumer Confidence Survey, 25% of French consumers said they had “no spare cash after paying basic living expenses”, up from 17% in May 2008. One in five U.S. consumers is in the same position, as are 28% of Portuguese, 22% of South Africans and 21% in the U.K.

Budget cutbacks and lifestyle changes are increasingly involuntary...

Of the consumers who do have spare cash left after paying basic expenses, cultural differences are stark in terms of how that money is spent. Fully three out of four (74%) people in Hong Kong and 70% of Singaporeans put extra money into savings, while 70% of Russians and 47% of Portuguese spend extra money on new clothes, a bright spot for the beleaguered apparel industry and a reminder of the optimistic attitudes in emerging markets versus the rest of the world.

The survey also found that there are a few places where consumers still plan on entertaining outside the home. Forty-five percent of Brazilians and Swiss spend extra cash that way, as do 44% of Russians. Russians are also the best hope for marketers of home improvement and new technology products, with 53% of consumers in that country planning to spend extra cash on their home and 52% planning to spend it on new technology products. For the travel industry, 53% of Chinese are planning to direct extra cash into holidays and vacations.

Resist the temptation to hibernate

Just as so many consumers are reacting to the turbulent financial times by nesting at home, the tendency can also be strong for marketers to cut down on ad spending until the economic outlook brightens. Less adjustment may be necessary for global marketers with consumers in emerging markets, where attitudes remain positive, but for marketers targeting worried Western consumers, it's important to remember that gaps and opportunities still exist. For example, while the “stay-in” trend is undoubtedly tough on bars and restaurants, it also creates new openings for innovative premium and prepared foods and beverages designed for at home entertaining.

Companies that continue to invest in their brands and products and stay engaged with their target market will come out of this downturn as winners. Consumers will remember which products best understood their needs during the slowdown, so brand investment has never been more important for securing long-term loyalty.

Nielsen Consumer Insight, December 2008

http://www.nielsen.com/consumer_insight/ci_story3.html

Promotions Get Personal:

The coupon constituency of today and tomorrow

By: Todd Hale, SVP, Consumer & Shopper Insights, The Nielsen Company

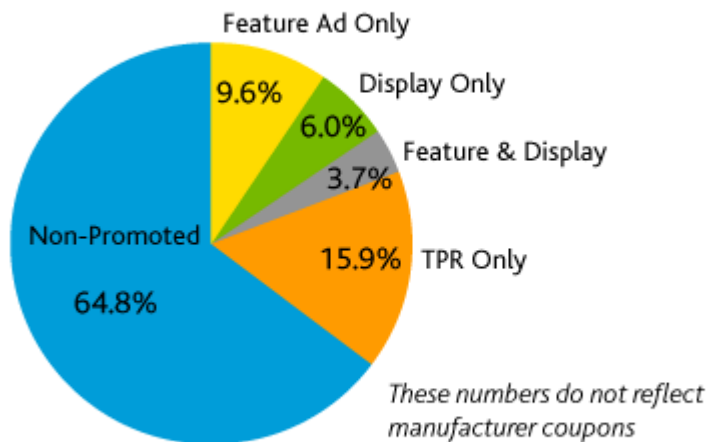
CI SUMMARY: Poor people need low prices. Rich people love low prices. Either way, these are happy days for the promotion industry, as manufacturers and retailers update time-proven promotional techniques and unleash a new arsenal of Internet and wireless-based delivery systems

Let's make a deal! In good times or bad, everybody loves a bargain. It's validating. It's empowering. It can even make us spend more than planned. Given the extreme volatility in current financial and employment markets, buying on deal will increasingly become the norm for cautious shoppers trying to balance the household budget.

Promotions already represent a universally popular marketing tactic, with some \$129 billion of promoted dollar sales rung up across all categories in food, drug and mass merchandise outlets (excluding coupons) according to Nielsen in the year ending July 2008. Fully 35% of dollar sales were sold on promotion—temporary price reductions (TPRs) accounted for 16%, feature ads another 10%, displays added 6% and a combination of features and displays contributed 4% to the total.

Over 35% of Dollar Sales Sold on Promotion

Percent of \$ Sold Across All Categories Reported by Nielsen



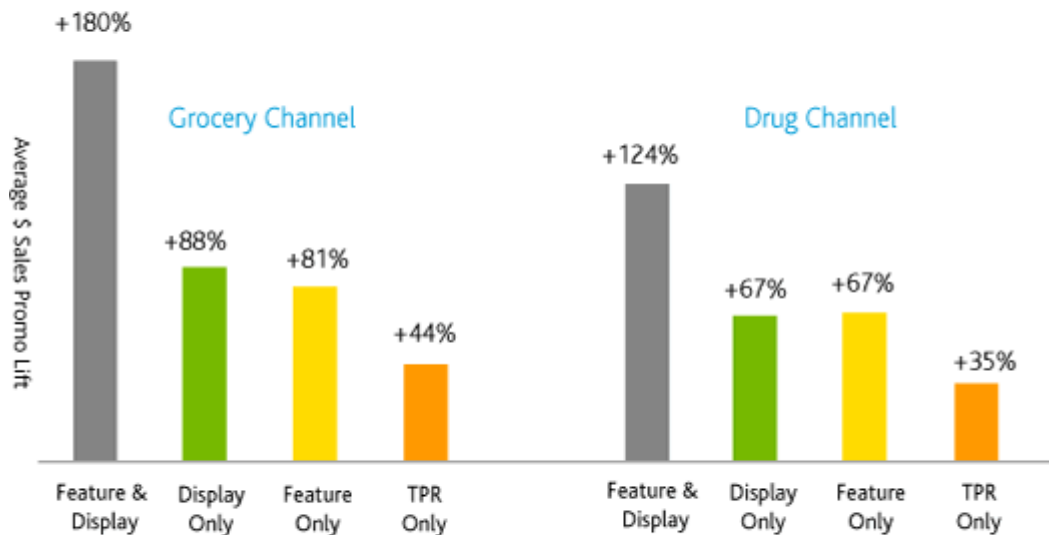
Source: Nielsen Strategic Planner, Total FDMx, 52 Weeks Ending 7/12/08

The drug channel is slightly less promotionally-driven than grocery, with 31% of items sold on deal vs. 36% at food stores. The majority of drug outlet promotional sales (15%) were stimulated by feature ads, while TPRs led the way at the more promotional-sensitive grocery channel (17%).

Heavy lifting

Products in search of a dramatic sales jolt should consider a combination of feature ads and displays, which pumped up dollar sales by 180% on average in the grocery channel and 124% at drug stores. Display-only, feature-only and TPR grocery promotions outpulled drug channel results by 21%, 14% and 9%, respectively.

Average Promotion Lift Highest for Feature & Display, but Lift Differs by Channel



Source: Nielsen Strategic Planner, Total Grocery & Drug, 52 Weeks Ending 7/12/08

Holidays are happy times for buyers and sellers alike, as base and incremental sales spike in the traditional December shopping period. Last Thanksgiving, shoppers bought nearly 40% of consumer packaged goods on some type of promotion. Easter sales were not much different, with 37% of product sales promotionally-driven. On Memorial Day and July 4 th, patriotic consumers marched through check-out with 35+% of the basket on deal.

Gainers & losers

Promotional popularity across categories can wax and wane with inflation. Nielsen reports that bottled water, frozen unprepared meat and seafood, candy, batteries/flashlights, liquor, breakfast foods, frozen novelties, teas, nuts and non-carbonated soft drinks recorded the largest increases in promotional support from July 2004–2008, most likely driven by new product introductions.

Conversely, refrigerated juices and drinks, canned seafood, eggs, diet aids, shelf stable meal starters and frozen juices and drinks fell off the promotional wagon, reporting the largest decreases in promotional support during the same time period, most likely attributable to inflationary pressure on suppliers that got passed along the food chain.

Coupon-ometrics

To sketch a clearer picture of the coupon constituency, some 68,000 Nielsen Homescan panelists were segmented into five groups based on annual coupon use across categories. These cohorts ranged from non-users who never presented a coupon, to super-low users who bought fewer than 5% of units on coupon, to low users who purchased 5-20% of units on coupon, to medium users in the 20-40% redemption range, to heavy users purchasing 40+% of units on coupon.

Overall, coupon-using consumers comprised 86% of households and drove 89% of all-outlet dollar sales. However, it was the low and super-low coupon users who represent the greatest volume opportunities as they drove the majority of dollar sales. Low coupon users (26% of households) made up 28% of dollar sales and super-low users proved to be a super big segment, accounting for 50% of households and 51% of dollar sales. In contrast, heavy coupon users spend the least annually, contributing just 3% of total dollar sales, medium coupon users rang up 8% of total dollars and non-coupon users delivered 11% of sales.

Coupon-using consumers comprised 86% of households...

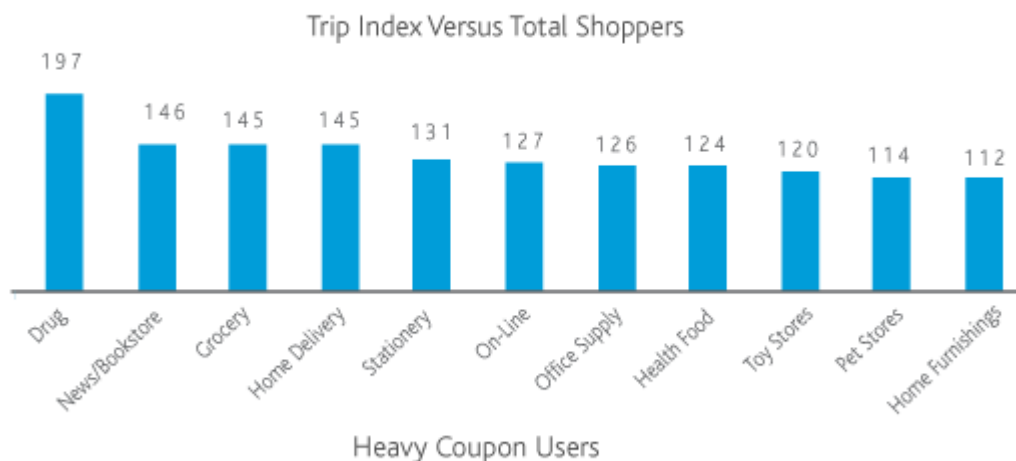
Coupon heavyweights

Based on overall volume, marketers looking for the sweet spot among coupon users should incentivize trial by targeting the low and super-low segments, which account for three-quarters of households and 80% of non-promotional dollars. Some consumers appear to “cherry pick” scheduling purchases around special deals—such as the very promotion-sensitive heavy user (54% of product dollars on deal) and medium user (41% of product dollars on deal) groups.

Heavy coupon users shop more often, making 85 grocery and 28 drug store trips per year versus 44 grocery and just nine drug store trips for non-users. Another measure of shopping “addiction” is the total trip index, which compares the percent of trips per group with its incidence in the population. A

trip index value of 100 means that a segment comprising 50% of households also accounts for 50% of shopping trips. A score >100 means the group is disproportionately active; a score <100 suggests lower than expected activity.

Heavy Users Addicted to Shopping



Source: *The Nielsen Company, Homescan Total U.S. 52 weeks ending 06/28/08*

Heavy coupon users index at 197 for drug store shopping trips, almost double the expected frequency, and almost 50% more for the news/bookstore, grocery and home delivery channels.

Demographic balance

From start-up families to senior singles to empty nester households, there is not a great deal of variation in terms of coupon usage. Nielsen found that across all categories, coupon usage has broad appeal. There are, however, some exceptions that translate to big opportunities. For example, within the heavy coupon user group, families are underdeveloped. With more mouths to feed, noses to wipe, and bodies to clothe and clean, this high-volume demographic segment represents a real volume opportunity to use more coupons and drive sales.

**Some exceptions
translate to big
opportunities...**

Manufacturers and retailers should look for ways to make it simpler for households to both receive and redeem coupons. Today, manufacturers and retailers are bypassing some direct mail efforts and offering e-mail—or in some cases, mobile-phone—coupon offers, to their shoppers. These methods still require too much action on the part of consumers. Current and future technology could be better leveraged to simplify the process and grow coupon usage.

Race for dominance

Technophiles take note—your day has come. Nielsen experts analyzed current promotional activity and made some predictions regarding the featured roles of the Internet, credit cards, frequent shopper programs, mobile phones and in-store options in the promotional world of tomorrow. Here's what's ahead for today's coupon shopper:

- 1. Reduced reliance on paper-based feature and coupon circulation.**
A race for dominance is taking place with computer-based Internet applications, mobile phones, credit cards, frequent shopper cards and in-store applications. Global positioning systems (GPS), radio frequency identity tags (RFID), eye movement tracking cameras and similar devices will enable location- and interest-specific promotional offers to be delivered at actionable sites.
- 2. Electronic or store entrance coupon delivery.**
Instead of tagging consumers as they leave the store post-purchase, next generation systems will deliver coupons via mobile phones, via Internet or via in-store devices when shoppers enter the store or are in the mood and in the aisle, ready to buy.
- 3. Smart appliances provide in-store shopping assistance.**
What's for dinner tonight? Visit the produce or meat department and allow your personal chef avatar to generate some electronic menu suggestions and automatically create a shopping list with aisle and item locator cues.
- 4. Stores offering engagement and entertainment opportunities.**
Look for personal shopper holograms to guide you through the store or shelf talkers activated by your cell phone to offer up special discounts. Walmart has pledged to invest \$10 million and two years of testing to determine the optimal placement of in-store screens and special shopper programming.
- 5. One-to-one personalized promotions.**
Stores will become increasingly interactive and consumer-specific, marrying data from multiple sources to deliver an involving shopping experience that reflects individual interests and buying preferences. Social networks based on shopping proclivities will be formed to build demand and drive sales.

6. **Integrated strategic promotional planning.**

Shopper marketing comes of age, dominating the retail landscape, displacing product-centric marketing planning. Technology enables a holistic planning approach that puts the consumer front and center while “benefitting the brand, the consumer, the shopper and the retailer”.

The bargain hunters of today will become the treasure hunters of tomorrow, discovering all the once-buried items store-side that will be presented to them as they stroll the aisles. As envisioned, it will be an effortless and entertaining way to feed body and soul, and Nielsen has the infrastructure in place to track these multiple media touch points in order to accurately measure the return on marketing dollars.

Nielsen Consumer Insight, December 2008

http://www.nielsen.com/consumer_insight/ci_story4.html

Finding Growth in Challenging Times:

Seven indicators evaluate population growth

By: Terry Muñoz, VP & Industry Practice Leader, Retail, Restaurant and Real Estate Group, Nielsen Claritas, and Mike Mancini, VP Data Product Management, Nielsen Claritas

CI SUMMARY: During the past several years, the U.S. retail industry has been reeling from a slow-growing population and a protracted economic downturn. Despite these challenging conditions, there are areas of the country that are experiencing population growth and can offer opportunities for retail businesses. To find these communities, analysts at Nielsen Claritas developed a statistical approach to score the growth potential of all U.S. markets and suggest strategies for expansion. By determining the key indicators of growth in markets of all sizes, this approach offers a significant advance for retailers even in tough economic times.

Despite the declining economy and slow population growth, there are markets and population segments within the U.S. that are experiencing healthy population growth, offering expansion opportunities for retail businesses even in a weak national economy. But finding these locations requires a different approach to identifying growth opportunities that goes beyond calculating new housing starts—a typical metric employed by site planners.

Using a statistical technique that evaluates population growth along with historic trends, Nielsen Claritas analysts have isolated seven demographic and economic indicators that strongly correlate to growing markets in both metropolitan and micropolitan communities, or what is known as Core Based Statistical Areas (CBSA). Metropolitan areas have a population of at least 50,000; micropolitan areas have a population between 10,000 and 50,000.

Known collectively as *Population Growth Indicators*, seven factors strongly correlate with fast-growing markets:

- Large land areas
- Booming suburban rings
- Widespread affluence
- An increasing Hispanic population
- Diversified employment
- Long commutes
- The presence of lifestyle shopping centers

When the Population Growth Indicators are combined with demographic projections, retailers have a robust tool to identify locations with significant potential for market expansion—markets that may even lead the way to an economic recovery in the coming years. Now more than ever, retail success depends on the ability to identify growing markets, whether the task is retail expansion, current market optimization or street-level site planning.

1. Space to Grow: Larger Land Areas

Bigger is better when it comes to population growth. According to the Nielsen Claritas analysis, markets with larger land areas tended to grow the most over the last eight years. The 25 largest markets rose by an average 10.8%, which is 23% higher than the national average. Retailers should not underestimate the importance of large markets. Businesses that serve the nation's ten largest markets reach more than 80 million Americans—28% of the nation's total population.

America's Top Markets by Land Area

		2008 Population	Land Area Index
Metro Cities - A Markets			
A2	Riverside, CA	4,170,780	1560
A1	Anchorage, AK	368,701	1510
A1	Phoenix-Mesa-Scottsdale, AZ	4,223,725	834
A3	Boise City-Nampa, ID	594,998	675
A1	Salt Lake City, UT	1,092,618	546
Metro Towns - B Markets			
B1	Flagstaff, AZ	130,370	1066
B2	Lake Havasu City-Kingman, AZ	203,337	762
B2	Ontario, OR-ID	54,800	589
B3	Fairbanks, AK	88,088	422
B1	Alamogordo, NM	62,739	379
Micro Towns - C Markets			
C2	Elko, NV	49,536	1222
C1	Pahrump, NV	45,598	1039
C3	Rock Springs, WY	39,444	597
C3	Bishop, CA	18,200	584
C3	Riverton, WY	37,684	526

Source: Pop-Facts; Index of 100=U.S. average or 1,170 square miles

2. Booming Suburban Rings: Affluentials and Middleburbs Households

Development in large areas goes hand-in hand with the lifestyles that emerge within these fast-growing communities. When analysts looked at Nielsen Claritas-defined lifestyle segments in expanding areas, the ones that dominated fell into two suburban social groups: The Affluentials (characterized by upscale, outer-ring suburbs filled with white-collar couples and families) and Middleburbs (midscale couples of diverse ages and educations in inner-ring suburban neighborhoods).

Nationwide, the markets with the most Affluentials and Middleburbs residents tend to be large metros—cities like Portland, OR; Minneapolis, MN, and Seattle, WA. Generally speaking, the growth in many of these areas resembles a doughnut, with the fast-growing suburban areas forming a ring around the metropolitan core. While social commentators like to celebrate the return of the nation's downtowns, the real action is still occurring in America's suburban frontier, propelled by several population torrents: active seniors looking for attractive retirement communities; young singles seeking affordable townhouses; and immigrants who are leapfrogging over urban apartments to settle in suburban neighborhoods near good schools and steady employment. Indeed, many fast-growing "cities" of the early 21st century— Los Angeles, CA; Atlanta, GA; Houston and Dallas, TX—are primarily collections of suburbs with only marginal links to an urban core.

The real action is still occurring in America's suburban frontier...

3. Widespread Affluence: Following the Money

For most of the last century, wealthy Americans have settled in the upscale suburbs of large metros. In examining the data further, analysts found several factors related to high net worth that correlate with high-growth communities: college educations, upper middle-class incomes and healthy home values.

The full list of affluent, growing markets shows a decidedly western skew, partly reflecting the migration of knowledge workers from manufacturing centers of the Northeast to the high-tech job centers in the western states. As people become more specialized in a given field, their incomes increase, but the number of jobs that fit their expertise narrows.

America's Top Markets by Affluence

		2008 Population	Affluence Index
Metro Cities - A Markets			
A4	San Jose-Sunnyvale, CA	1,833,625	164
A1	Washington, DC-VA-MD-WV	5,384,723	163
A1	Oxnard-Thousand Oaks-Ventura, CA	820,716	161
A4	Bridgeport-Stamford-Norwalk, CT	901,429	157
A4	San Francisco-Oakland, CA	4,281,491	155
Metro Towns - B Markets			
B1	Edwards, CO	59,428	150
B1	Napa, CA	136,092	147
B1	Truckee-Grass Valley, CA	101,146	143
B1	Kahului-Wailuku, HI	144,043	137
B1	Lexington Park, MD	101,831	135
Micro Towns - C Markets			
C3	Los Alamos, NM	19,258	174
C1	Silverthorne, CO	27,334	152
C1	Jackson, WY-ID	27,816	143
C3	Juneau, AK	30,704	140
C1	Gardnerville Ranchos, NV	47,589	137

Source: Pop-Facts and PRIZM; Index of 100=U.S. average of indices of household income, educational achievement and home values

4. Increasing Ethnicity: Growing Hispanic Population

Immigration drives the nation's population growth, and no group has provided more of a boost than Hispanics. In 1990, the Hispanic population in the U.S. was 7.9%; today, it is nearly 16% and rising. According to a recent Goldman Sachs study, this market is growing three times faster than the U.S. population in general. Demographers at the Pew Research Center predict that by 2050 the U.S. will be a "minority majority" nation, with Hispanics making up 29% of the total population.

No group has provided more of a boost than Hispanics...

The shift has already occurred in traditional gateway cities like Los Angeles, CA; San Antonio and El Paso, TX—border towns and booming coastal metros with exploding population growth. While New York, NY, and Chicago, IL, served as magnets for newcomers at the turn of the 20th century, today immigrants from Latin America and Asia typically head to Los Angeles and San Francisco, CA and Miami, FL. They settle in these places for the same reasons earlier waves of Europeans came to the U.S.—friends and family members had already settled there and formed self-sustaining ethnic communities. This is particularly true of less skilled immigrants who rely on kinship and informal networks to land jobs. They're also attracted to areas with climates conducive to varied recreational activities and low costs of living. Not surprisingly, those markets with the highest proportion of Hispanics tend to be along or near the Mexican border—places like Rio Grande City, Laredo and Raymondville, TX.

5. Diversified Employment: Construction, Retail and Business Services

One of the tried and true economic axioms is that "people follow jobs and retailers follow people." However, Nielsen Claritas research shows that people don't follow all jobs equally. In fact, over the last eight years, the places most likely to experience population growth had an abundance of jobs in two industries—construction and retail—as well as diversified employment opportunities in businesses ranging from finance and credit to engineering and recreation. Many resort and retirement cities attracted construction and retail workers as aging Boomers and young families alike streamed into these areas looking for affordable housing and a relaxed lifestyle. Retailers followed the increased population, providing products and services for the expanding consumer market.

The fastest-growing markets also have something else in common: solidly diversified economies. Analysts found a strong correlation between growing communities and a white collar workforce involved in business services, finance, engineering and management services, as well as amusements and recreation. Viable opportunities in business services, management and engineering create vibrant economies nourished by an educated, well paid workforce.

The fastest-growing markets also have something else in common...

Successful economies also seem to promote a leisure-intensive lifestyle, as many fast-growing communities feature a significant number of jobs involved in gambling, recreation, hotels, theme parks and cultural venues. Among the hotspots experiencing strong construction starts, a growing retail environment and a diversified employment base are resort communities such as Jackson, WY; Key West, FL, and Hilton Head Island, SC.

But an over-reliance on construction and finance jobs can have a downside risk. Both industries have been hurt by the housing crisis and credit crunch. As construction jobs grow scarce during a protracted downturn in the housing industry, workers leave town. In markets that relied too heavily on construction—such as Las Vegas, NV; Phoenix, AZ, and Naples, FL—analysts expect to see a

marked slowdown in population growth and a rise in housing foreclosures.

6. Long Commutes: A Price of Growth

Infrastructure is also important in growing communities. Fast growth correlates with significant numbers of air transport jobs, workers with home offices and, unfortunately, long commutes. Obviously, thriving communities need good airport connections to accommodate business and vacation travelers, as well as high-speed Internet access so workers can connect to employers from home offices. Fast -growing communities also tend to saddle workers with long commute times, typically much longer than the national average of 25 minutes. The long commute likely reflects many workers living in the more affordable suburban fringes of metro areas.

It's not just the miles, though, that lengthen these commutes. More frustrating are the minutes spent in traffic jams caused by the undesirable side effects of fast growth: feeder roadways not built to accommodate rush hour traffic, the absence of public transit in the hinterlands and uncontrolled sprawl that did not account for car-dependent lifestyles. These are the ills of life in the fast-growth lane, though they can be mitigated by planners who recognize the presence of Population Growth Indicators in their communities and address the issues accordingly.

7. High-End Shopping Centers: Lifestyle Centers

One unexpected result of the boom in affluent commuter suburbs is the emergence of high-end shopping centers known as "lifestyle centers." A kind of outdoor mall, they feature natural sunshine, tree-lined streets, stress-relieving fountains and plenty of shops and restaurants. Unlike the massive, windowless suburban malls anchored by a department store, these centers resemble quaint villages filled with high-end retailers like Talbots, Coach, Chico's, Banana Republic and Starbucks. And they're designed for upscale suburban professionals who want the convenience of driving up to the shops, parking their cars and downing a Frappuccino® while lounging on an overstuffed chair. Ironically, these suburban creations are designed to resemble the downtown commercial districts that shoppers fled long ago.

At a time when mall expansion is declining, lifestyle centers are growing at a rate of several dozen annually. Today, there are more than 400 of these tabernacles of consumerism, with their narrow pedestrian streets and little plazas. And they're sprouting up in growing mid-sized metros and college towns like Yakima, WA; Ann Arbor, MI; and Bend, OR. Because lifestyle centers require a relatively large population base to thrive, developers have yet to build any in Micro Towns ("C" Markets). However, their presence in larger markets reflects the need to create new shopping experiences for consumers bored with traditional malls. Growing markets provide residents with new retail experiences at places like lifestyle shopping centers.

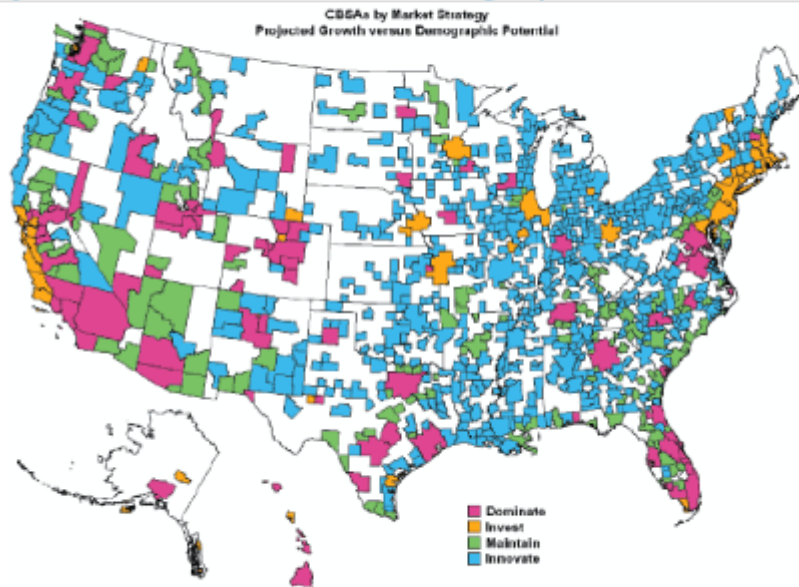
Lifestyle centers are growing at a rate of several dozen annually...

Predicting the Future

Populations do not necessarily grow in a linear fashion, and current growth patterns won't necessarily continue. Every year, Nielsen Claritas analysts generate five-year projections for all CBSAs by combining public U.S. Census Bureau estimates and demographic data at small levels of geography. Between 2008 and 2013, they estimate that CBSAs will grow an average of 5.2% nationwide, though in some smaller markets in the South and West the pace may rise above 25% as Boomers head to Sun Belt retirement communities and smaller towns to wind down their working years. According to their analysis, Palm Coast, FL, should experience the greatest percentage of growth among all the nation's cities, thanks to its location as a bedroom community halfway between Daytona and St. Augustine, FL. Others, like Greeley, CO and Heber, UT, are resort communities that cater to active retirees and families who appreciate hiking, skiing and a contemporary western lifestyle. These markets are pegged to lead the nation's economic recovery over the next five years.

Nielsen Claritas analysts combined the five-year population projections with the Population Growth Indicators into a map that suggests different growth strategies and opportunities for retailers. Four recommendations emerged for businesses seeking to expand their operations.

CBSAs by Market Strategy— Projected Growth vs. Demographic Potential



Source: *Pop-Facts, Business-Facts and the Shopping Center Database*

- **Dominate:** With both strong projected growth and strong potential for growth based on the Population Growth Indicators, these markets should represent safer bets for retail expansion over the next five years. These markets include college towns and booming resort locations like Las Vegas, NV; Austin, TX and Bend, OR.
- **Invest:** With moderate projected growth, but strong potential based on their Population Growth Indicators, these markets may grow faster than expected, indicating possible opportunities for retailers. Among these markets are such knowledge worker havens as Los Alamos, NM; San Jose, CA; Boulder, CO, and Minneapolis, MN.
- **Maintain:** Markets in this category may be riskier for retailers because, though their projected growth is above average, their potential according to the Population Growth Indicators is below average. In markets like New Orleans, LA; Coeur d'Alene, ID, and Brownsville, TX, retailers may want to more thoroughly research any expansions plans.
- **Innovate:** With weak scores for both projected and potential growth, the many small markets in this group would need extra money and attention—perhaps a new retail concept or a different product mix—to become a promising retail opportunity. Among the communities in this category are college towns like Columbia, MO; Corvallis, OR, and Greensboro, NC.

Retailers can use this analysis to quickly assess a market's potential and determine where it fits into their overall development strategy. Even in a sluggish economy with slow population growth, this innovative modeling approach can suggest expansion opportunities in overlooked markets. With this new approach to analysis based on the Population Growth Indicators, retailers now have a tool to help them identify these rising stars and stake out the best locations to attract their target customers. For those retailers willing to embrace this paradigm shift in understanding growth, many may be in a position to reap the rewards for their expansion efforts—or at least avoid costly mistakes.

Download a copy of the full Nielsen Claritas report [Finding Growth in Challenging Times](#)

Nielsen Consumer Insight, December 2008

http://www.nielsen.com/consumer_insight/ci_story5.html

Healthy News for a Good-Looking Bottom Line: *Health and beauty product still reign supreme*

By: Kathy Tyburowski, Industry Insights Manager, The Nielsen Company

CI SUMMARY: Looking good. Feeling better. Consumers start and end their day with beauty and hygiene rituals using ubiquitous products with high household penetration rates and high perceived value. In the U.S., product loyalty takes a back seat to a strong value proposition across OTC categories. Fully 30% of Americans consider price important when choosing OTC products versus just 17% of global consumers.

Americans spend \$368 per year on health and beauty products, adding one HBC product to the cart every fourth shopping trip. That buying rate translates into \$61+ billion per year, accounting for 12% of total U.S. packaged goods sales, eclipsed only by dry grocery and perishable food sales. A vast assortment and stream of innovative new product introductions help sustain category interest. Consider the fact that there are more than 2,200 different UPCs of toothpaste alone.

Despite anemic health and beauty unit sales which declined by 2.2% at food, drug and mass merchandisers (including Walmart) for the year ending October 2008, dollar sales increased by 1.9% somewhat due to price increases across the board for roughly half of all categories within the department.

Top Ten Health & Beauty Categories

CATEGORY	Dollar Sales (in Billions)
Total HBC	\$61.8
1. Medications/Remedies	\$10.3
2. Hair Care	\$6.7
3. Vitamins	\$5.6
4. Cough & Cold	\$5.3
5. Oral Hygiene	\$5.2
6. Skin Care Preparations	\$4.8
7. Cosmetic	\$4.1
8. Pain Remedies	\$3.3
9. Shaving Needs	\$2.9
10. First Aid	\$2.3

Source: Nielsen Strategic Planner, FDM including Walmart,
52 weeks ending 11/1/08

Attractive options

Beauty products including cosmetics, fragrances, skin care, bath/shower and gift sets add up to real assets for mass merchandisers, at which they account for 29% of dollar sales, followed by drug stores at 15%, online shopping and department stores each at 9%, supermarkets at 8%, direct sales at 7%, specialty cosmetics stores at 5% and a host of alternative outlets.

Total Beauty Outlet Distribution

Dollar Share



Source: The Nielsen Company, Beauty Panel data
52 weeks ending 9/27/08 includes all categories

Patronage habits differ by channel with consumers shopping more frequently at mass merchandisers (8.7), but purchase size was lower than most other channels. Interestingly, the TV home shopping channel reported the highest purchase size of 3.8. Cosmetic supply stores (3.5), direct sales (3.4), online (3.3) all recorded higher purchase sizes than traditional channels; drug stores (2.4), mass merchandisers (2.3), department stores (2.2) and supermarkets (1.8).

Worry lines

Economic issues are front and center with consumers, with almost 8 of 10 households saying they are very or somewhat concerned with personal care product prices, and 6 of 10 planning to reduce spending on household necessities in an effort to conserve funds. Careful consumers have opted to capitalize on health and beauty coupon savings, with utilization climbing to 13% by the first quarter of 2008, 2.5 times the rate for total store coupon sales.

8 of 10 households say they are very or somewhat concerned with personal care product prices...

As a category, health and beauty traditionally keeps promotional volume to a minimum, selling 26% on deal versus the 35% of promoted sales across all departments. Women's fragrance, vitamins and cosmetics move the greatest volume on deal, while grooming aids, family planning and feminine hygiene sell the least on deal.

Strong medicine

U.S. shoppers are voting with their pocketbook at checkout, emphasizing price and value when choosing over-the-counter (OTC) medications, which stands in contrast to global consumers. Results from a May 2008 global survey conducted by The Nielsen Company and the Association of the European Self-Medication Industry across 51 countries reported that 30% of Americans consider price important when choosing OTC products versus just 17% of global consumers. The only country whose shoppers are even more concerned with price is Japan (33%).

Value ranks high as a decision criterion for 25% of U.S. consumers, while only 15% of global shoppers take it under advisement. Not surprisingly, this corresponds to the growing importance of generic drugs in the American wellness sector. Brand loyalty levels are roughly twice as high among global consumers, at 23%, as among Americans (12%).

Efficacy matters

Factors influencing OTC medication selections among U.S. consumers include effectiveness (cited by half of respondents), safety (42%) and product confidence (35%), while attributes such as being recognizable, easy-to-take and usually used were least important.

Perhaps reflecting the country's can-do spirit, the majority of Americans (60%) will usually wait to see if a minor ailment gets better before taking medicine, in large part due to a belief that taking medicine can be harmful. When queried specifically, survey respondents admitted that more advice or support from their physician would help them to take care of their health (44%), as would clearer information on and in the package (36%) and more health education overall (33%).

It seems that, despite the trend toward mini-clinics and a plethora of generic and OTC options, consumers still seek out direction from their doctor and appreciate helpful instructions regarding the use and purpose of medications. Regardless of economic downturns, shoppers want to look and feel good and will figure out ways to stretch the budget for beauty essentials.

Nielsen Consumer Insight, December 2008

The Economic Divide:

Finding Opportunities in Rich & Poor Countries

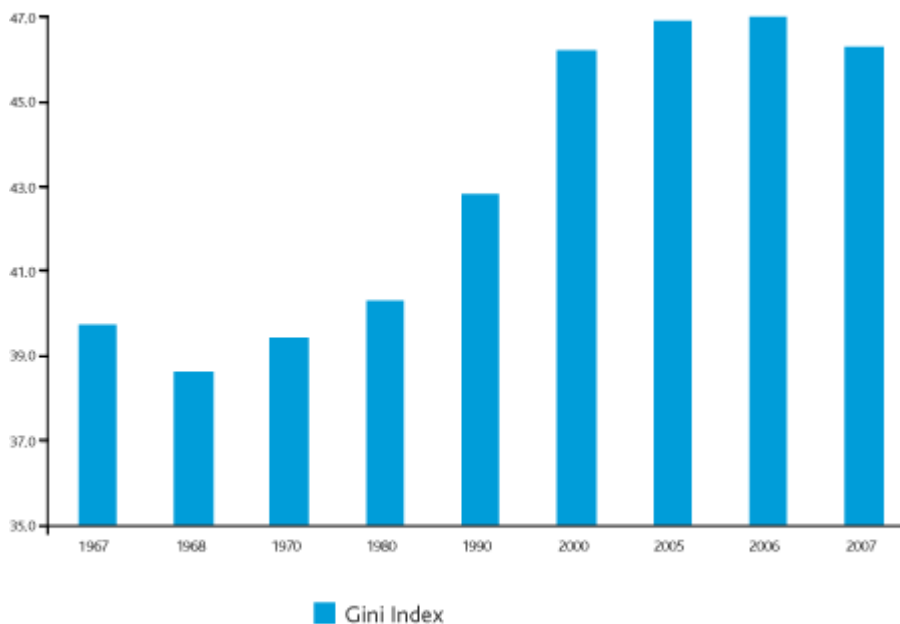
By: Doug Anderson, EVP, Research & Development, Nielsen Consumer Panel Services

CI SUMMARY: From now until 2050, nearly all population growth worldwide will take place in less-developed countries. Overall, growth in the more-developed world has nearly halted and is expected to stay at very low levels for decades to come. Opportunities for growth, however, will be substantial for marketers able to reconfigure their product lines to meet the needs of struggling young families with many children.

In 2007, the Gini Index—a measure of income distribution—declined in the U.S. for the first time in nearly two decades. A Gini Index of zero, for example, means that everyone in the country earns the same amount and an index of 100 indicates that one person in the country earns all the money. Incomes in the U.S. have become increasingly uneven (i.e., the rich get richer) particularly from 1990 to 2000, during the heights of the bull market.

The only countries in the world with income distributions more skewed than the U.S. are in Africa, the Caribbean, and Central and South America. Most other countries in the more-developed world have far lower—or more equal—income distributions than the U.S., with countries in Northern Europe having the lowest indices (in the mid 20s) in the world. The chart below shows the Gini Index for the U.S. over time.

United States Distribution of Income



Source: U.S. Census Bureau, Gini Index

Income inequality will increase

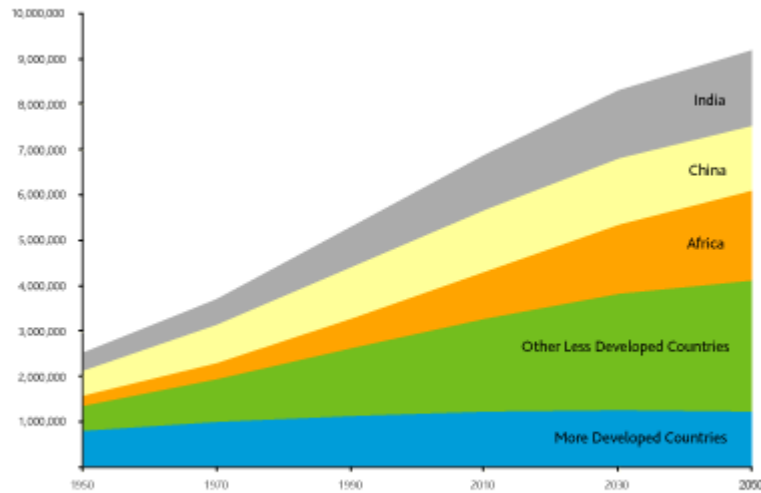
Current world population trends suggest that income inequality will increase worldwide as nearly all population growth over the next 40 years will come from countries with the lowest incomes. After World War II, advances in public health, health care, and disease prevention enabled the less-developed world to begin to grow at a substantial rate. Many of these advances had been developed and implemented in the more-developed world over the prior hundred years, cutting infant mortality and extending life expectancies there. In the future, this trend will intensify.

Income inequality will increase worldwide...

countries (LDCs). Overall, growth in the more-developed world has nearly halted and is expected to stay at very low levels for decades to come.

Almost all of the meager growth in the more-developed world will come in the United States and Canada. But the majority of that growth will not come from natural growth (births minus deaths), but from immigrants coming from LDCs. LDCs will grow from 5.5 billion persons to 8.1 billion in 2050 (+47%), while the more-developed countries (MDCs) will grow at less than one-fifth of that rate. The chart below shows the projections and how the distribution of world population will change over the next several decades.

World Population Growth Projections



Source: UN Population Division

Live long and multiply

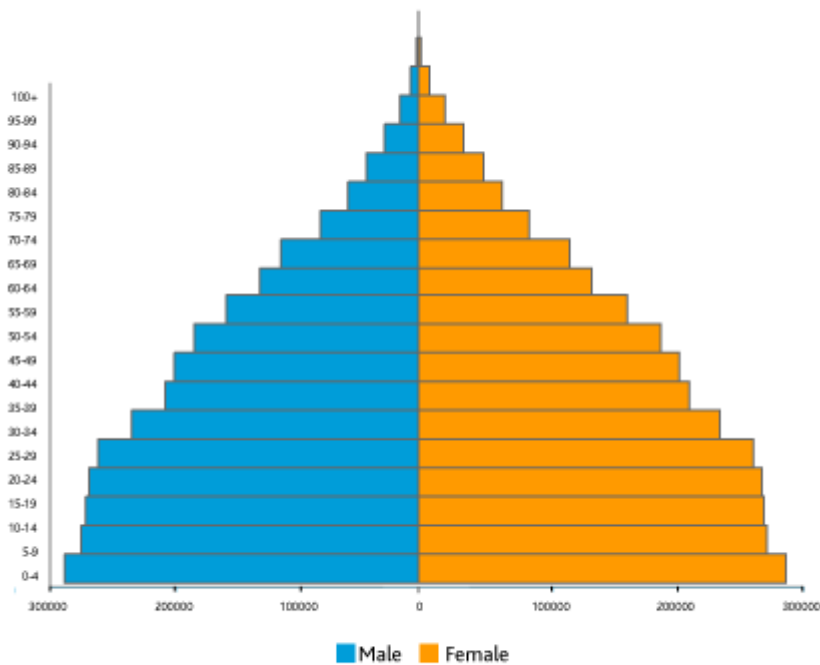
Better access to healthcare, cleaner water, better sanitation and more food have all served to decrease infant mortality in the less-developed world. Although fertility rates have been falling for several decades, they are still much higher in the less-developed world (with the exception of China) as compared with more-developed countries. These high rates, combined with increasing life expectancies will foster rapid population growth.

Rapid growth among young persons will further distinguish the distribution of population by age between MDCs and LDCs that is evident today. The two charts below show the population pyramid for MDCs and LDCs expected in 2010. Note that the largest age group in the more-developed countries is persons aged 45–49.

Every younger five-year age break includes fewer persons, meaning that each succeeding generation is smaller than the one that came before—and that populations will eventually begin to decline. Children aged 5–9 in MDCs are less than 75% of the number of persons aged 45–49. In less-developed countries, the population distribution is exactly opposite with the largest numbers in the younger age groups. No five-year group is larger than 0–4 year olds.

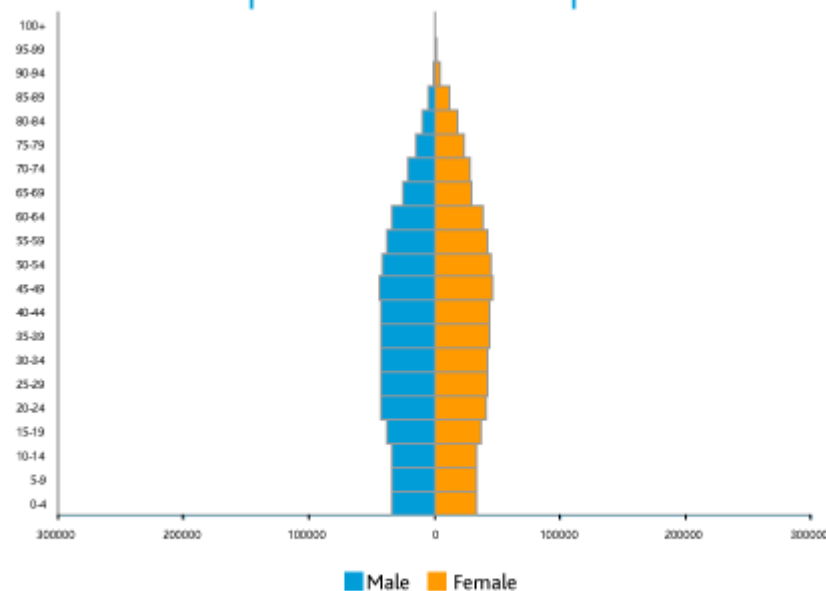
Each succeeding generation is smaller than the one that came before...

Less-Developed Countries Population Growth



Source: UN Population Division

More-Developed Countries Population Growth



Source: UN Population Division

Extreme distinctions

To illustrate the impact of uneven population growth at a more concrete level, data from two countries with similarly-sized populations—Italy and the Democratic Republic of the Congo—reveal a massive disparity. While Italy has one of the lowest fertility rates in the world and an old and aging population, the Congo has one of the world's highest fertility rates and an extraordinarily young and rapidly growing population.

The Demographic Divide

	Italy	Congo
Population – 2008	59.9 million	66.5 million
Population - 2025	62.0 million	109.7 million
Percent Growth	3.5	65.0
% Population < 15	14.0	47.1
% Population 65+	19.9	2.6
Average lifetime children per woman	1.3	6.5
Annual births	568,120	2,900,000
Annual deaths	575,300	800,000
Natural population increase	(7,180)	2,100,000
Life expectancy at birth	81	53

Source: Population Reference Bureau 2008 World Data Sheet

Although Italy is a somewhat extreme example, it should serve as a wake-up call to marketers to begin thinking of creative ways to sell their products in a world made up of more-developed countries like Italy and less-developed countries like the Republic of the Congo.

The more-developed countries will continue to be good markets for consumer products, with purchasing power far higher than global averages. Their needs will certainly change as populations age and immigrants make up increasing shares, but they will remain strong viable marketplaces. They will not, however, be places to look to for growth. Populations and purchasing power will grow in North America, but will stagnate or begin to decline in most of the other more-developed countries.

The more-developed countries will not be places to look to for growth...

Expansion opportunities abound

Opportunities for growth will increasingly fall outside the traditional strong markets for consumer products, to the “Congos” of the world. These new markets will pose a variety of challenges for marketers. Since these countries are far less affluent, they will have dramatically reduced purchasing power as compared with the markets where most consumer products companies thrive.

Marketers that succeed will re-evaluate packaging and distribution methods in order to conform to the requirements of these markets. Package sizes, for example, will need to shrink as a way to keep prices down (see Sidebar, *Know Thy Consumer—and Their Market*). Distribution of products will be much more difficult and more expensive. But for those able to reconfigure their product lines to meet the needs of struggling young families with many children, the opportunities for growth are substantial. Marketers who can sustain and grow their current footholds in these countries or establish new benchmarks for their products will see new consumers coming online at rates not seen in the more-developed world since the heyday of the Baby Boom.

Sources:

Population Reference Bureau – 2008 World Population Data Sheet
United Nations – World Population Prospects 2006 Revision

Nielsen Consumer Insight, December 2008