

APPENDIX A
Reading Test Material

2009 Industry Outlook:

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

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

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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.

- 1 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.

- 2 **“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.
- 3 **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.
- 4 **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 to as low as +4% vs. year ago in recent weeks.

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- 5 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.
- 6 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.
- 7 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.
- 8 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.
- 9 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.
- 10 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.
- 11 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.
- 12 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.

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