Consumer Index

WELCOME TO CONSUMER INDEX

Dear clients and partners,

Once again I am proud to present you with the latest edition of Consumer Index Worldpanel Asia. It provides you with up-to-date data and commentary covering the major movements in key economic indicators, category performances and the trade landscape across China, South Korea, Malaysia, Philippines, Taiwan, Thailand and Vietnam.

Here are some of the developments and trends we saw in the Asian region.

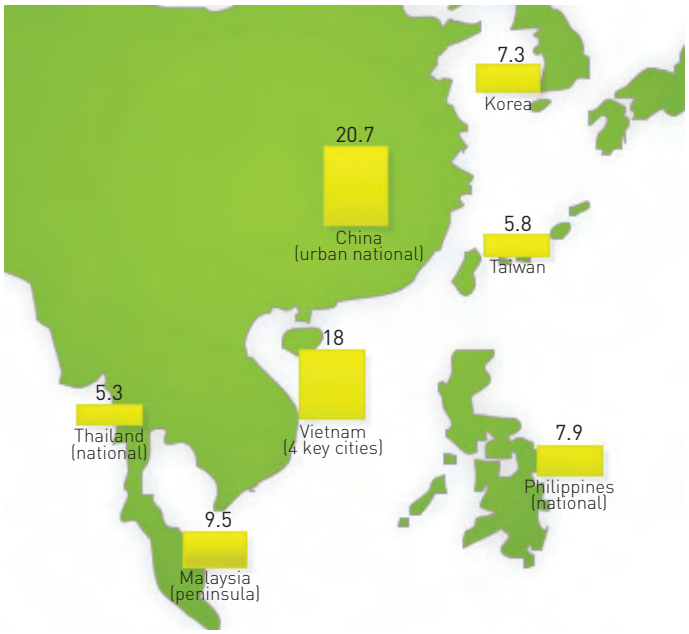
- In China, hypermarkets enjoyed a 24% growth rate, while grocery and other traditional channels still remained very important.

- In Korea, the FMCG market is steadily picking up pace since the beginning of this year. The change can be attributed to the continuing trade-up trend in household products and the recovery of packaged grocery. The most noticeable retail change was the accelerated growth of convenience stores with 36.9%, which are quickly increasing in store numbers and developing into day-to-day shopping venues.

- In Malaysia, all trade channels continued to grow in the latest quarter, with modern trade growing faster than general trade as a result of modern trade shoppers shopping more frequently than before, adding an additional trip per annum while maintaining the same basket size each time they shopped.

- In the Philippines, a continuous upsurge in packaged grocery was perceived regardless of recent price increases, particularly among basic commodities like cooking oil, posting an increment of 38%, and some seasonings and sauces such as sugar, pasta sauce and fish sauce.

FMCG Trends % Value Changes



- In Taiwan, the shortage of milk became more serious and influenced the dairy category's performance, which increased by only 2.5% against the much higher growth rate of the total FMCG market (5.8%).

- The Bank of Thailand revised its economic growth forecast from 4.1% to 2.6% due to a current 140 billion Baht loss from the 21 provinces severely affected by the October floods.

- Vietnamese urban consumers continued to shift their shopping from traditional trade (both street shops and wet markets) to modern trade channels, where they could find a better range of products at more competitive prices, in particular through larger pack sizes and promotions, while enjoying a safe and convenient shopping experience.

The data used for this issue runs up to Quarter 3, 2011 and is sourced from our Worldpanel network in the Asia region.

I would be delighted to answer any questions you might have or to hear your thoughts and views on this publication. Please contact us by e-mail on Worldpanel.Asia@kantarworldpanel.com

Best regards,

MARCY KOU
Managing Director
Worldpanel Asia

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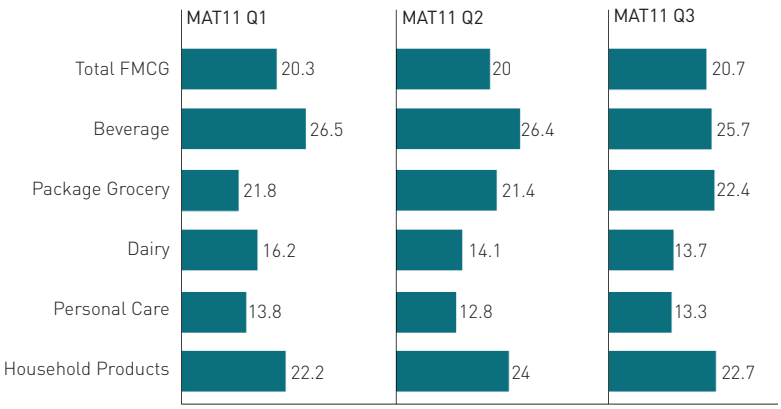
CHINA
Quarter 3 2011

CATEGORY VALUE % change vs previous year in value



KEY ECONOMIC INDICATORS

China's GDP growth for the third quarter of 2011 was 9.2% compared with the same period last year and 2.3% if compared with the previous quarter. Total sales of consumer goods increased by 17.7% compared with last year.

Consumer prices increased by 6.1% against last year, driven primarily by rural areas (6.6%) while urban China prices increased by 5.9%. Incomes per household rose faster than inflation with urban residents seeing a 13.7% rise and rural residents' income growing by 20.7%. There was a 13.4% increase in food prices, 4.1% for health care and personal care products and a 3.4% increase for cigarettes and alcohol.

CATEGORY TRENDS

FMCG spending in national urban China increased by 20.7% compared to last year. Beverages enjoyed the strongest growth at 25.7%. Household products followed closely at a rate of 22.7%.

For beverages the main driving force was alcohol with Chinese spirits contributing the most. The 34% value growth was mutually driven by volume and price increases.

In the household category, paper products and laundry were the major growth contributors. Zooming in closer on paper products, we found their value growth was also driven by both volume and price rises. The growth of laundry products on the other hand was basically driven by volume growth only.

For beverages the main driving force was alcohol with Chinese spirits contributing the most. The 34% value growth was mutually driven by volume and price increases.

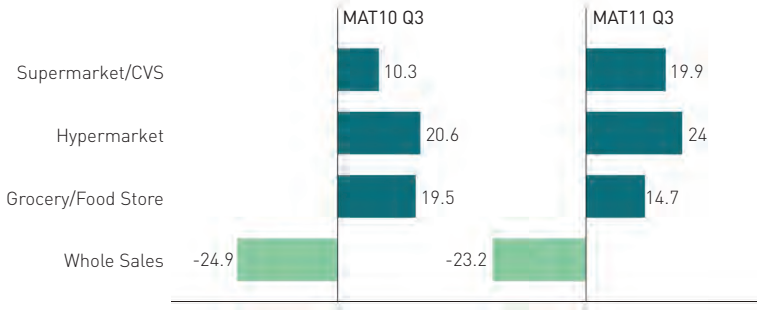
RETAIL LANDSCAPE

Modern trade (hypermarkets, supermarkets and convenience stores) kept growing, especially in capital and low tier cities. The success of the modern trade channel mainly relied on price rises while the volume only increased by 6% in total China. Grocery and other traditional channels still remained very important.

Hypermarkets enjoyed a 24% growth rate. The top 5 retailers' value share accounted for around 25% of all modern trade for urban China. Wal-Mart has the largest buyer base while RT-Mart was the biggest retailer in both value and volume share across China.

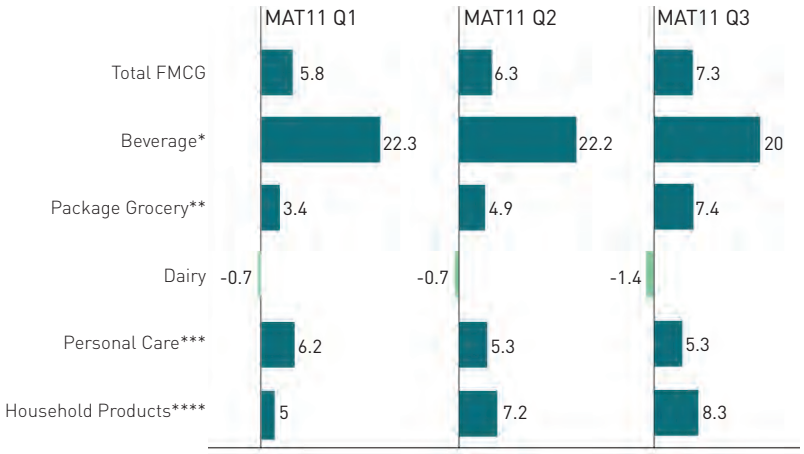
TRADE CHANNEL TREND
Value Shares %

TRADE CHANNEL TREND % value change vs previous year



KOREA
Quarter 3 2011

CATEGORY VALUE % change vs previous year in value



* Beverage excluding soy drinks
** Package grocery excluding fresh meat
*** Personal care excluding cosmetics
***** Household goods excluding paper

KEY ECONOMIC INDICATORS

The Korean economy maintained its real GDP's year-on-year growth at 3.4% and quarter-on-quarter growth at 0.7% in the third quarter of 2011. Voices of concern were raised about the continuing decline in the agriculture and fishing sectors, related to heavy rain during the summer months.

Korea's Consumer Price Index settled at 4.3% in September 2011 after hitting a three-year high at 5.3% in the previous month. There are worries about the ever-rising costs of living, and further price increases for public transportation and utilities are planned for the end of the year.

> One of the unifying trends across many key industries in Korea's FMCG market was the bulk-up of purchases.

CATEGORY TRENDS

The FMCG market grew by 7.3% in the third quarter of 2001, steadily picking up pace since the beginning of this year. The change can be attributed to the continuing trade-up trend in household products and the recovery of packaged grocery. Dairy products continued to see a further decline of -1.4%, while beverages to recorded double-digit growth of 20.0%. Personal care held its ground with a value-driven growth of 5.3%.

One of the unifying trends across many key industries in Korea's FMCG market was the bulk-up of purchases. Drivers of this trend were packsize increases especially for household products and packaged grocery, increases in promotions especially for personal care products, and the rise of volume-friendly channels like TV home shopping and internet. This in turn resulted in a decrease in shopping frequencies, a change most noticeable in household goods shopping trips. An average Korean household shopped once every three days in the latest year.

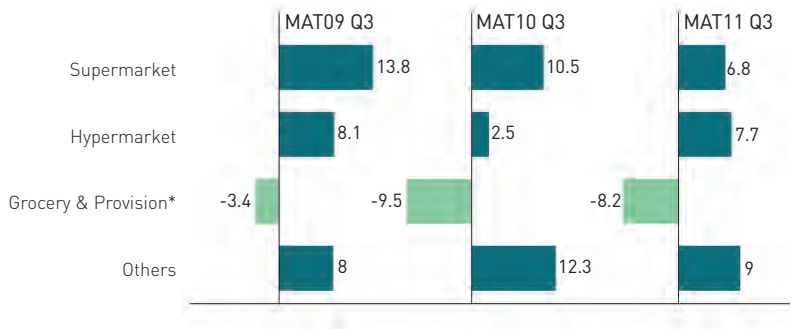
RETAIL LANDSCAPE

Hypermarkets, after reducing their share to under 30% in the beginning of 2010, showed signs of comeback thanks to the strong performances posted by Lotte Mart and Costco; amounting to 29.8% of the market in this quarter.

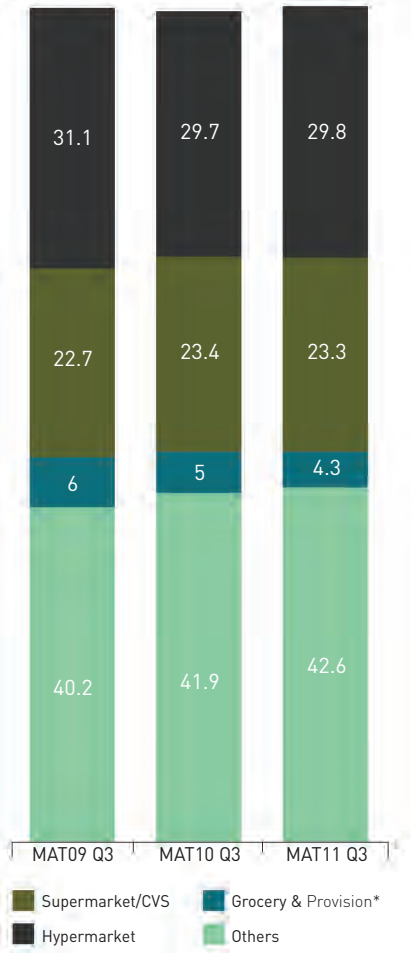
The most noticeable retail change was the accelerated growth of convenience stores with 36.9%, quickly increasing in store numbers and developing into day-to-day shopping venues.

The hypermarkets' growth pick-up over the last year was noted across most categories, but most visibly in packaged grocery (from -0.3% to +6.7%) and household products (from -4.7% to +5.1%). The growth continued to be led by beverages, particularly in Lotte Mart.

TRADE CHANNEL TREND % value change vs previous year

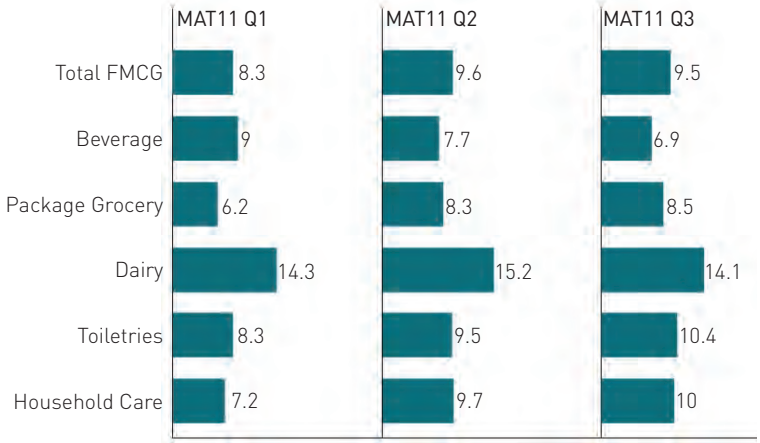


TRADE CHANNEL TREND
Value Shares %



* Grocery & Provision = Mom & Pop Stores

CATEGORY VALUE % change vs previous year in value



On an annual basis frozen food, cooking sauces, cooking oil and hot beverages continued to perform well. Hot beverages experienced further sales growth as more households purchased more tea and spent an extra 5% on coffee this year.

Shampoo and liquid soap may be heavily promoted categories, but none the less these two categories really attracted more households. Both categories largely contributed to the growth in toiletries at 10% respectively, which was higher than the overall household sector growth.

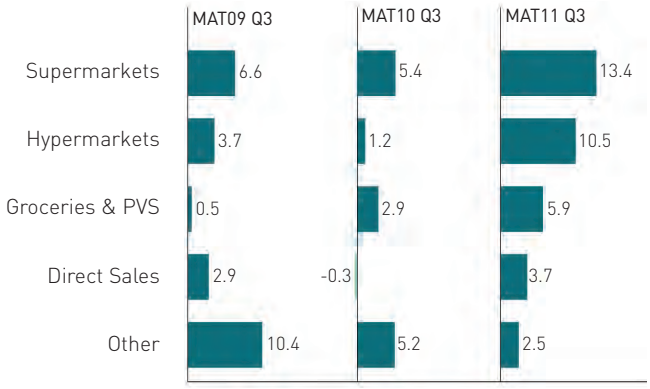
RETAIL LANDSCAPE

All trade channels continued to grow in the latest quarter, with modern trade growing faster than general trade as a result of modern trade shoppers shopping more frequently than before, adding an additional trip per annum while maintaining the same basket size each time they shopped.

On average, a hypermarket shopper shopped 17 times a year as opposed to the average supermarket shopper who recorded 28 shopping trips.

Tesco continued in its position as largest named retailer account followed by Giant. Local accounts have also been growing steadily over time with stiff competition seen between Carrefour, Econsave and Mydin. In fact in the latest quarter Mydin started to gain its ground against Carrefour, narrowing the gap in terms of market share. In addition, 99 Speedmart's market share has also grown steadily over the years, due to store expansions mainly within the Central region.

TRADE CHANNEL TREND % value change vs previous year



KEY ECONOMIC INDICATORS

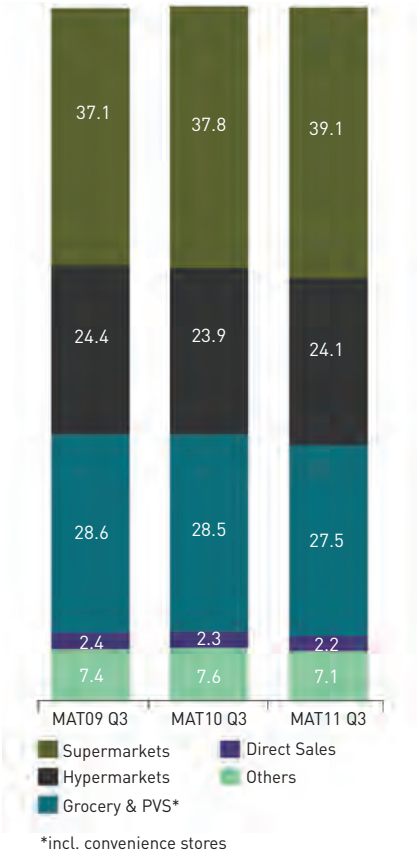
The Consumer Price Index increased by 3.4% in the latest MAT September 2011 due to higher costs for food and non-alcoholic beverages as well as transport. Malaysia is still going through the effects of the rise in global commodities' prices earlier this year but expects the inflation to taper off slowly.

CATEGORY TRENDS

The total FMCG market showed no changes in value performance compared to the previous quarter, despite the Hari Raya festive season during the month of August. However, certain categories in the food sector did perform exceptionally well during this festive season, such as canned food (9%), carbonated soft drinks (87%), cordials (67%) and soy milk (54%), while the non-food sector took to the side lines with a 6% decline. Evidently, households temporarily switched away from fresh milk in favour of these beverages during the Hari Raya festival and returned to fresh milk in the following months.

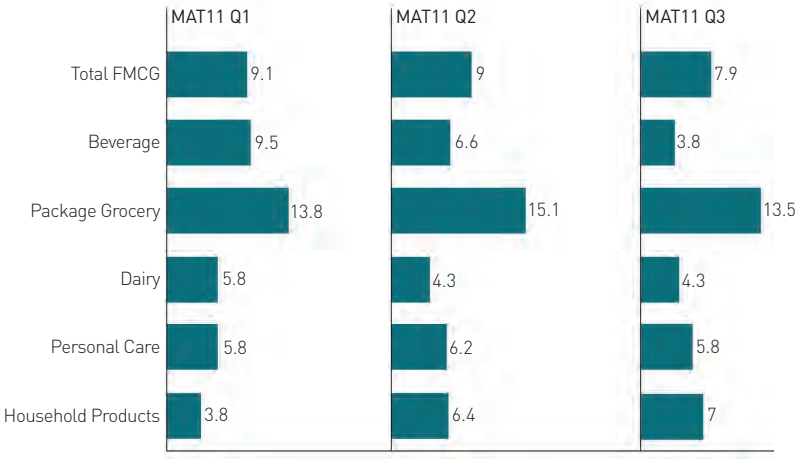
> Malaysian households temporarily switched away from fresh milk in favour of soy milk, cordials and carbonated soft drinks during the Hari Raya festival and returned to fresh milk in the following months.

TRADE CHANNEL TREND
Value Shares %



PHILIPPINES
Quarter 3 2011

CATEGORY VALUE % change vs previous year in value



Regardless of the recent price increases, a continuous upsurge in packaged grocery was perceived, particularly among basic commodities like cooking oil, posting an increment of 38%, and some seasonings and sauces such as sugar, pasta sauce and fish sauce. Snacks and biscuits also performed well, both rising by 13%, while ice cream didn't benefit from the rainy season as it plunged in the recent period.

The overall sales growth for beverages weakened to 4%, mainly caused by the recent decline in tea and energy and sports drinks, but nonetheless opposed by the vital need for bottled water in typhoon Juaning's aftermath, which posted an increment of 16%.

RETAIL LANDSCAPE

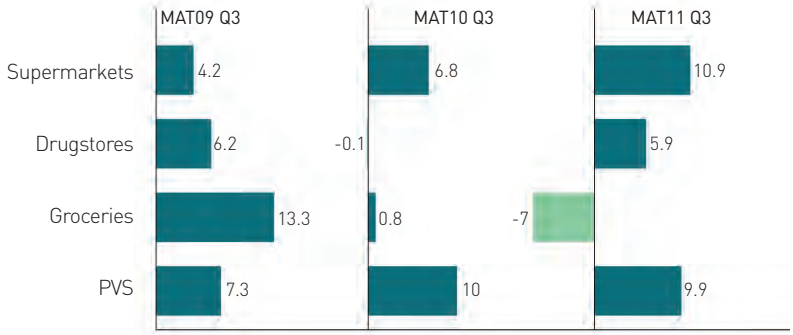
Filipinos predominantly sourced their goods in provision stores, allocating more than half of their FMCG spending to this channel. Provision stores amplified their leadership posting a 10% growth in the recent period. Mainly the food categories boosted the channel's sales with their 16% growth.

Supermarkets followed distantly with just half of the provision stores' market share. But nonetheless they represented the fastest growing channel, registering an 11% increment driven by food and household products with both double digit growth. Following provision stores, they also recorded the widest reach with 81% of consumers.

In contrast, groceries continued a downwards trend with a 7% decline in the recent quarter. Slumping sales showed that some consumers no longer sourced their household products and milk through the said channel, narrowing down its reach by 6%.

Among the top retailers SM maintained its leadership, even showing further sales improvements in the recent period. Sales increases for food, milk and household products supported the retailer's recent expansion. The rest of the accounts exhibited superior performance as well with double digit growth, specifically Robinson's and Puregold. SM and Puregold had been increasing their promotions and store expansions which triggered further sales.

TRADE CHANNEL TREND % value change vs previous year



KEY ECONOMIC INDICATORS

As of September 2011 the year-to-date inflation inched up to 4.8% due to higher annual adjustments in electricity, water, housing, gas and other fuels. Specifically gasoline prices in September soared due to weather-related disruptions in supply. Average prices of vegetables and fish products went up due to production losses from the typhoon's aftermath. Meanwhile, exports went down in August by 15% with weakening global manufacturing activities.

Overall, given these global uncertainties especially in the US and Europe, the government has lowered its growth and trade forecasts. The economy is likely to grow by 4.5 to 5.5%, down from its original forecast of 5 to 6%, while exports are expected to grow at only 5%, significantly lower than the earlier estimate of 9 to 10%.

CATEGORY TRENDS

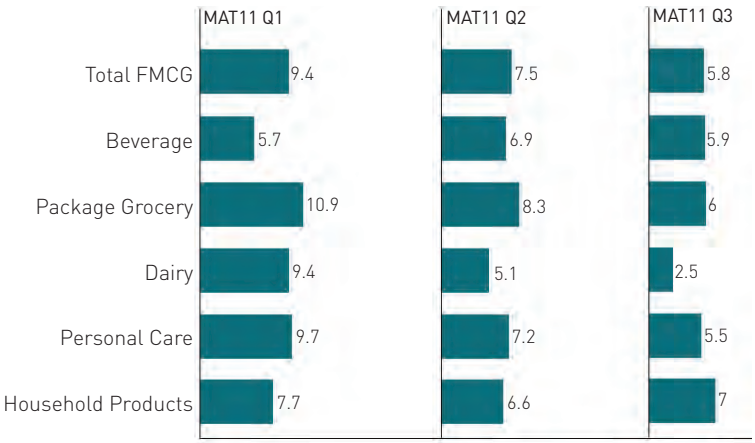
Annual household spending for FMCG registered a positive performance of 8%, a little slower than in the last quarter. Even so, the FMCG's ascent could be attributed to higher expenditure on household products and packaged grocery.

> The weakening sales of beverages were opposed by the vital need for bottled water in typhoon Juaning's aftermath, which posted an increment of 16%.

TRADE CHANNEL TREND
Value Shares %

TAIWAN
Quarter 3 2011

CATEGORY VALUE % change vs previous year in value



Kantar Worldpanel further observed that more people tend to buy frozen food for time saving and convenience reasons. This trend led the value growth of package grocery by 6%. Attributed to incessantly new product launches, ready-to-drink tea and coffee's sales value increased and drove the 5.9% growth of the beverage category.

The shortage of milk became more serious and influenced the dairy category's performance, which increased by only 2.5% against the much higher growth rate of the total FMCG market.

RETAIL LANDSCAPE

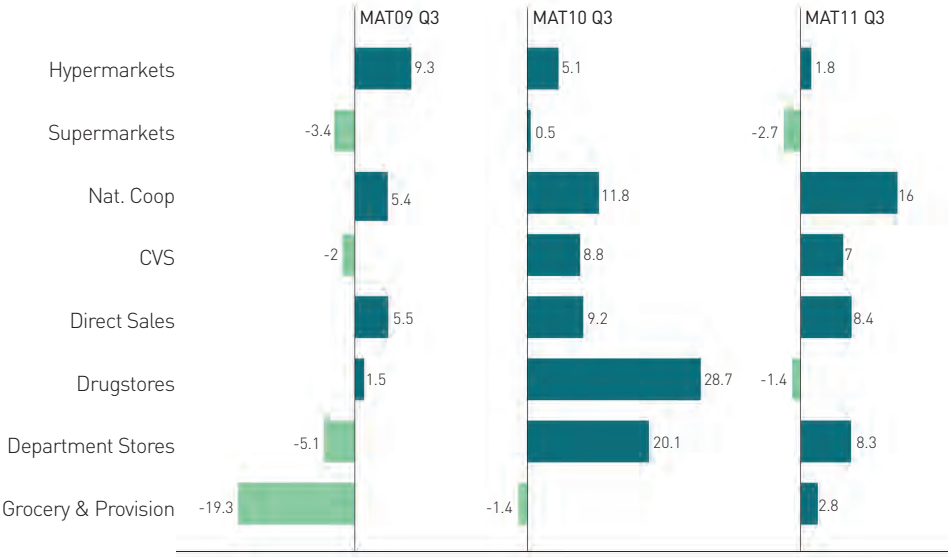
Although hypermarkets were still the most crucial channel in Taiwan, their value share continuously decreased in the past three years from 27% in 2009 to 24.7% in 2011. The actual sales value only grew by 1.8% versus last year due to a stabilized buyer base.

Thanks to a consumer base expansion and high consumer loyalty, National Coop is the only channel that enjoyed a double digit growth with 16%. In the past year, its value share grew from 12.4% to 13.6% and is expected to increase even further with continuing expansion plans.

After enjoying a double digit growth in the last year compared to the previous year, department stores continued the growing momentum with an 8.3% value growth this year. The circumstance that consumers crazily buy large quantities of cosmetics once a year on the department stores' anniversary has become a trend and lifted up the average spending per buyer in this channel.

7-Eleven's strategy of becoming the largest food provider chain successfully attracted buyers and increased their spending, leading to the overall convenient store channel thriving by 7%.

TRADE CHANNEL TREND % value change vs previous year



KEY ECONOMIC INDICATORS

The advance estimate of the third quarter's GDP growth was 3.4% versus last year. However, it declined by 0.3% compared to the last quarter. Due to the global economy slowdown and the appreciation of the Taiwanese Dollar, Taiwan's export business struggled. Meanwhile, as global demand decreased, domestic IT companies reduced their investments on equipment assets, which further dragged down the GDP growth.

The year-to-date Consumer Price Index was 1.4% higher than that of the last year. Although the prices of vegetables and electronics declined, this was not enough to offset the price hike of garments, eggs, fruit, meat, and gas/ fuel.

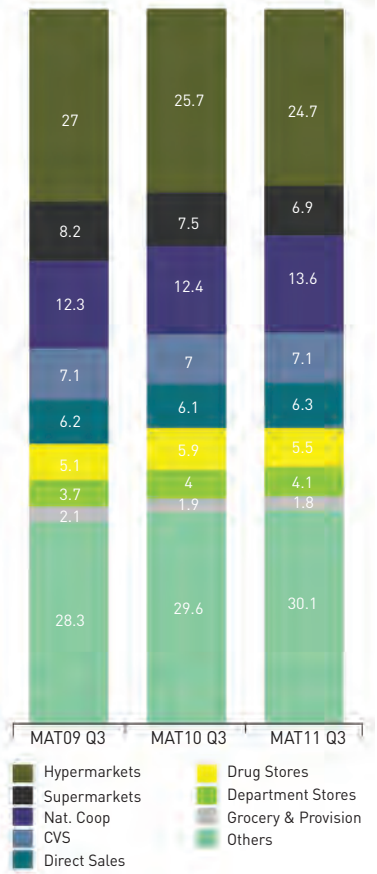
CATEGORY TRENDS

Even though Taiwan's FMCG market grew by 5.8% in value against last year, the growth trend slowed down on the back of the dropping economy.

The household products category grew by 7%, mainly driven by the double digit growth of toilet paper and dishwashing products, which benefitted from an expanding household base and a trend towards high tier products.

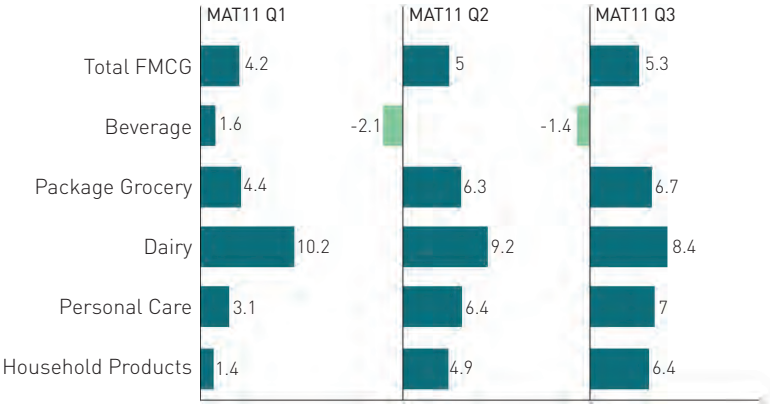
The circumstance that consumers crazily buy large quantities of cosmetics once a year on the department stores' anniversary has become a trend and lifted up the average spending per buyer in this channel.

TRADE CHANNEL TREND
Value Shares %



THAILAND
Quarter 3 2011

CATEGORY VALUE % change vs previous year in value



trips or purchasing volumes. This value growth was reflected in most categories except in the on-going decline of beverages. A rise of consumption of packaged groceries was attributed to the flood crisis as buyers sought to stock up supplies.

Although packaged water showed double-digit growth in supermarkets and hypermarkets, beverages continued to decline as beer buyers dropped out of the market while the annual Buddhist Lent lasted for the entire third quarter.

Personal care remained the key driver for growth with more facial moisturizer buyers as the market experienced size-play and premiumisation. Showing a similar trend, household products continued in growth with more players entering the household cleaning segment.

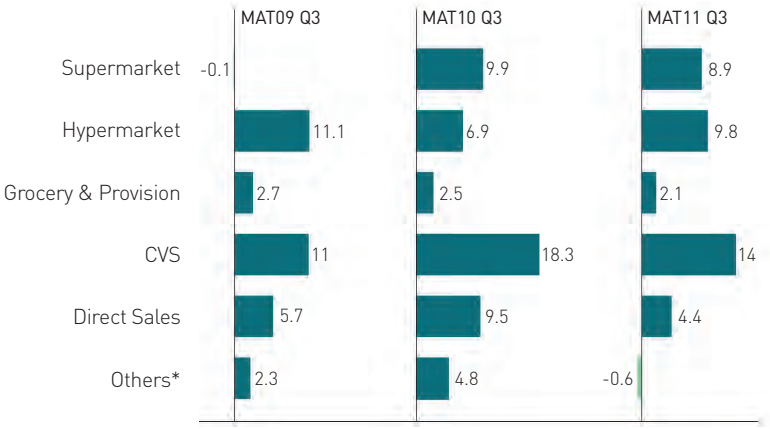
RETAIL LANDSCAPE

Modern trade became increasingly important in the past two years with hypermarket expansions driving the sales increase. Much hypermarket growth was attributed to higher consumption from existing channel buyers, as the two big retailers Tesco and Big C continued to aggressively compete through expansion and promotions.

The growth of convenience stores was mainly driven by their largest player 7-Eleven with an estimated store expansion of 15% by 2013. This quarter they achieved to open about 500 stores and thus more buyers influenced this channel's growth.

Grocery and provision stores continued their growth thanks to loyal shoppers who spent more at their shopping trips this quarter. However, the growth slowed down compared to previous quarters as shoppers shifted towards modern trade.

TRADE CHANNEL TREND % value change vs previous year



KEY ECONOMIC INDICATORS

The Bank of Thailand revised its economic growth forecast from 4.1% to 2.6% due to a current 140 billion Baht loss from the 21 provinces severely affected by the October floods. Thai exports enjoyed a 19% growth in the first three quarters. However, increased prices are expected as 6 million acres of paddy fields have been damaged, a loss of 6-7 million tons of rice. Inflation rose to 4.3% led by food and energy sectors.

Furthermore, 143 prominent tourism sites have been damaged from the floods. Losses could reach 17 billion baht, as the number of tourists is expected to fall by 3.2 million.

CATEGORY TRENDS

The total FMCG market continued to grow into the third quarter from higher spending at consumers' shopping trips. Higher inflation led to increased prices, but had not yet altered the consumers' number of

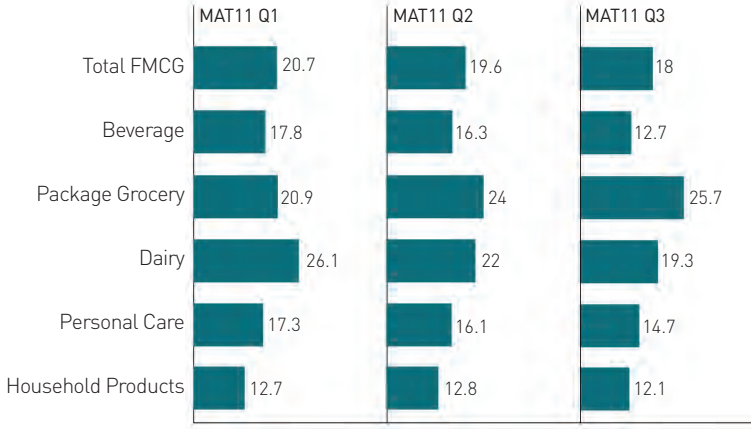
> Personal care remained the key driver for growth with more facial moisturizer buyers as the market experienced size-play and premiumisation.

TRADE CHANNEL TREND
Value Shares %

* including drug stores & department stores

VIETNAM
Quarter 3 2011

CATEGORY VALUE % change vs previous year in value



However, some major changes in the purchasing behaviors of Vietnamese urban consumers were noticed.

Urban families rationalised their spending towards the bare necessities in order to afford the soaring prices of cooking oil, sauces, seasoning powders and instant noodles while attempting to maintain a similar consumption for packaged groceries. More sophisticated categories for in-home consumption such as carbonated soft drinks, fruit juices, loose leave tea, instant tea, beer, liquor, paper products, air freshener or insecticide products were sacrificed by either delaying the next purchase or simply by being removed from the shopping list.

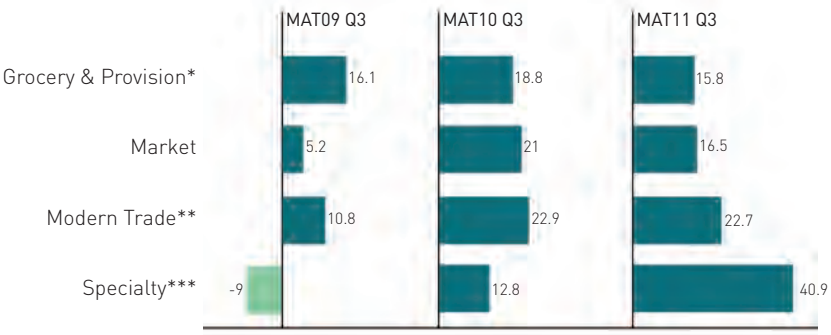
At the same time, Kantar Worldpanel noted that liquid milk, soy milk and tonic food drinks continued to gain a higher acceptance among urban households. As these products are health-related, consumers were apparently ready to pay higher prices. Notably, baby care products - particularly diapers and baby wipes - continued to be priority items among urban shoppers during these times of budgetary constraints.

RETAIL LANDSCAPE

In this year modern trade recorded a drastic growth of 23% in value compared to a year ago. As a major cause, Vietnamese urban consumers continued to shift their shopping from traditional trade (both street shops and wet markets) to modern trade channels, where they could find a better range of products at more competitive prices, in particular through larger pack sizes and promotions, while enjoying a safe and convenient shopping experience.

Coopmart and Big C, the two key hyper-supermarkets driving the modern trade expansion, organised a mass of promotional programs on hundreds of food and commodity items, which partly de-heated inflation and stabilised consumer goods' price.

TRADE CHANNEL TREND % value change vs previous year



* General stores, provision stores, sales agents, Ma and pa stores
** Separtment stores, hyper and supermarkets, minimarkets, direct sales and whole sales (Metro)
*** Specialty and cosmetic shops

KEY ECONOMIC INDICATORS

Under the government's resorts to curb inflation, trim public investment, boost domestic production and rebalance trade, Vietnam's GDP attained a 5.8% annual growth in the first three quarters of the year, yet braking from last year's pace of 6.5 percent.

Social security activities such as assisting cultivation, eliminating famine and alleviating poverty have been receiving special attention in this time of concern and successfully improved living conditions.

Though with an increase of 22.4% year-on-year the September Consumer Price Index eased a little compared to the 23% growth in August; inflation in the first nine months of the year still overheated at 18.2% against the same period last year.

CATEGORY TRENDS

Under this high inflationary pressure, the FMCG market still flourished in comparison to other sectors like entertainment and dining-out in the third quarter, reporting an 18% growth versus last year.

> Urban families rationalised their spending towards the bare necessities in order to afford the soaring prices. At the same time, health related products continued to gain a higher acceptance.

TRADE CHANNEL TREND
Value Shares %

SOURCES AND DEFINITIONS

METHODOLOGY:

A consumer panel is a permanent, syndicated and representative sample of consumers, who provide ongoing details of the fast moving consumer goods they purchase. Using a diary format, each panel member records the details of every item they purchase.

SAMPLE SIZES:

Country	Current (Actual) Sample	
	Sample Size	Coverage
China	40,000	National Urban
Korea	3,000	National
Malaysia	2,500	Peninsula
Philippines	3,000	National
Taiwan	2,500	National
Thailand	4,000	National
Vietnam	2,150	4 key cities

CATEGORY UNIVERSE:

FMCG: Fast Moving Consumer Goods (Includes Food, Beverages, Personal Care and Household Products)

CHANNEL DEFINITION:

Hypermarket	General self service stores selling food and beverage, clothing, household and electrical equipment. Grouping of all stores with hypermarket format (country specific definition)
Supermarket	Self service store, providing shopping basket / trolley. Grouping of all stores with supermarket formats (country specific definition) *Note: China includes 24 hours opening convenient stores in Supermarket.*
Convenience Stores (CVS)	General self service, chain or non chain stores, selling food & beverage, takeaway fast food and limited personal care and household products. Long (often 24 hour) store opening hours
Drugstore	Includes pharmacies, chemists, Chinese Medical Halls, beauty stores
Department Store	Product offering extends beyond FMCG to clothing, household appliance, family and beauty. Often products sold on a counter / department basis
Grocery/Provision/ Liquor Store	Includes sundry/traditional/mom and pop stores, all markets (wet, night, day), liquor stores, convenience, petrol forecourt outlets
Direct Sales	Direct Mail, Direct Delivery and Direct Sales Outlets

Note: Channel definitions do differ slightly from country to country and in some countries a particular channel may not be available or tracked.

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