



nielsen

2016 THE YEAR THAT WAS



Nielsen Lanka
February 2017



What is happening in Sri Lanka in general?

NEWS THAT MATTERED IN 2016

Both positive and negative news came in over the last 12 months

JAN



Asia Securities estimates 5-6 percent GDP growth and 3-pct inflation in 2016

Jan 21, 2016 (LBO) – Sri Lanka will grow at a speed of 5 to 6 percent this year while having 3 percent annual inflation, brokerage firm Asia Securities said. ...

January 21, 2016 | Economy, Forex, Markets | Read More

FEB



IMF urges Sri Lanka govt to narrow fiscal deficit

Feb 05, 2016 (LBO) – The International Monetary Fund urged the Sri Lankan government to narrow the fiscal deficit after a staff mission to Colombo this ...

February 5, 2016 | Economy, Markets | 2 Comments | Read More

MAR



Sri Lanka increases VAT to 15-pct, imposes Capital Gains Tax

Mar 08, 2016 (LBO) – Sri Lanka's Prime Minister Ranil Wickremesinghe told Parliament that the government has decided to amend certain budget proposals ...

March 8, 2016 | Economy | 3 Comments | Read More

APR



Sri Lanka among Asia's top 10 FDI hotspots: US think tank

Apr 18, 2016 (LBO) – IHS Global Insight, a United States-based think tank, has listed Sri Lanka as one of the top 10 foreign direct investment (FDI) ...

April 18, 2016 | Economy | Read More

MAY



VAT goes up to 15 pct, threshold reduced: Finance Ministry

May 03, 2016 (LBO) – Sri Lanka's Value Added Tax (VAT) will be revised up to 15 percent from 11 percent from May 2nd, with pharmaceuticals and ...

May 3, 2016 | Commodity, Economy | Read More

JUN



IMF confirms Sri Lanka has additional Rs1.3 trillion liabilities

June 09, 2016 (LBO) – Sri Lanka's government has been informed by the International Monetary Fund (IMF) that they have identified 1.3 trillion rupees (8.9 ...

June 9, 2016 | Economy, Featured | Read More

JUL



Supreme Court issues interim order suspending VAT increase

July 11, 2016 (LBO) – Sri Lanka's Supreme Court has issued an interim order to suspend the Value Added Tax (VAT) increase. The order was issued ...

July 11, 2016 | Economy | Read More

AUG



World Bank approves USD100 mln to support govt's economic reforms

Aug 01, 2016 (LBO) – The World Bank Board has approved a 100 million dollar credit from the International Development Association (IDA) to support the ...

August 1, 2016 | Economy, Featured, Policy | Read More

SEP



Sri Lanka GDP expands 2.6-pct in second quarter 2016

Sept 15, 2016 (LBO) – Sri Lanka's economy expanded 2.6 percent in the second quarter of 2016 from a year earlier, led by services activities, the state ...

September 15, 2016 | Economy, Featured | Read More

OCT



Sri Lanka's 'doing business' rank down one notch to 110: World Bank

Oct 27, 2016 (LBO) – The World Bank says Sri Lanka has dropped one place in the "Doing Business" rank to 110, over the past year, but the island ...

October 27, 2016 | Companies, Economy, Featured | Read More

NOV



IMF approves USD162.6mn disbursement to Sri Lanka

Nov 19, 2016 (LBO) – IMF Executive Board has completed its first review of Sri Lanka's Extended Fund Facility (EFF) arrangement, which enables the ...

November 19, 2016 | Economy, Featured | Read More

DEC



Sri Lanka's economy grew 4.1-pct in third quarter

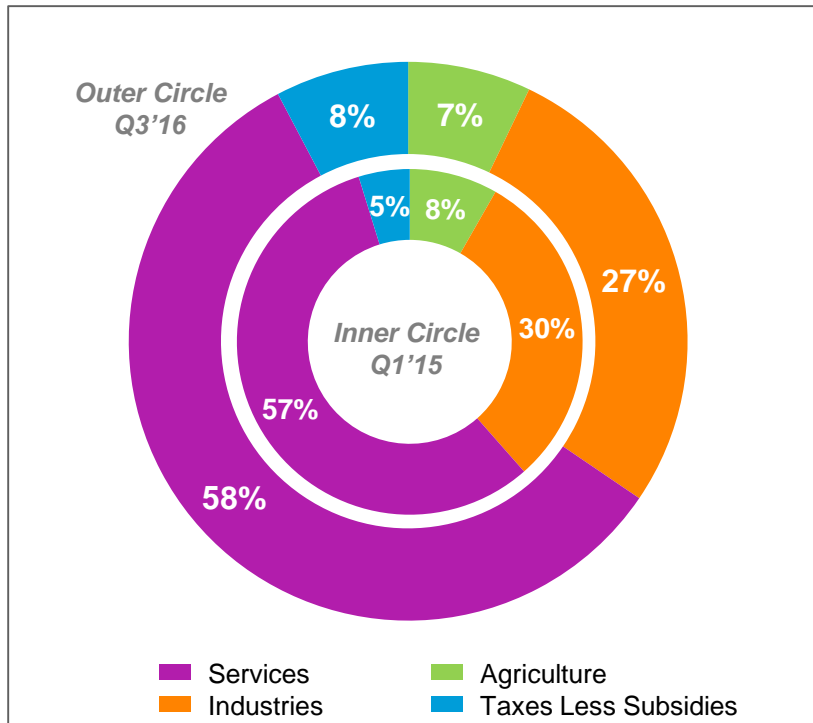
Dec 15, 2016 (LBO) – Sri Lanka's economy grew 4.1 percent in the third quarter of 2016 with strong growth construction, a statement said. "During ...

December 15, 2016 | Economy | Read More

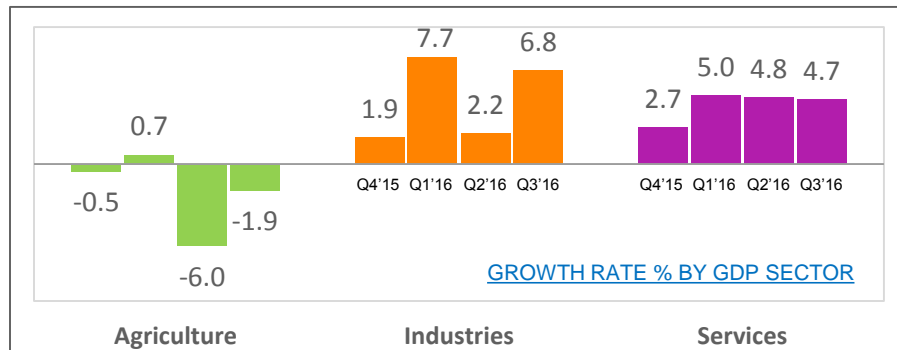
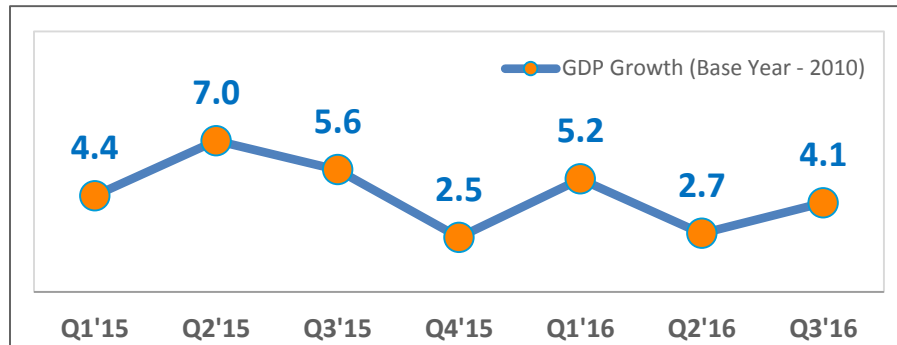
SRI LANKA GROWTH SLOWED DOWN IN 2016

Services are emerging as the major sector while Industries saw a fluctuation in growth, coming mainly from Construction. Agriculture sector continues to show a decline

SECTOR CONTRIBUTION % TO SRI LANKA GDP



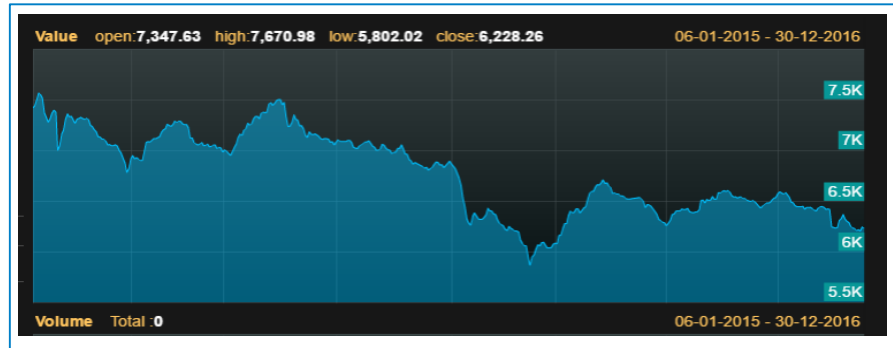
SRI LANKA GDP GROWTH RATE (VS SAME QUARTER LAST YEAR)



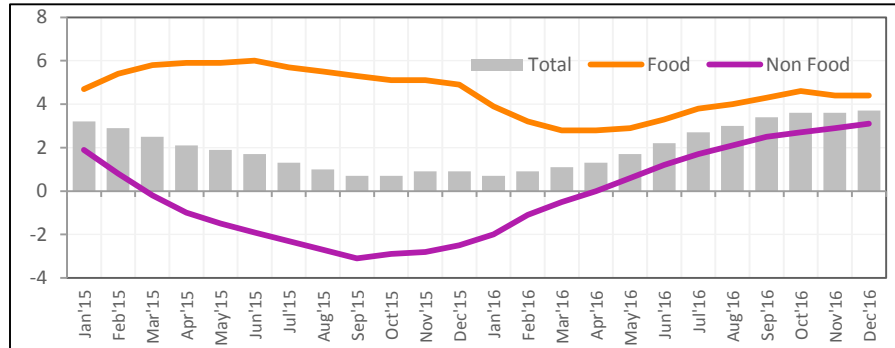
MAJOR INDICES MOVED TOWARDS A WORRYING TREND

The Colombo Stock Exchange declined 15%, Sri Lankan Rupee depreciated ~4% while Inflation and Interest Rates moved up

COLOMBO STOCK EXCHANGE ASPI (JAN 2015 TO DEC 2016 TREND)



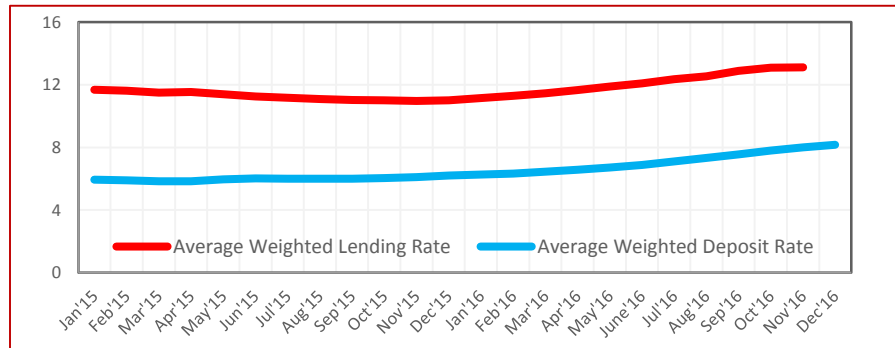
INFLATION % (12 MONTH [ANNUAL] AVERAGE)



USD-LKR EXCHANGE RATE



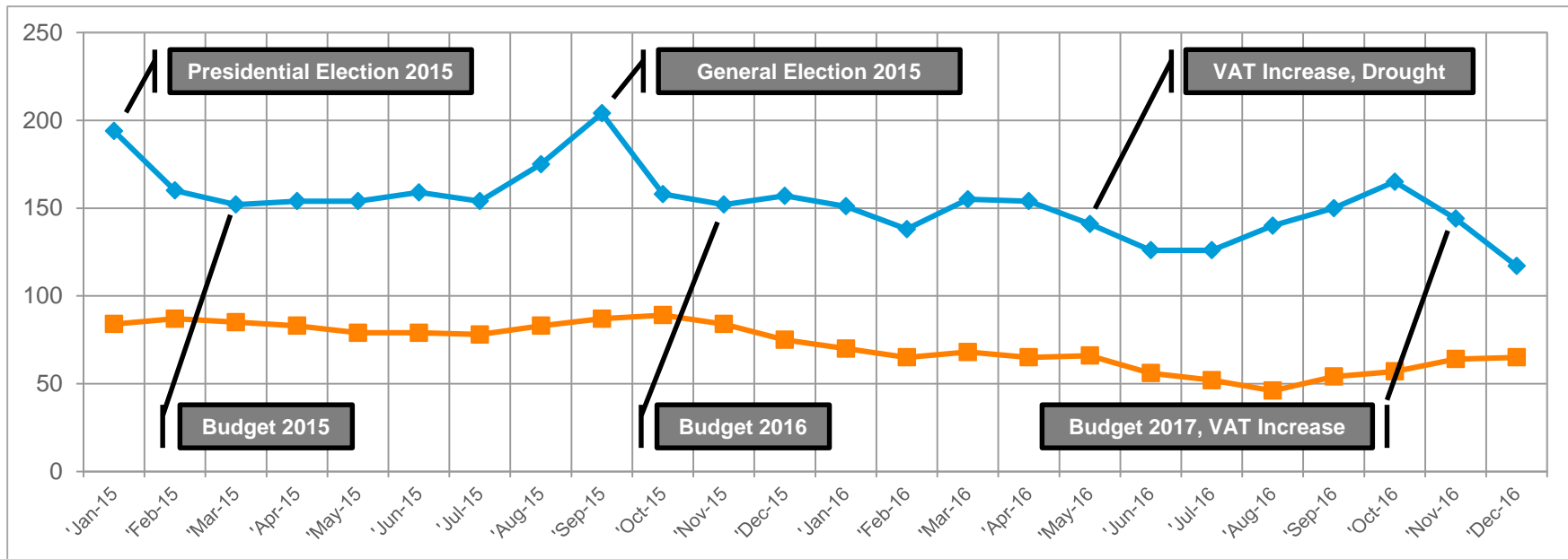
COMMERCIAL BANKS AVERAGE INTEREST RATES IN %



THESE EVENTS & TRENDS IMPACTED CONFIDENCE LEVELS

The highs on confidence from election results did not sustain with changes in tax policies and budget proposals. Business leaders expected more

BUSINESS CONFIDENCE INDEX TREND, CONSUMER CONFIDENCE INDEX TREND IN SRI LANKA



Source: Nielsen Lanka CCI and BCI Surveys

*BCI is based on survey of 100 Managers/Senior Executives or above in the city of Colombo carried out by Nielsen and is compiled through series of questions on business conditions and expectations

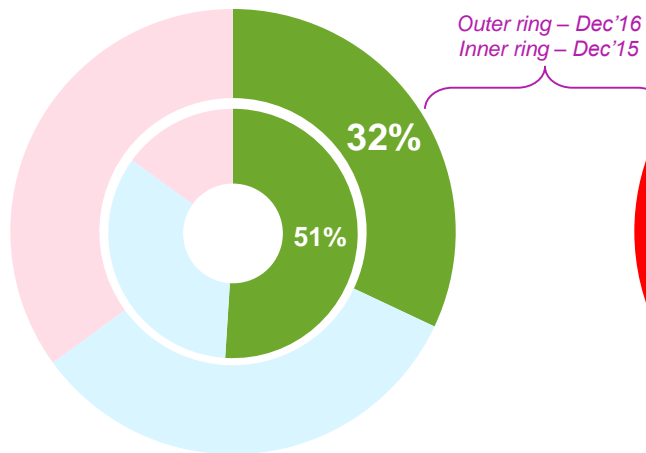
*CCI is based on survey of 100 respondents every month. From 2011 onwards Nielsen tracks the consumer confidence index every month among 100 consumers in Western, Central and Southern provinces. Index is developed based on consumers' confidence in the job market, status of their personal finances and readiness to spend.

[illegible]

WHAT ARE BUSINESSES SAYING ABOUT THE GENERAL ECONOMY?

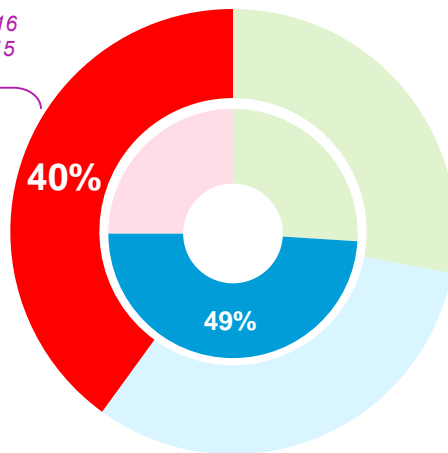
About 1 in 3 feel economy will improve in the next 12 months, while investment sentiments moved from 'Fair' to 'Poor'

ECONOMY PERFORMANCE



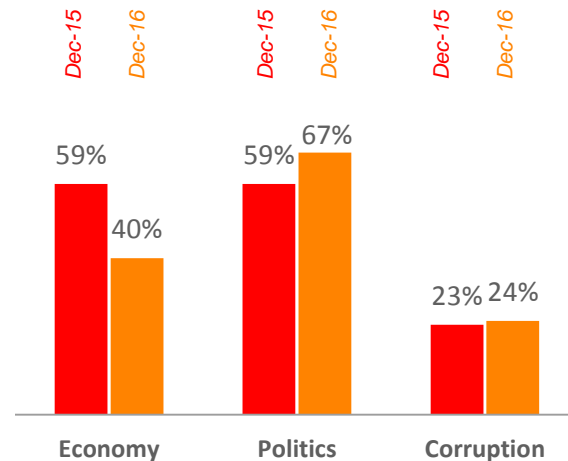
Percentage of respondents who expect Sri Lankan economy in general to **improve** in the coming 12 months

INVESTMENT CLIMATE



Percentage of respondents who see current investment climate in the country as **Fair** or **Poor/Very Poor**

TOP NATIONAL ISSUES

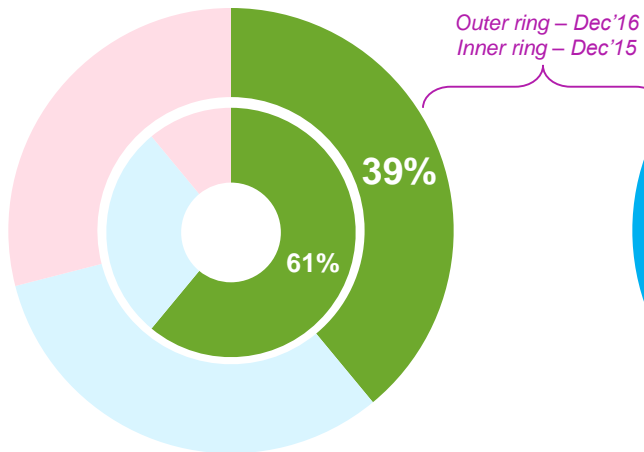


Percentage of respondents highlighting the **three most pressing National issues** in the current environment

WHAT ARE LEADERS SAYING ON BUSINESS PROSPECTS?

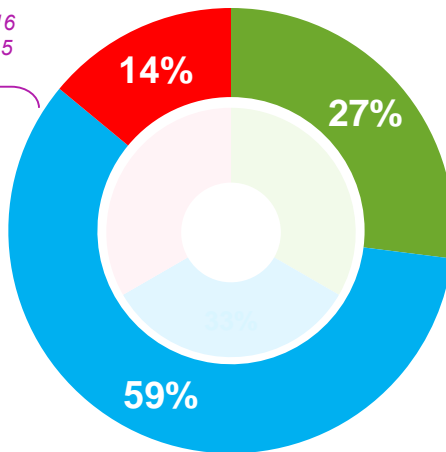
Lesser percentage of leaders are optimistic on business performance in 2017 and therefore wish to stall any workforce expansion. Taxes remain as biggest concerns

BUSINESS PERFORMANCE



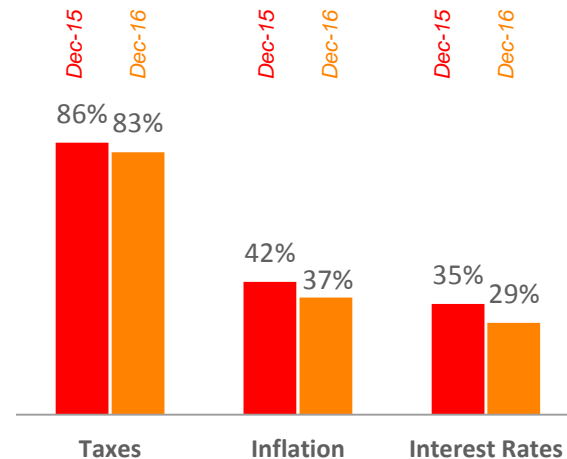
Percentage of respondents who expect their business to **get better** in the coming 12 months

WORKFORCE EXPANSION



Percentage of respondents saying company planning to **Increase** / **Maintain** / or **Decrease** its workforce in the coming 6 months

TOP BUSINESS ISSUES

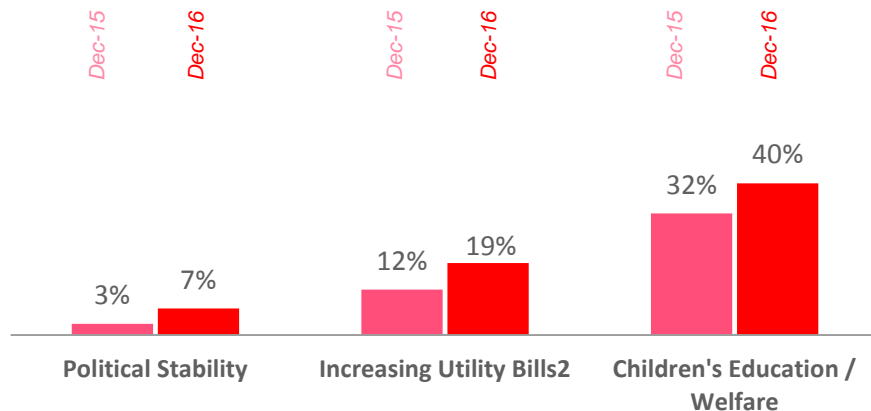


Percentage of respondents highlighting the **three most pressing issues** for their business in Sri Lanka

WHAT ARE CONSUMERS SAYING?

Consumers are concerned with the inflation and say they will delay plans of purchasing durables and reduce spends on utilities and telecommunication

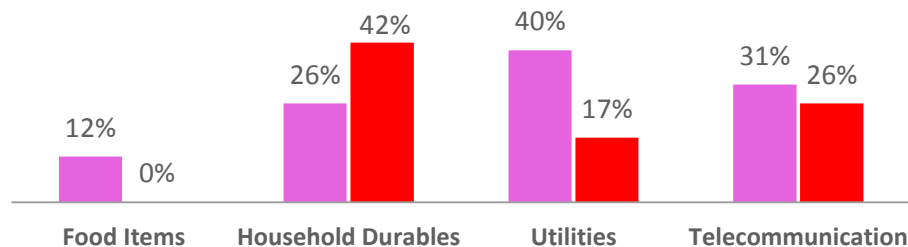
CONSUMER CONCERNS SHOWING BIGGEST JUMPS OVER A YEAR



Percentage of respondents highlighting **consumer concerns**

CONSUMER REACTION ON CONSUMPTION DUE TO INCREASE IN VAT AND OTHER TAXES

- Will spend LESS than before
- Will spend SIGNIFICANTLY LESS than before



Percentage of respondents for change in consumption patterns due to increase in VAT and Other Taxes

An abstract graphic on the left side of the slide. It features a cone-like shape formed by a dense grid of thin, curved lines in various colors (blue, green, yellow, orange, red, purple). Several colored dots (yellow, green, orange, red, purple) are placed along these lines, with thin lines extending from them towards the right.

What are the trends in the Fast Moving Consumer Goods industry?

fmcg



226

Bn LKR

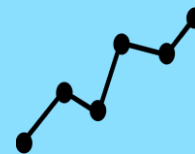
**FMCG Value Sales in
General Trade for Sri Lanka,
Year 2016**



259

Thousand

**FMCG General Trade
Universe in Sri Lanka, Year
2016**



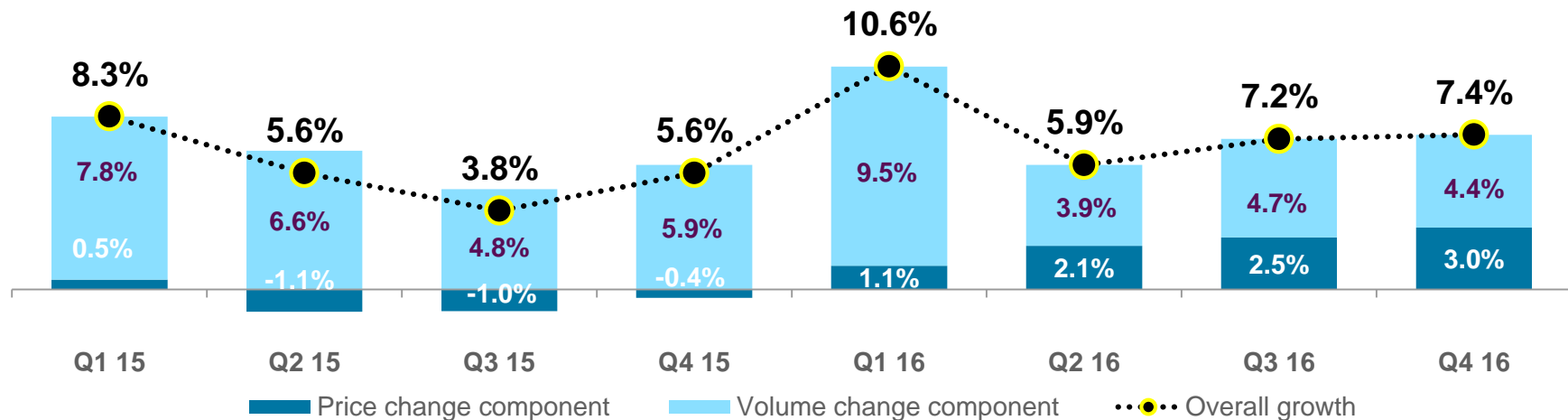
7%

**FMCG Value
Sales Growth in
Sri Lanka, Year
2016 over Year
2015**

INFLATION DROVE GROWTH IN 2016 AS CONSUMPTION SLOWED DOWN

After a low inflation period in 2015, growth in 2016 is again driven by price increases. Consumption growth slowed down post a healthy first quarter of 2016

FMCG GROWTH TREND IN SRI LANKA, GENERAL TRADE



INFLATION WAS LARGELY SEEN IN PERSONAL CARE AND OTC

Prices of OTC products went up despite price control on some categories. Household Care Products see a decline in average price as low priced brands gain market share

AVERAGE PRICE OF CATEGORY IN 2016 INDEXED TO 2015



-2

Household Care Products



-1

Food & Beverages



+3

Personal Care Products



+3

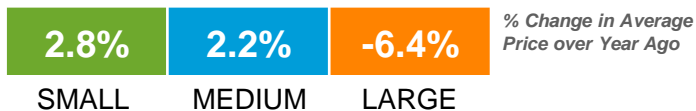
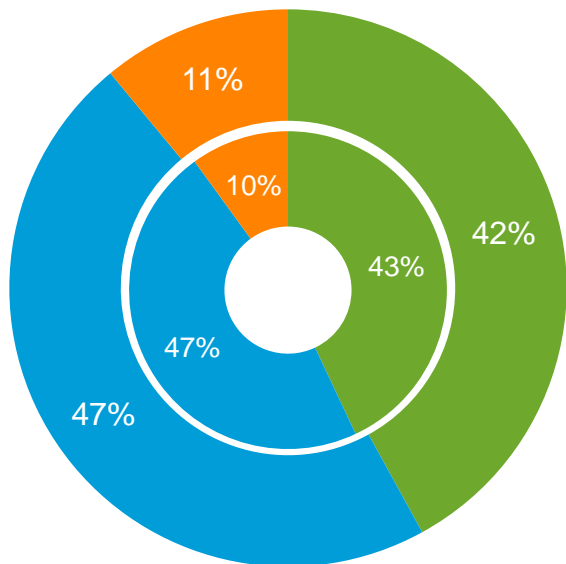
Over The Counter Products

CONSUMERS SEEK VALUE FOR MONEY IN LARGE PACKS

While price benefits of Large Packs was sought by consumers, they also upgraded to higher price tiers across categories

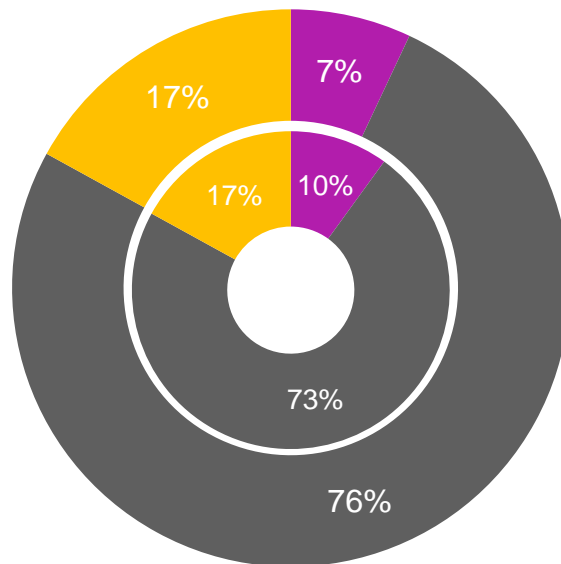
SHARE OF PACK SIZES TO VALUE SALES

Inner ring 2015, outer ring 2016



SHARE OF PRICE SEGMENTS TO VALUE SALES

Inner ring 2015, outer ring 2016



Low price Segment: Brand average price is equal or less than 80% of the category average price
Premium Segment: Brand average price is equal or more than 120% of the category average price

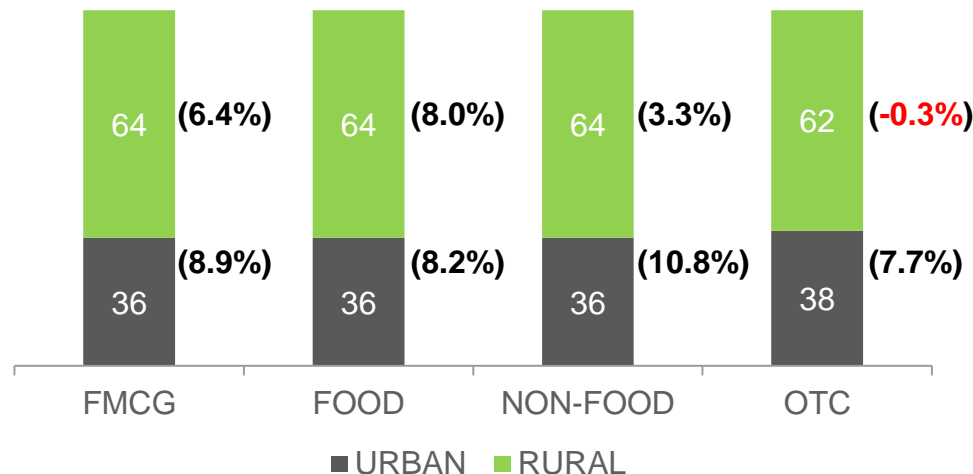
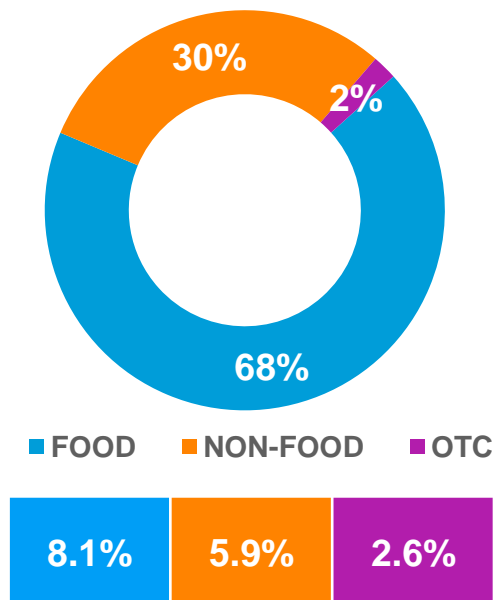
Source: PACK SIZE ANALYSIS: Nielsen Sri Lanka, RMS Data, for FMCG excluding OTC (30 Categories), from General Trade, Year 2016, Old Universe Data

Source: PRICE POINT ANALYSIS: Nielsen Sri Lanka, RMS Data, for All FMCG (36 Categories including Soft drinks), from General Trade, Year 2016, Old Universe Data

COMMODITY TO BRANDING AIDED FOOD PRODUCTS, ESPECIALLY IN RURAL

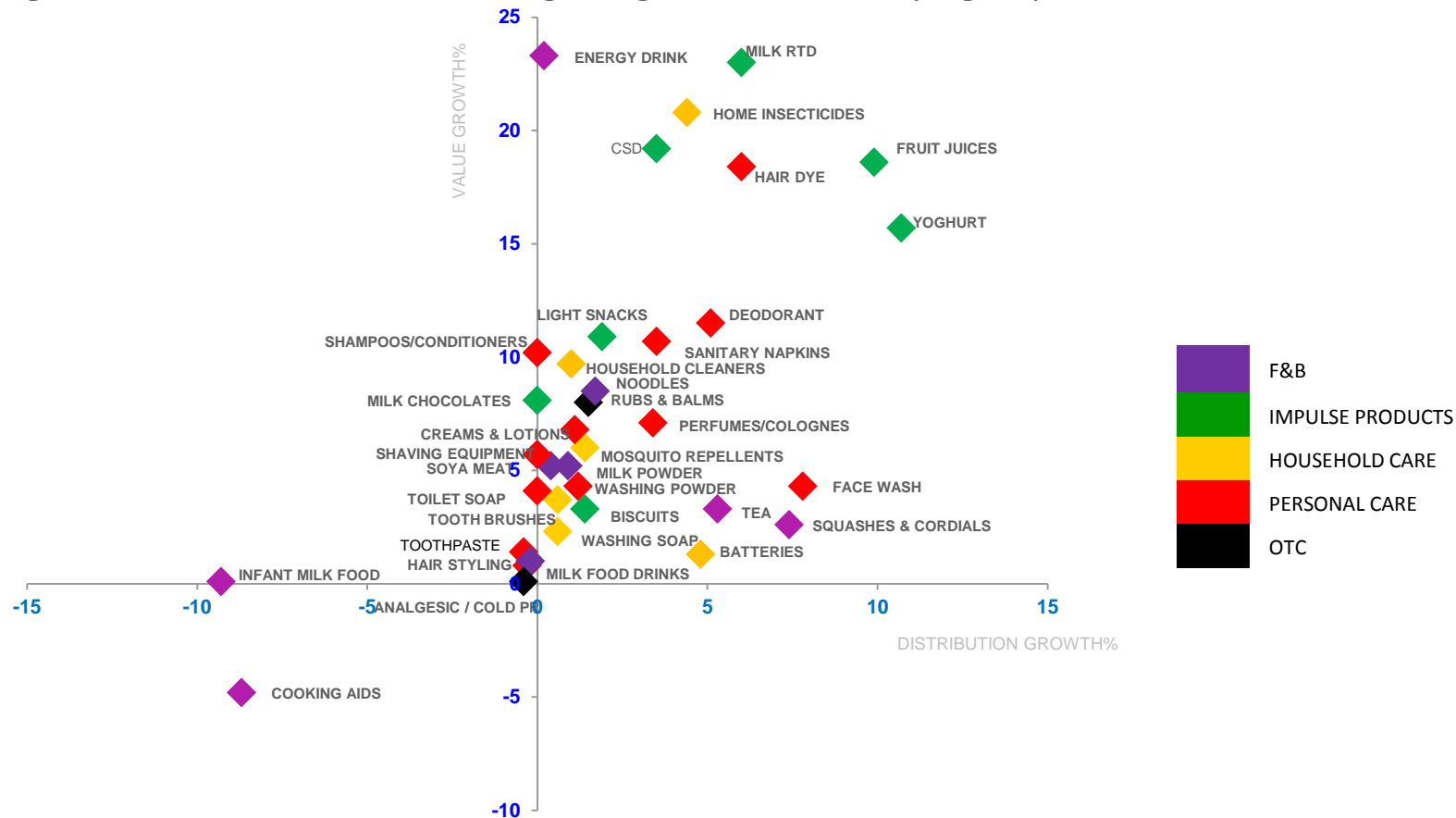
Rural growth picked up to a level higher than Urban after a few quarters, across categories

FMCG GENERAL TRADE IN SRI LANKA, SEGMENT WISE VALUE CONTRIBUTION AND GROWTH



DISTRIBUTION GROWTH WAS RESTRICTED TO SMALLER CATEGORIES

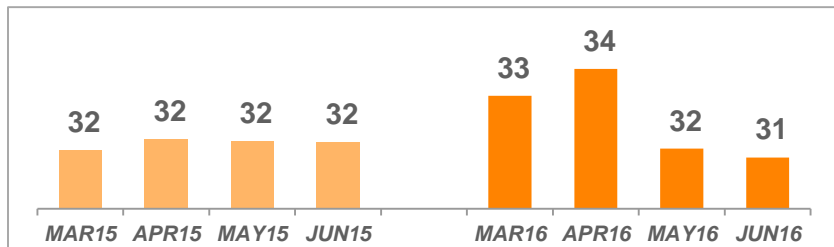
Some Beverages grew on distribution while most categories growth was aided by higher per store off-takes



Source: Nielsen Sri Lanka, RMS Data, for All FMCG + Soft Drinks, from General Trade, Distribution growth is for Dec 2016 Vs. Dec 2015, and Value growth is for 2016 Vs. 2015, New Universe Data

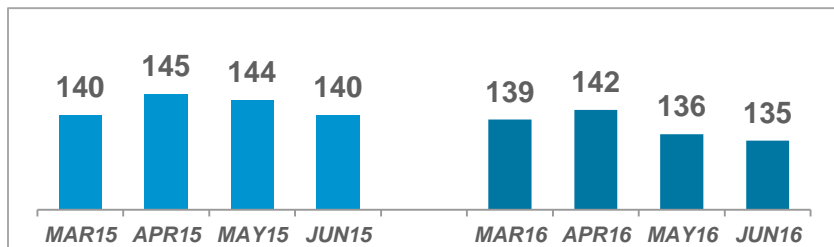
SOFT DRINKS WAS AMONGST THE FASTEST GROWING CATEGORIES

Increase in average summer temperature and higher per store off-takes helped Soft Drinks tide over the floods related issues and lower distribution



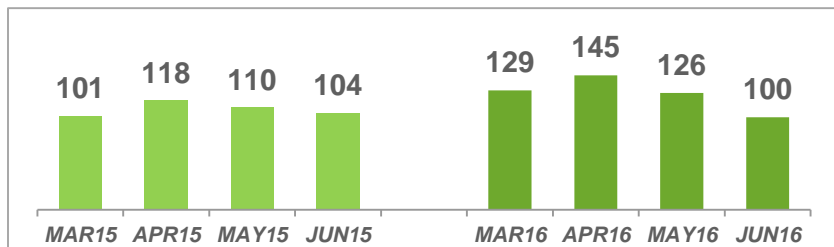
TEMPERATURE IN CELCIUS IN 2015 & 2016

- # Summer temperature in 2016 was higher than in 2015
- # The month of May saw floods all across the island impacting distribution and stock levels



DISTRIBUTION IN THOUSAND STORES FOR SOFT DRINKS 2015 & 2016

- # Summer month distribution levels in 2016 were lower than 2015
- # The floods in May and June 2016 also impacted stock availability



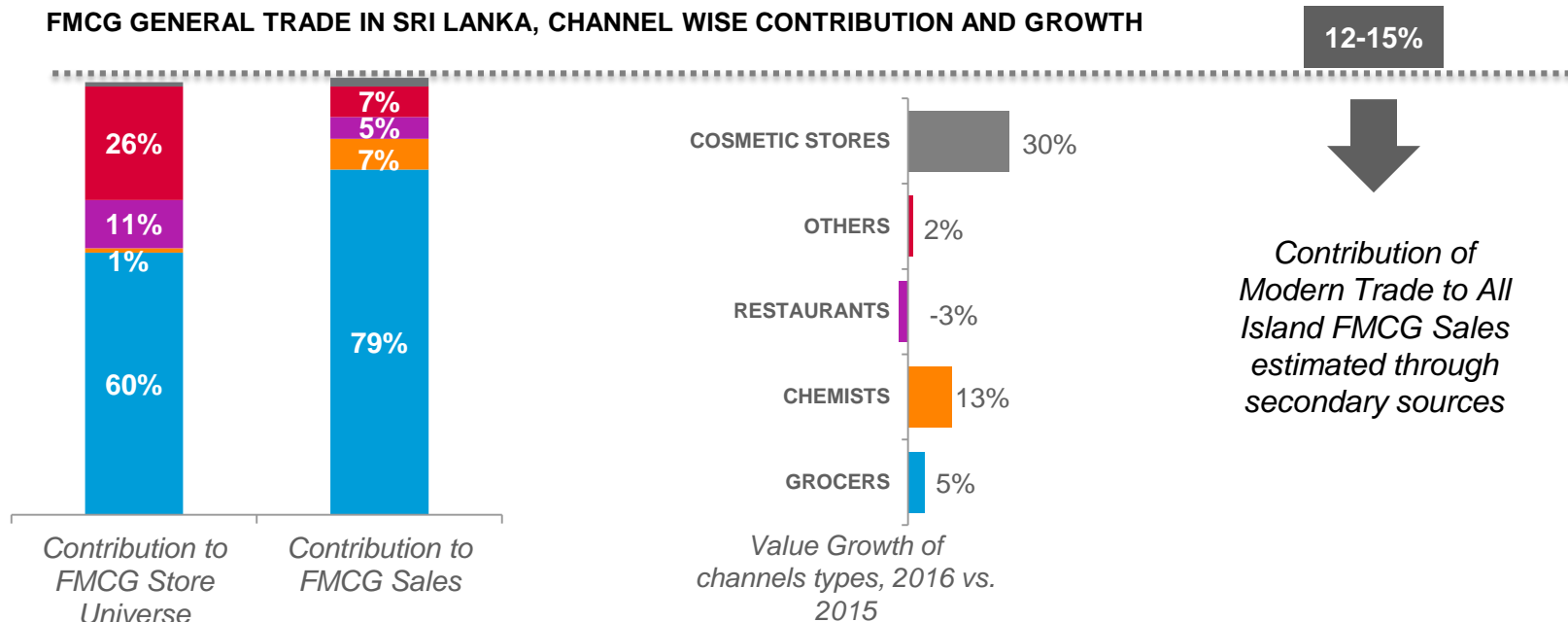
PER DEALER OFFTAKES IN LITERS FOR SOFT DRINKS 2015 & 2016

- # However, the per-store off-take went up in 2016 to cater to higher temperature and stock issues in summer months

CHEMISTS AND COSMETIC STORES EMERGED AS GROWTH CHANNELS

Traditional Grocers remain the main channel. Chemists and Cosmetic Stores emerge as options for the upmarket consumer offering a better, premium range of brands. Modern Trade is around 15% of the market

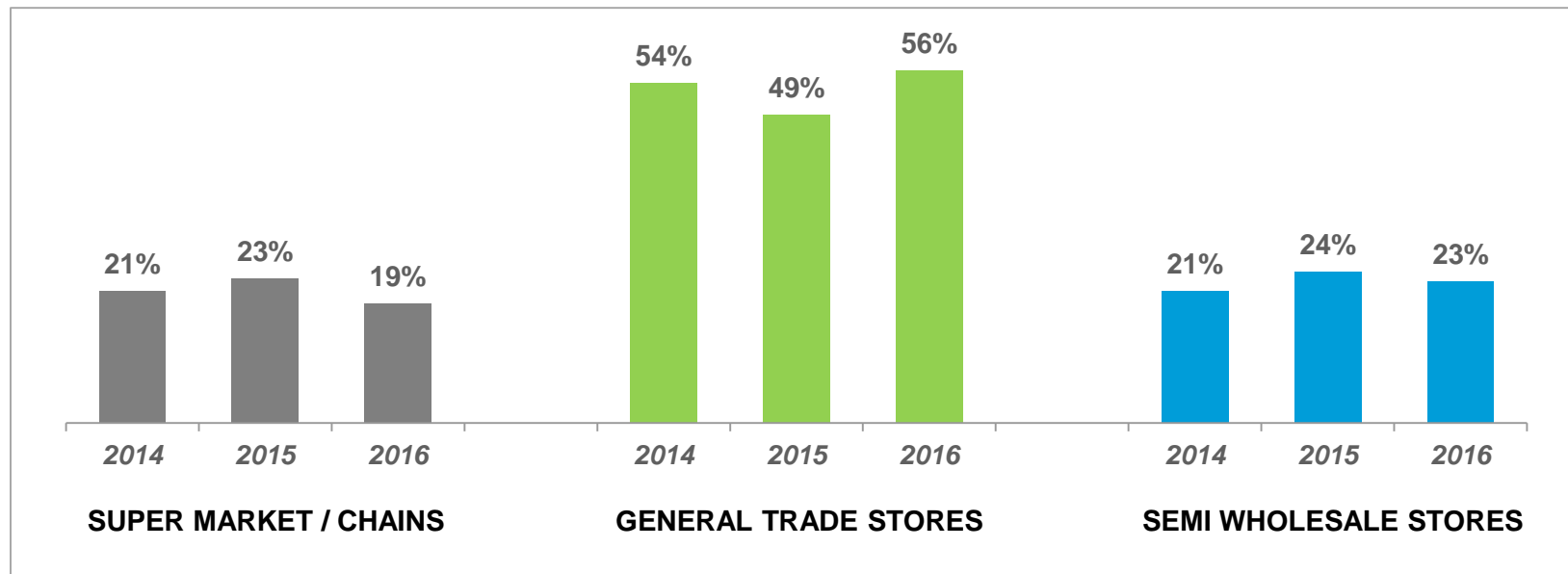
FMCG GENERAL TRADE IN SRI LANKA, CHANNEL WISE CONTRIBUTION AND GROWTH



GENERAL TRADE CAME BACK AS MAJOR CHANNEL FOR FMCG PURCHASE n

Semi Wholesalers, offering a significant discount over market price, are the main channel for about a fourth of the population

PERCENTAGE RESPONDENTS USING DIFFERENT CHANNELS AS MAIN CHANNEL FOR REGULAR FMCG PURCHASE



SRI LANKS ROSE ON THE ATTRACTIVENESS INDEX FOR MODERN RETAILING

Small format stores in are expected to drive Modern Retailing growth in Sri Lanka in line with retail trends in APAC

2016 GRDI country attractiveness

Sri Lanka
Ranking

18 2014

14 2015

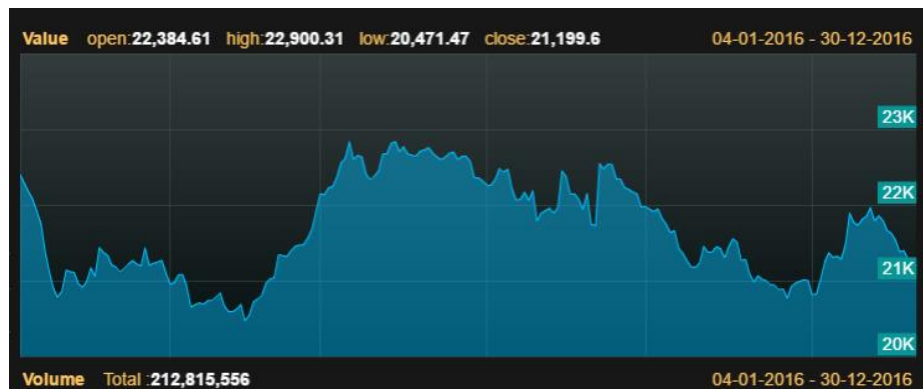
12 2016



THE FMCG INDEX ON COLOMBO STOCK EXCHANGE DECLINED ~ 5%

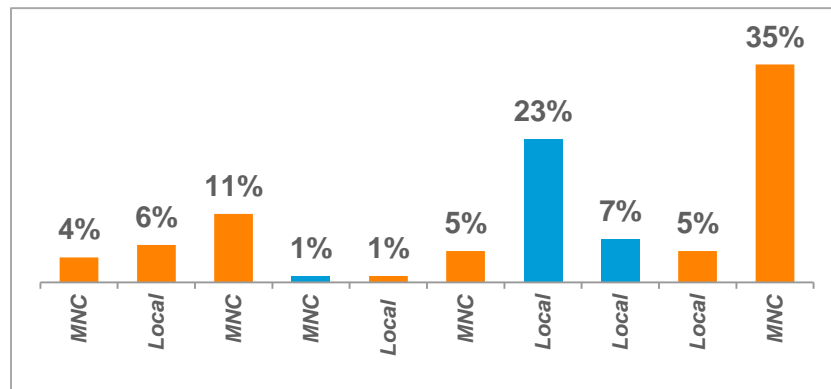
However, the FMCG market grew about 9% in value as large local companies saw healthy growth in sales

BEVERAGE, FOOD AND TOBACCO INDEX: CSE



2016 VALUE GROWTH FROM TOP 10 FMCG COMPANIES

(Ranking 1-10 from left to right), NIELSEN RETAIL Audit Data (GT)

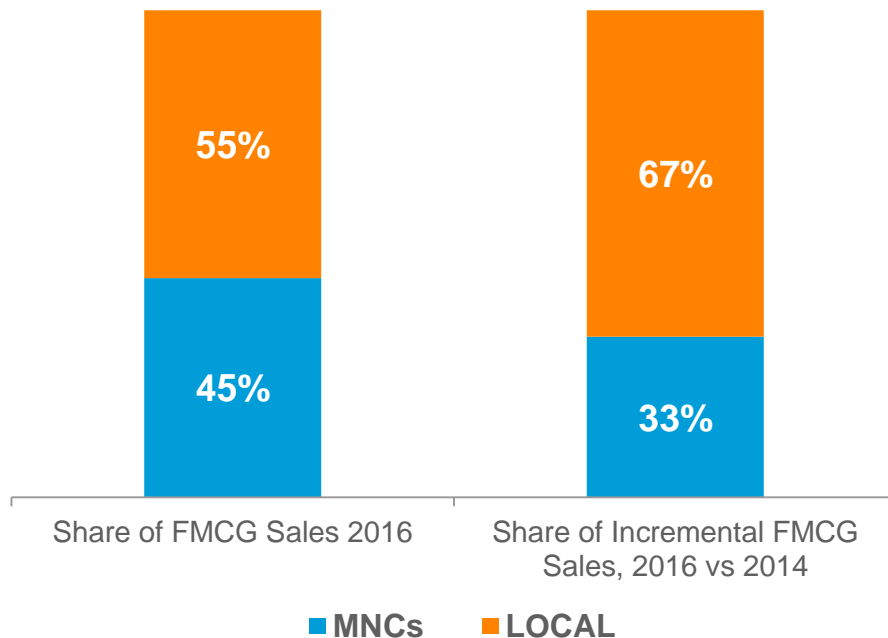


Blue bars indicate the company is listed on CSE

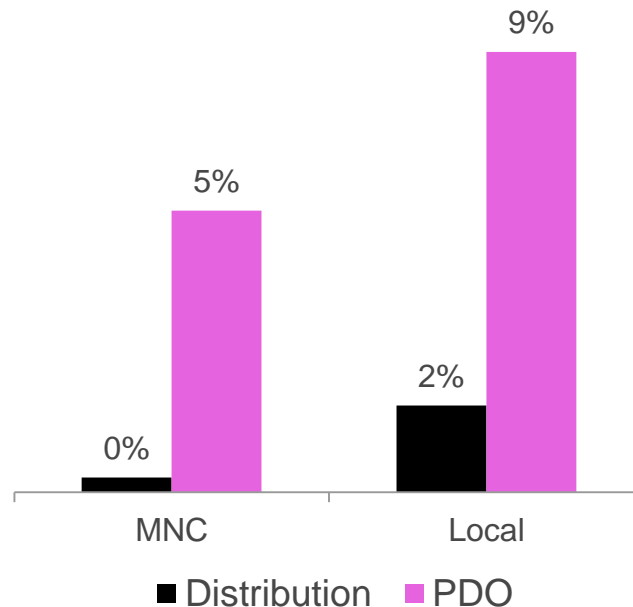
LOCAL COMPANIES GAVE 2/3RD OF THE INCREMENTAL FMCG SALES

While they account for about 55% of the sales share, local companies accounted for 67% of incremental sales over two years – driven by both distribution expansion and per store sales growth

MNC VS LOCAL COMPANY PERFORMANCE IN FMCG



DISTRIBUTION PERFORMANCE CAGR, 2016 VS 2014





News from other sectors!



*Mobile penetration in
Sri Lanka, Year 2016*



*Internet penetration in
Sri Lanka, Year 2016*

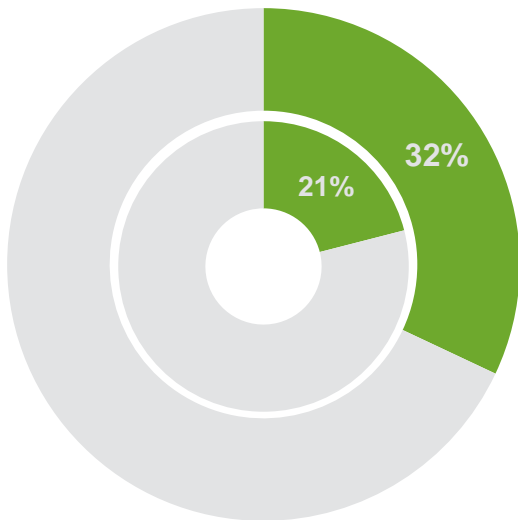


*Smartphone penetration
in Sri Lanka, Year 2016*

ABOUT A THIRD OF SRI LANKA NOW HAS ACCESS TO INTERNET

Internet penetration grew significantly in last two years and penetration of smartphones has helped this growth

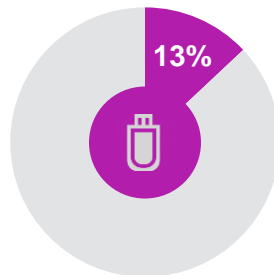
INTERNET PENETRATION, SRI LANKA 2016



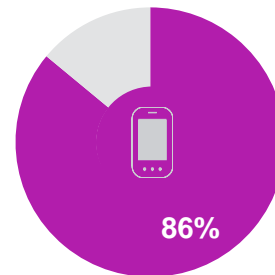
Inner circle 2014, Outer circle 2016

MEDIUM OF ACCESS FOR INTERNET, SRI LANKA 2016

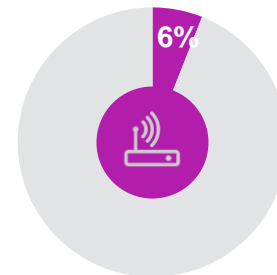
Some use multiple means



DONGLE



MOBILE

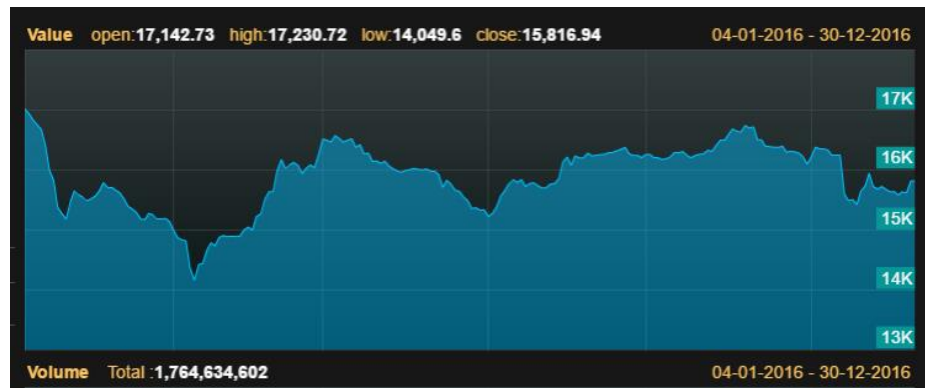


ADSL

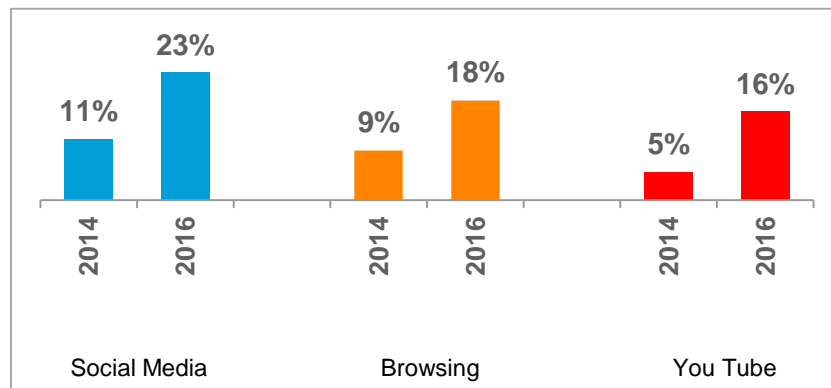
DATA WILL REMAIN FOCUS FOR GROWTH IN TELECOM

Like Global Trends, data consumption is increasing in Telecom and service providers will do well to come up with attractive options to ride this trend


TELECOMMUNICATION INDEX: CSE



USAGE OF MOBILE DATA FOR DIFFERENT PURPOSE*



finance

 ~85%

Bank account penetration in Sri Lanka, (amongst adults, Year 2015-16)

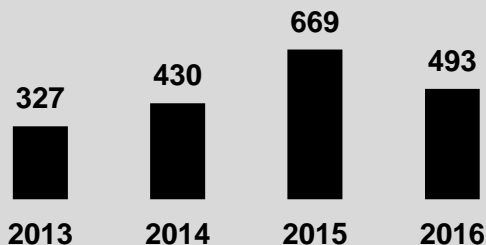
 12%

Credit Card penetration in Sri Lanka, Year 2016

 5%

Online banking penetration in Sri Lanka, Year 2016
(amongst those using any banking service)

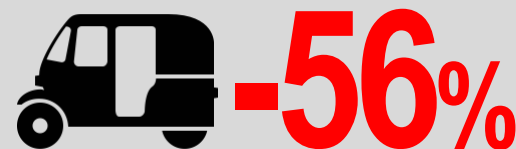
Vehicles



New Registrations in '000 of Motor Vehicles in Sri Lanka



Growth of new Motor Cars registration, 2016 vs. 2015



Growth of new Motor Tricycles registration, 2016 vs. 2015

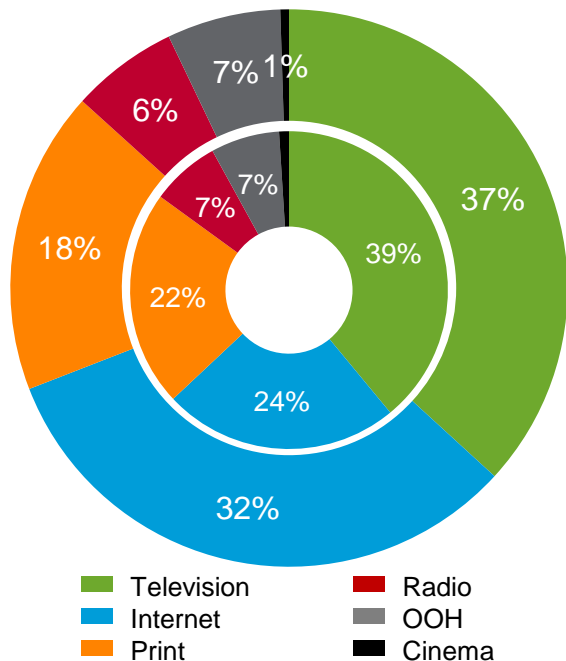
Who is advertising and where in Sri Lanka?

TV CONTINUED TO RETAIN LION SHARE AS DIGITAL EXPANDS GLOBALLY

Digital commands almost a 1/3rd share of Ad spends globally. In Sri Lanka, Radio has a significant share

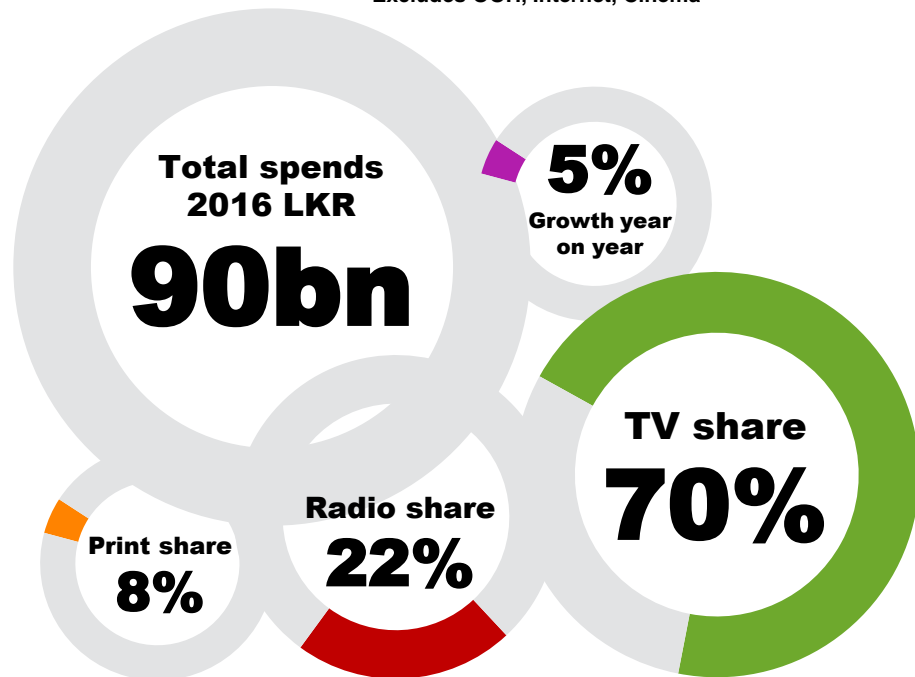
SHARE OF GLOBAL AD SPENDS BY MEDIUM

Inner ring 2014, outer ring 2017



SRI LANKA AD SPENDS LANDSCAPE

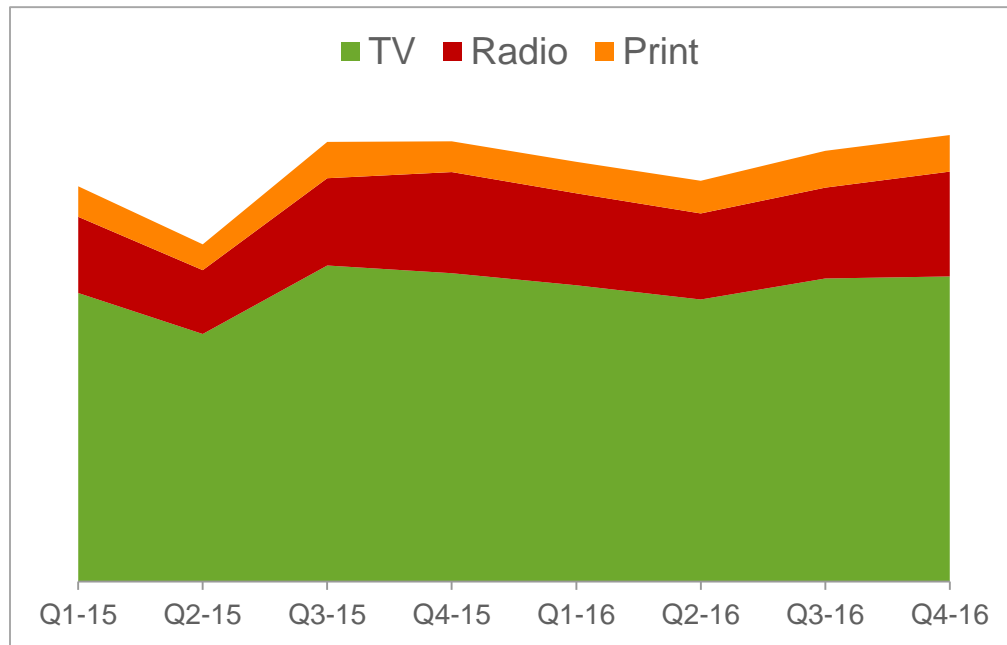
*Excludes OOH, Internet, Cinema



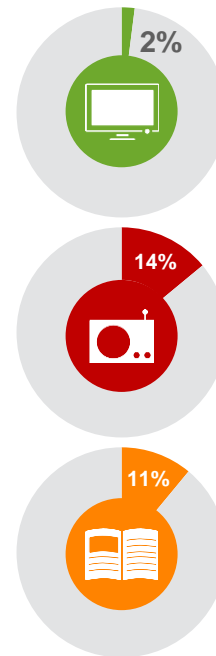
RADIO AND PRINT CONTINUED HEALTHY GROWTH IN SRI LANKA

As newer sectors (BFSI, Luxury Brands) grow, Print media enjoyed high growth. Radio helps drive tactical promotions and messaging

SRI LANKA AD SPENDS TREND BY MEDIUM



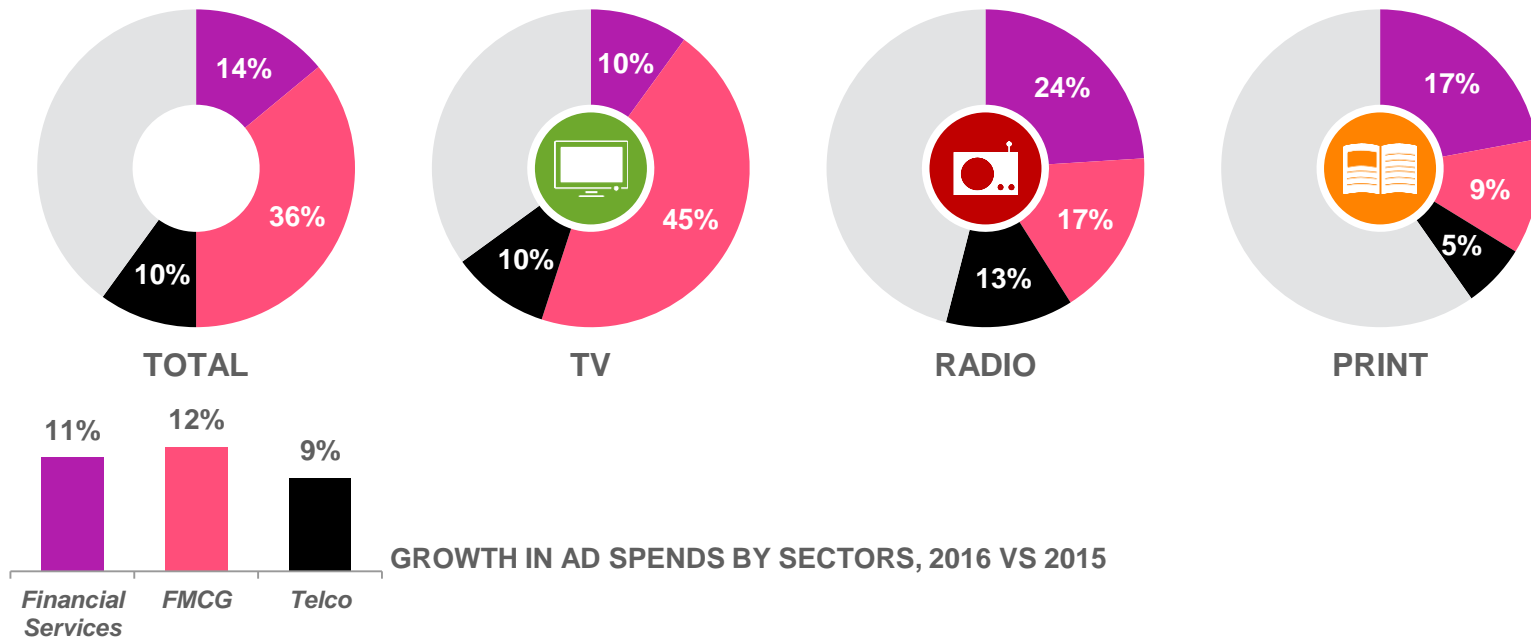
SRI LANKA AD SPENDS GROWTH 2016 VS. 2015



TOP 3 SPENDERS REMAINED FMCG, FINANCIAL SERVICES AND TELCO

FMCG spends accounted for almost half of TV spends while Financial Services spent on Radio and Print too

SRI LANKA AD SPENDS 2016, SHARE OF SECTORS BY MEDIUM





- GDP growth slowed down in 2016
- Policy uncertainty impacted Business Confidence
- Consumers are cutting down consumption on account of inflation



- FMCG growth in high single digits, inflation picks up again
- Consumers look for 'Value for Money' but adopt premium products at the same time
- Chemists emerge as a growth channel
- Local companies drive growth



- Internet penetration and Smart phone usage continues to grow
- Online banking still low on penetration
- New Motor Vehicles registration dropped in 2016



- Television continues to be the major advertising medium but Radio and Print grow faster
- Financial Services and Telecom Service providers are major Non-TV advertisers



- Fiscal consolidation will continue for Sri Lanka
- There will be short term pain but Businesses and Consumers would do good to be patient for the benefits to come in



- Specialist Channels will continue to grow in Sri Lanka
- Local, regional players will emerge as competition and growth drivers

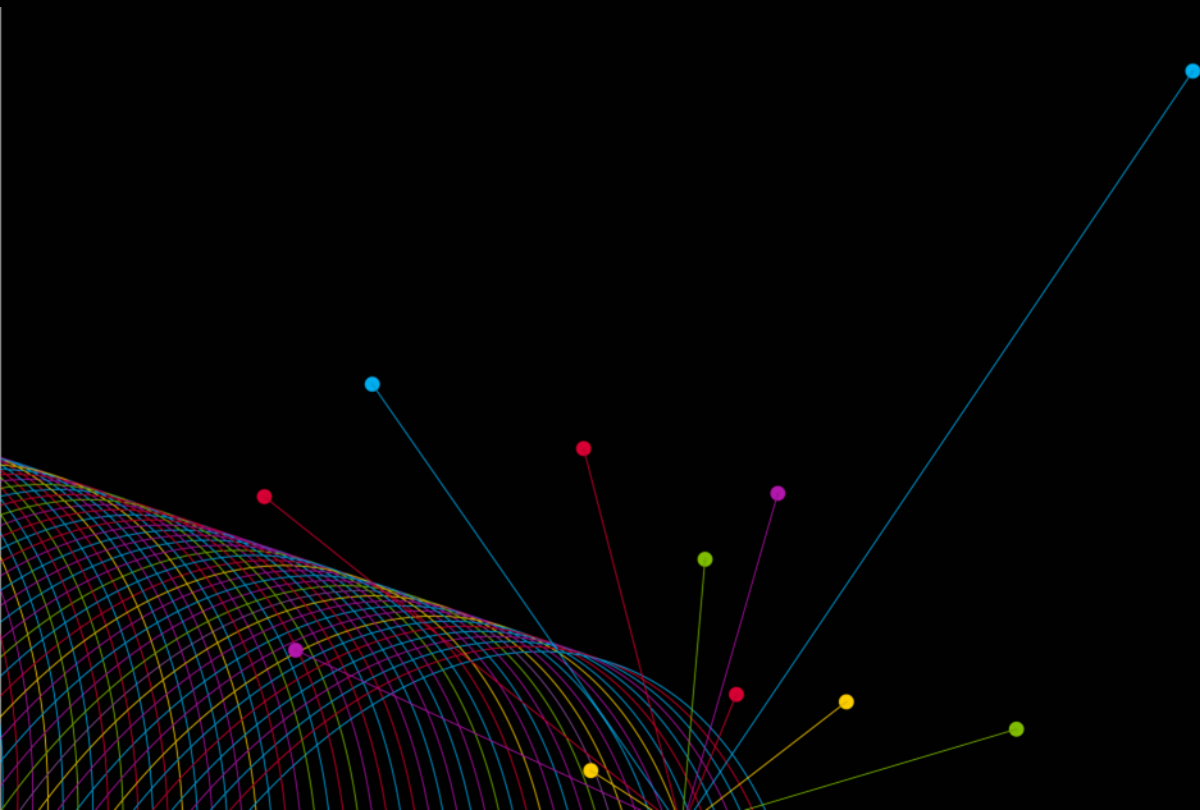


- Data penetration and consumption will continue to grow, also enabling Online banking and shopping
- Taxes, duties and registration policy will define growth for vehicles

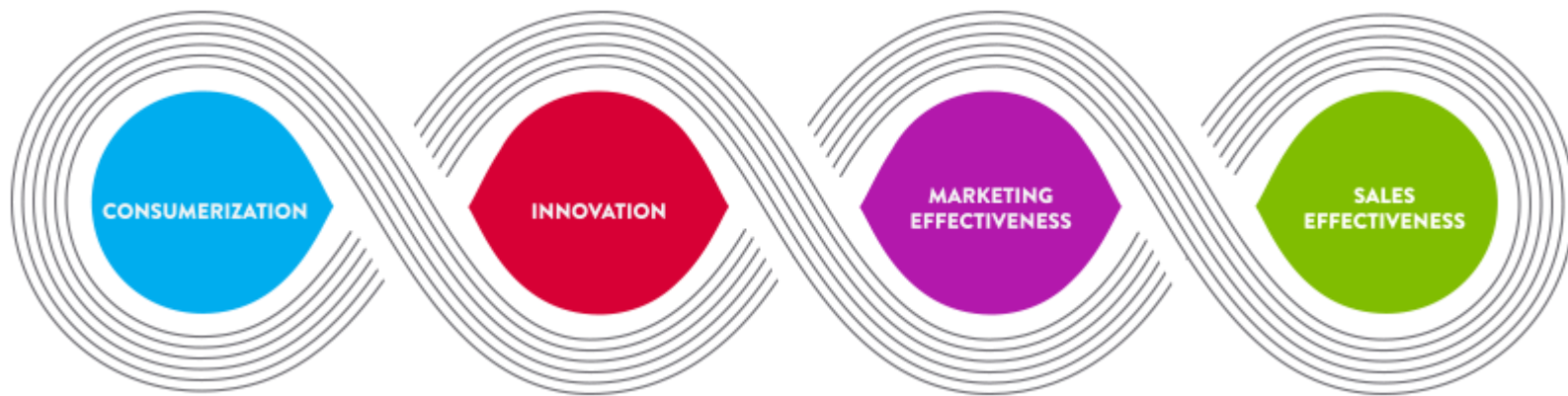


- Digital media will become more and more important
- DTH channels will see higher penetration and share of TV spends

nielsen
.....



Research helps uncover and manage uncommon shifts!!



CONSUMERIZATION:

How to **organize around consumers** by building a proprietary understanding about the brand's most profitable consumers and then activating across the entire business system against these segments

INNOVATION:

How to improve the brand's innovation success rate: **identify white spaces and unmet needs**, develop better products faster, and increase launch performance

MARKETING EFFECTIVENESS:

How to **engage consumers through effective and efficient marketing**

SALES EFFECTIVENESS:

How to **activate plans through superior sales execution**, effective assortment and integrated price and promotion decisions