

WAY TO GROW!



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FOOD, BEVERAGES, AND CONSUMER PRODUCTS

September 19, 2003

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Growth in the CPG Industry

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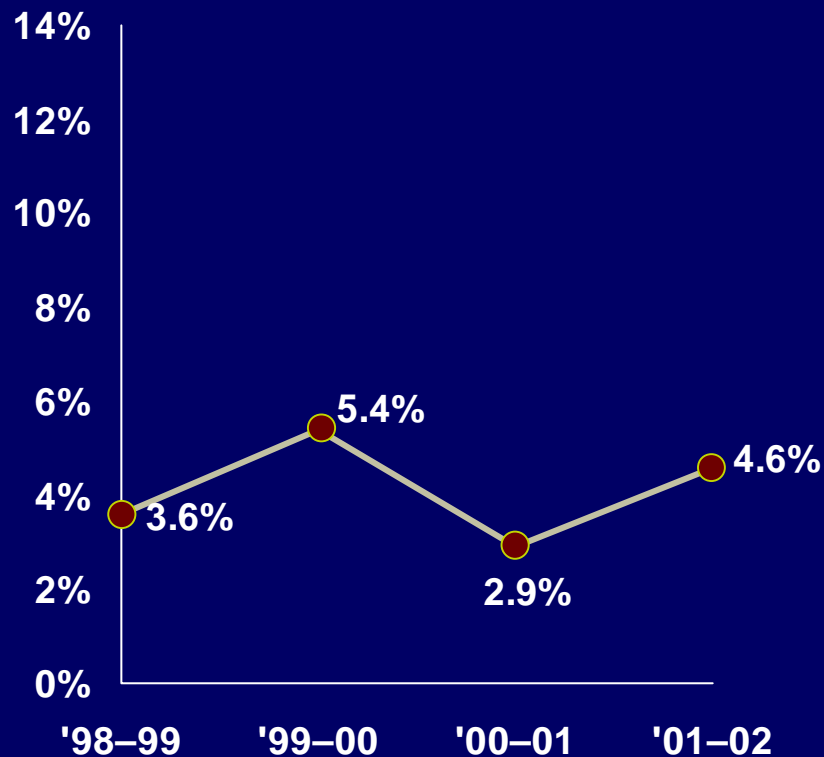
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Growth in the CPG Industry

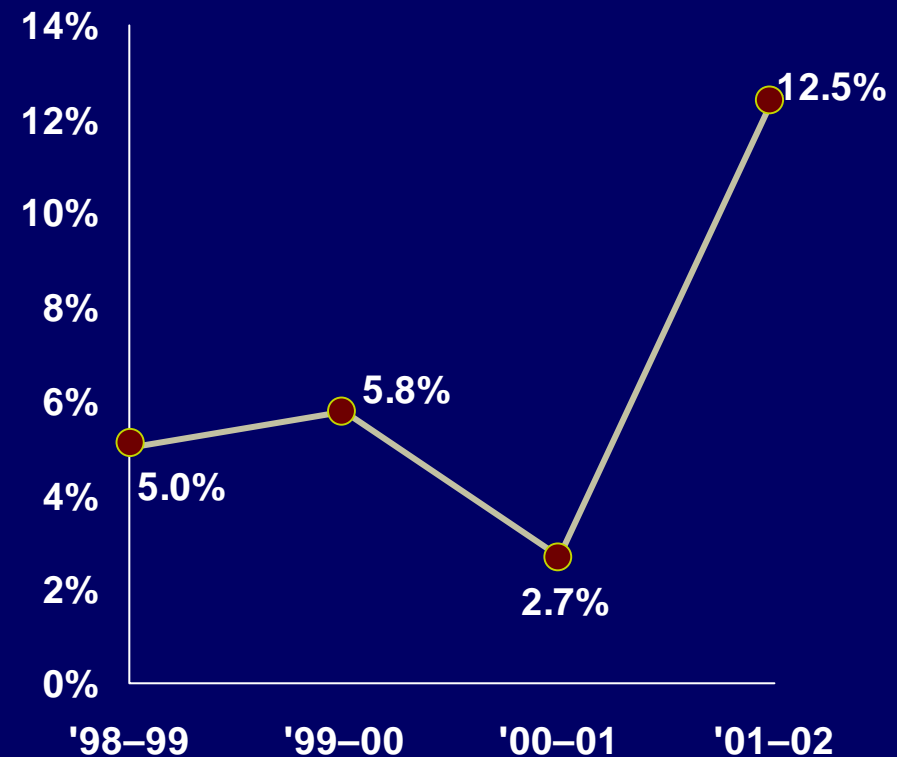
- How fast are companies growing?
- How do they do it?

Median CPG Manufacturer Performance —All Sectors

NET SALES GROWTH
(Percent Change)



EBIT GROWTH
(Percent Change)

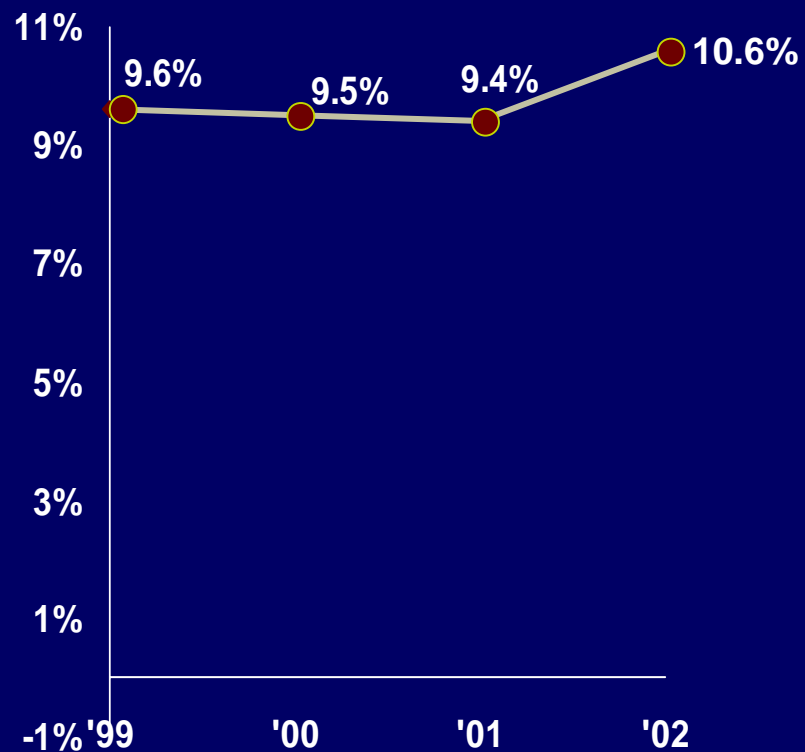


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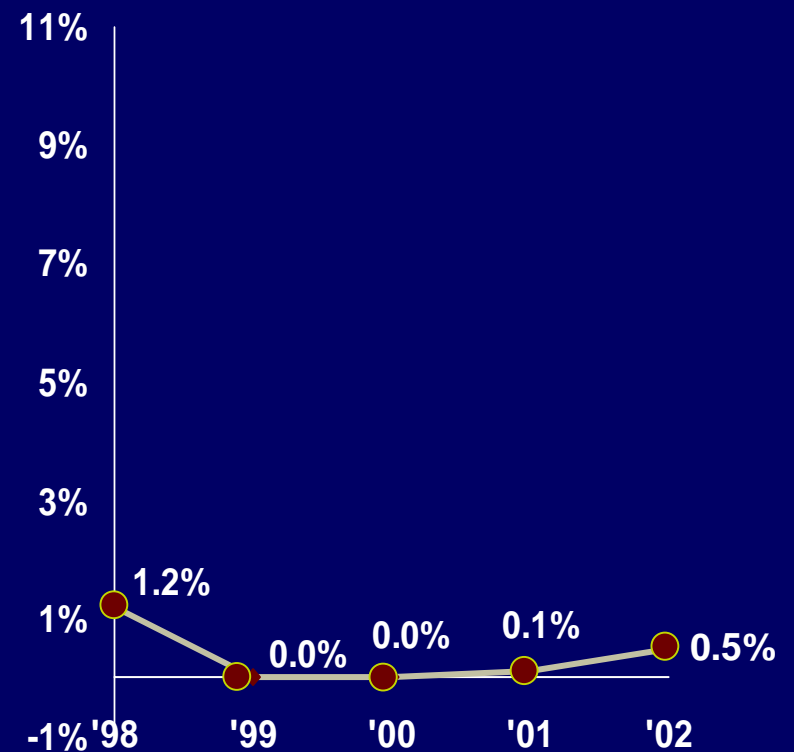
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Median CPG Manufacturer Performance —All Sectors

RETURN ON ASSETS



ECONOMIC PROFIT SPREAD



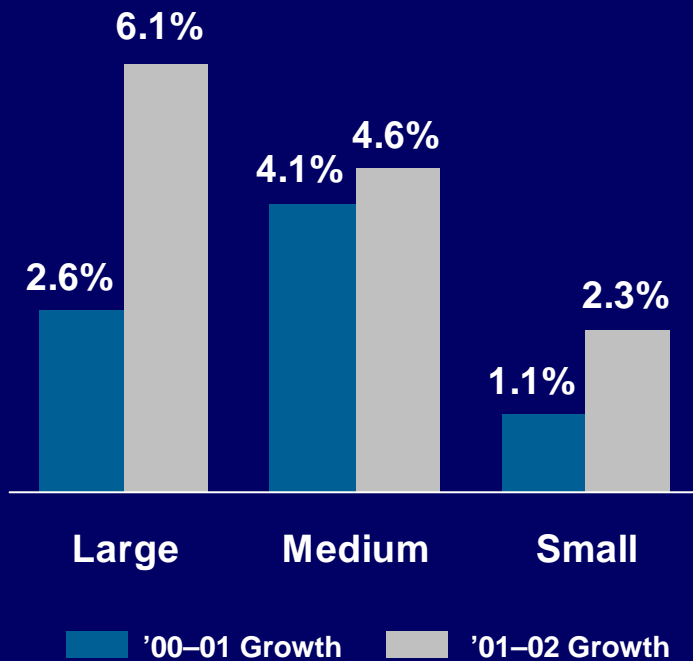
Source: Compustat, company annual reports, SP&Co. analysis

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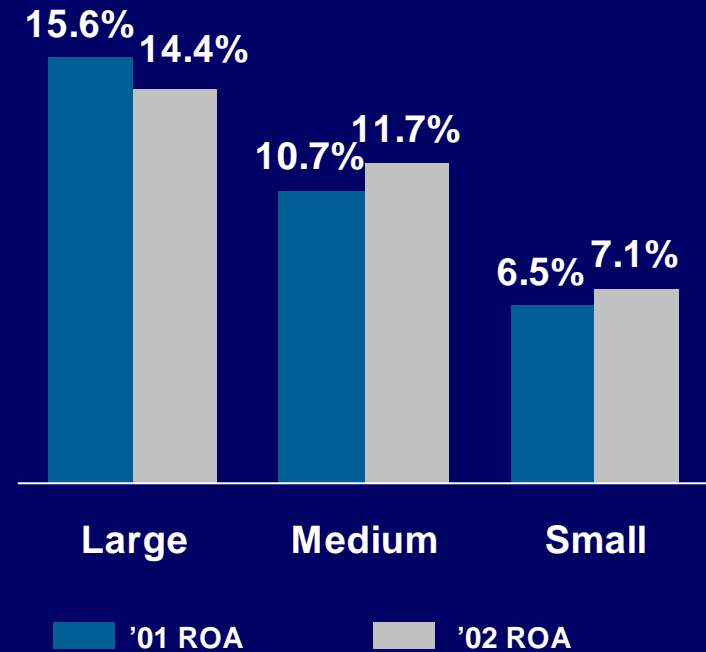
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Median CPG Manufacturer Performance —By Company Size

NET SALES GROWTH



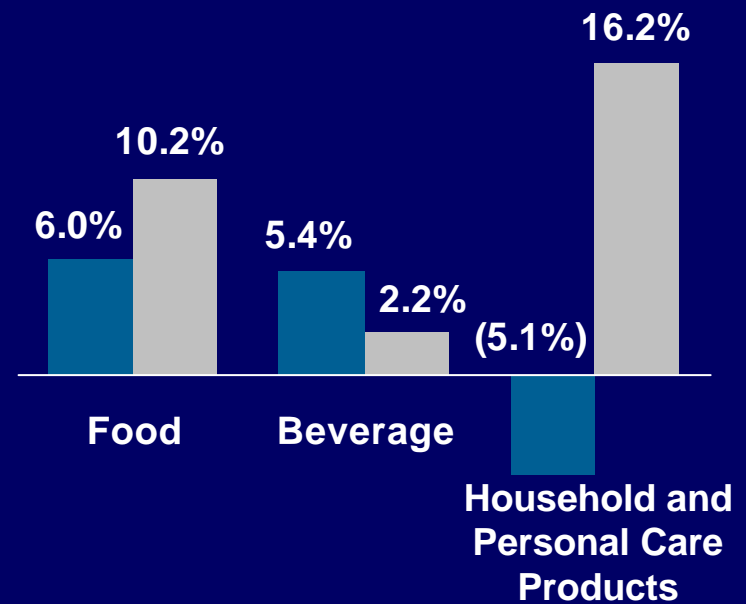
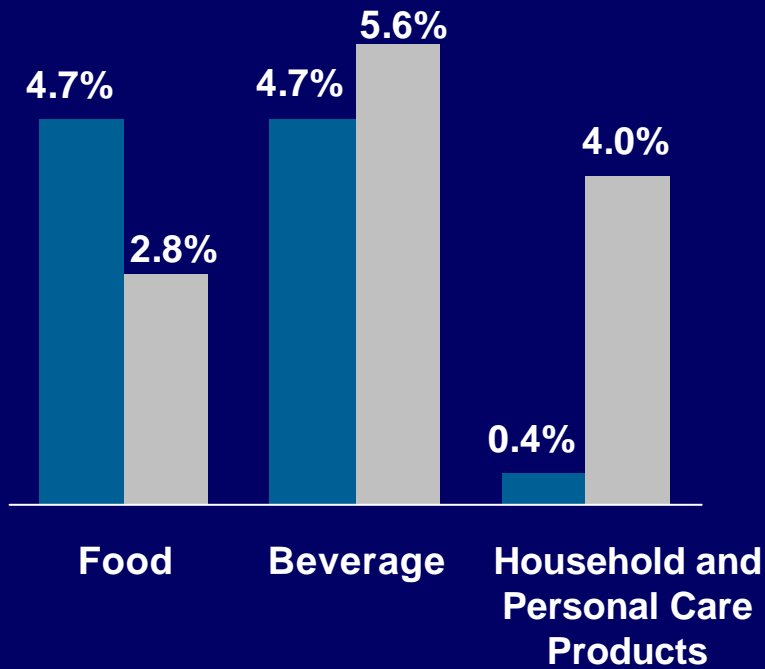
RETURN ON ASSETS



Median Manufacturer Performance —By Sector by Sector

NET SALES GROWTH

EBIT GROWTH



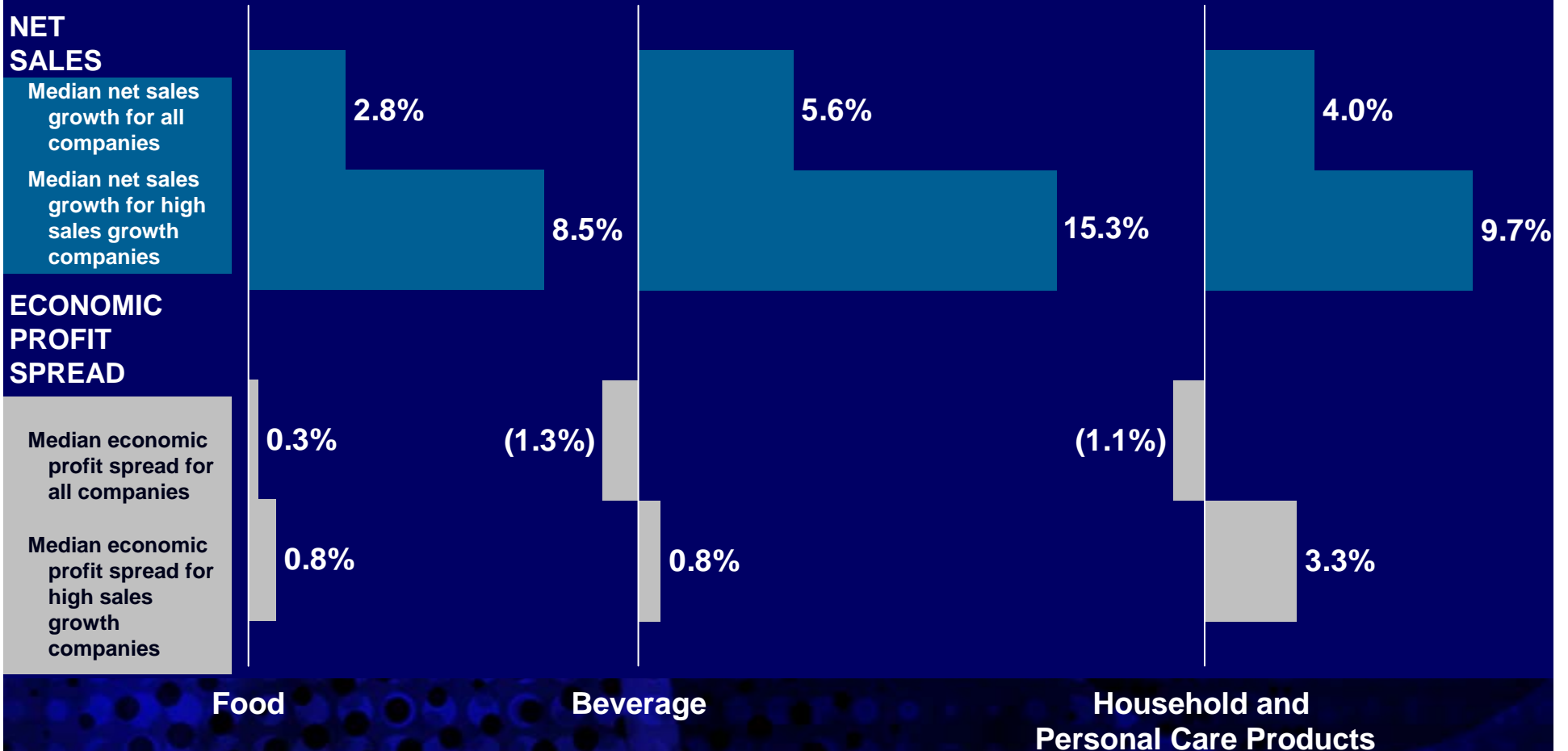
■ '00-'01 Growth ■ '01-'02 Growth

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Top CPG Manufacturer Performance

—By Sector by Sector



Note: Based on subsample of FPR data; '01 to '02 growth

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Growth in the CPG Industry

- How fast are companies growing?
- How do they do it?

Companies Pursue Three Primary Growth Strategies

BUILD share
in core categories

INNOVATE to
expand core categories

CREATE new
growth platforms

BUILD share
in core categories

INNOVATE to
expand core categories

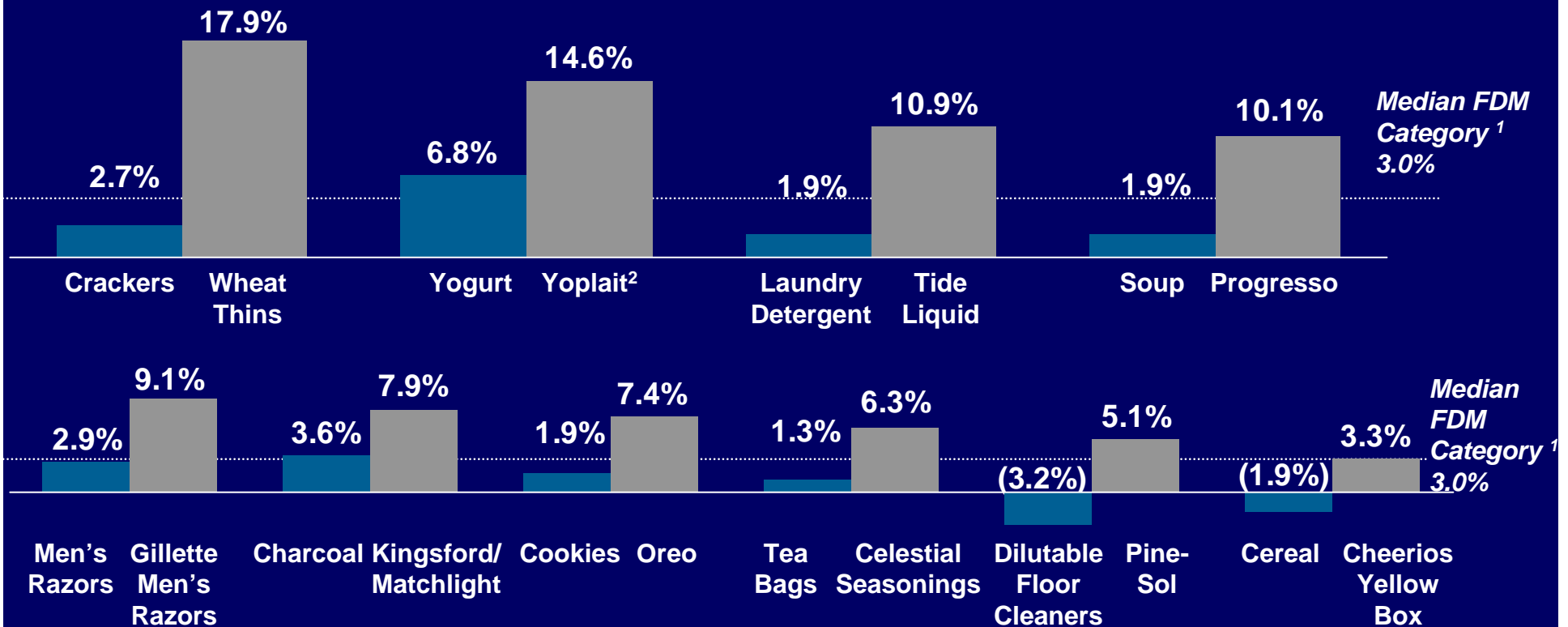
CREATE
new growth platforms

Excel at the fundamentals to increase share of market and profit pools

- ◆ Establish product superiority
- ◆ Deepen consumer connection
- ◆ Refresh the brand
- ◆ Deliver compelling retailer proposition

Most Successful Share-Builders have Grown Dramatically Faster than the Category

RETAIL SALES (4-Year CAGR)



1. Represents the median category growth CAGR based on 4-year CAGR IRI FDKT data for 289 categories

2. Includes only cups business; excludes Go-Gurt, Expresso, and Nouriche

■ Oreo



- Product quality
- Responsive to channel/key accounts
- Broadened brand definition
- Ubiquity

BUILD share in core categories

INNOVATE to expand core categories

CREATE new growth platforms

Innovate to dramatically expand core business

- ◆ Create innovation that truly grows the category and margin pool
- ◆ Change multiple elements of the proposition
- ◆ Define categories expansively

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- Consumer and market need
- New usage occasion
- New consumer
- New channel

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BUILD share in core categories

INNOVATE to expand core categories

CREATE
new growth platforms

Create new platforms for growth beyond core business

- ◆ Great category fundamentals
- ◆ Fit with existing business
- ◆ Viable entry vehicle
- ◆ Goal: Add \$100 million to \$500 million to existing business

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■ PepsiCo



- Growing consumer demand
- Leverage capabilities
- Combination of internal and external entry vehicles

Conclusion

- **Multichannel capability is a relevant component to all three growth strategies**
 - **Build share: Top performers win across multiple channels**
 - **Innovate: Successful players meet latent channel and consumer needs**
 - **Create platform: New concept requires building beyond existing channels**

Questions

- For each major business, which of the three growth strategies are you pursuing?
- Do your capabilities across channels align with these strategies?
- Does your portfolio balance risk by including businesses that are pursuing all three strategies?