TIMES & TRENDS

A SNAPSHOT OF TRENDS SHAPING THE CPG INDUSTRY

CONVENIENCE PRODUCTS

BEYOND TIME SAVINGS:
THE NEW FACE OF CONVENIENCE

October 2005

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INFORMATION RESOURCES, INC.

EXECUTIVE SUMMARY

- Among convenient meal solutions, perceived health advantages of fresh foods versus frozen and shelf-stable are driving increased demand for refrigerated meals and meal components
- Despite slow total category growth among more indulgent snacks, single-serve packages, which deliver portability and portion control, are enjoying strong growth
- Increased sales of single-serve beverages highlight potential growth opportunities through increased points of access
- Personal care may be the next big convenience growth arena as more consumers engage in on-the-go grooming
- The market is ripe for convenient new house care products – particularly those that “do-it-all”

INTRODUCTION

The face of convenience is changing: "quick and easy" is no longer enough.

The demand for convenience has been a long-standing driver of consumer purchase behavior. However, the face of convenience is changing, as underlying demographics shift, new products raise consumer expectations, and health concerns wield more influence. Quick and easy is no longer enough – multiple benefits, including nutrition, greater portability, quality and value are expected.

Among convenient meal solutions, for example, consumers are increasingly turning to fresh options, such as refrigerated side dishes that are perceived as healthier. Within snack categories, portability and portion control are in high-demand. Single-serve beverages enabling on-the-go consumption are on the rise. And, house care and personal care products with transformational convenience benefits have met phenomenal success.

The market for convenience products remains strong. The challenge for manufacturers and retailers is to identify how their target consumers' needs are changing and what additional benefits beyond convenience have become requirements.

CONVENIENT MEAL SOLUTIONS
OVERVIEW

The appeal of fresh convenient meal solutions is rapidly growing.

With nearly half of American consumers allocating an average of only 30 minutes or less to dinner preparation, there is an urgent need for convenient meal solutions.[1] Yet, demand has evolved beyond simple time-savings alternatives. Consumers also want healthy food, taste and value.

Across convenient meal solutions, there is a movement towards fresh foods. As a result, refrigerated foods are significantly outpacing sales of both frozen and shelf-stable meal solutions.

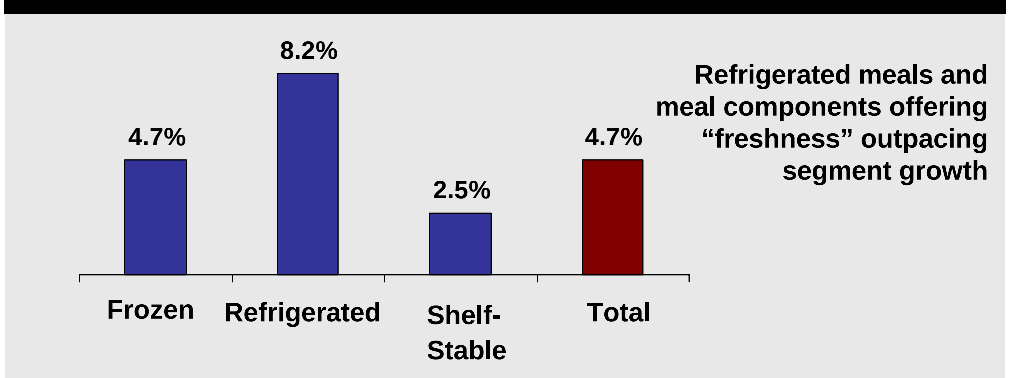
Consumers appear to equate freshness with health and wellness. According to a recent Research and Markets report, consumers believe that refrigerated prepared meals use fresh ingredients and contain fewer additives and are therefore healthier.[2]

Refrigerated prepared side dishes, which appeal to consumers who want to cook fresh meals but need help with some of the more time-consuming steps, are leading the way in refrigerated convenient growth.

Major product successes within the refrigerated side dish category include Shedd's Country Crock side dishes and the Simply Potatoes product line – both of which offer favorites such as mashed potatoes that would require time-consuming chopping, mixing and cooking if made from scratch.

Growth in refrigerated meals and meal components bodes well for the embattled grocery channel. Not only does grocery hold the vast majority of share, but share loss to Wal-Mart has been less aggressive within this segment.

Convenient Meal Solutions: Dollar Sales % Change vs Prior Year
Food, Drug, Mass (Including Wal-Mart)



Source: IRI MarketInsight™; IRI InfoScan®; 52 Weeks Ending 9/11/2005

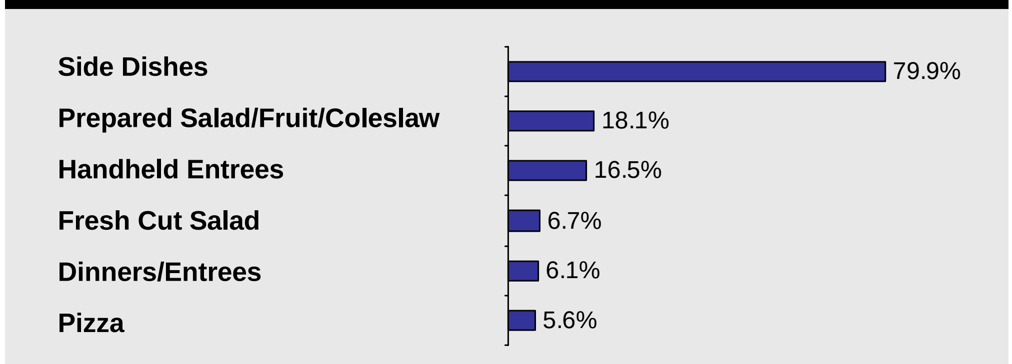
[1] NPD National Eating Trends

[2] Research and Markets, *Insights into Tomorrow's Prepared Meal Consumers.*

CONVENIENT MEAL SOLUTIONS
REFRIGERATED

Refrigerated side dishes giving consumers a head start on home-cooked meals are driving segment growth.

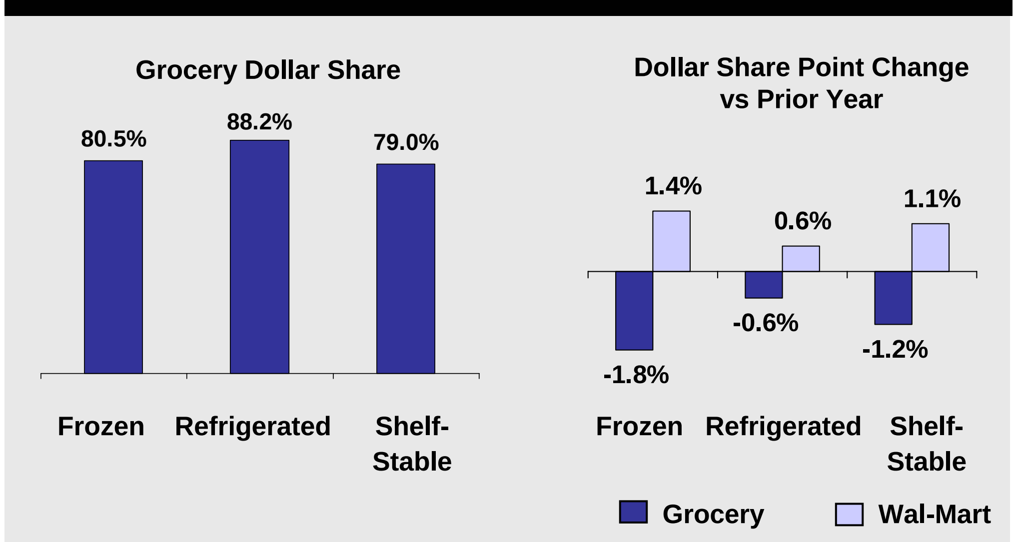
Refrigerated Convenient Meal Solutions
Dollar Sales % Change vs Prior Year – Food, Drug, Mass (Including Wal-Mart)



Source: IRI MarketInsight™; IRI InfoScan®; 52 Weeks Ending 9/11/2005

Growth in refrigerated meal solutions bodes well for the grocery channel, as share loss to Wal-Mart is less aggressive.

Convenient Meal Solutions: Dollar Share/Point Change vs Prior Year



Source: IRI MarketInsight™; IRI InfoScan®; 52 Weeks Ending 9/11/2005

CONVENIENT MEAL SOLUTIONS
FROZEN

Frozen meal solutions achieved solid growth through innovation, effective consumer targeting and value.

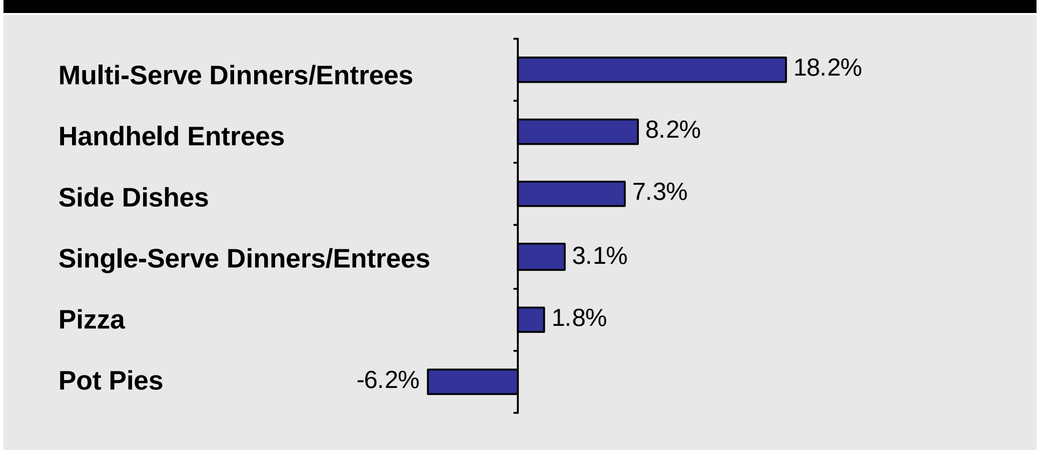
Frozen convenient meal solutions posted solid growth, albeit below refrigerated offerings. This growth was due in large part to exceptional sales among multi-serve frozen meals, including both skillet and crock-pot offerings. These product segments have benefited from innovation, effective consumer targeting, and appeal to value-conscious consumers.

For instance, among skillet dinners, Bertolli's Dinner for Two, which offers "A Restaurant Quality, At-Home Italian Eating Experience Within Minutes" and upscale packaging, effectively targets the massive aging Baby Boomer segment, in which consumers are increasingly becoming empty nesters. As reported in the January issue of *Times & Trends*, as Boomers transition to empty nests, they are far less likely to purchase convenient meal solutions targeting hectic families, such as frozen pizza. This product line bridges that gap within this critical segment.

Banquet's new Crock Pot Classics line, which has been one of the most successful new product introductions this past year, appeals to consumers' desire for convenient meals that are flavorful and hearty– not simply quick.

Major manufacturers are not the only players to benefit from these trends. Appealing to the more value-conscious convenience consumer, private label posted a 15.5% dollar sales gain in mutli-serve frozen meals.

Frozen Convenient Meal Solutions
Dollar Sales % Change vs Prior Year – Food, Drug, Mass (Including Wal-Mart)



Source: IRI MarketInsight™; IRI InfoScan®; 52 Weeks Ending 9/11/2005

CONVENIENT MEAL SOLUTIONS
SHELF-STABLE

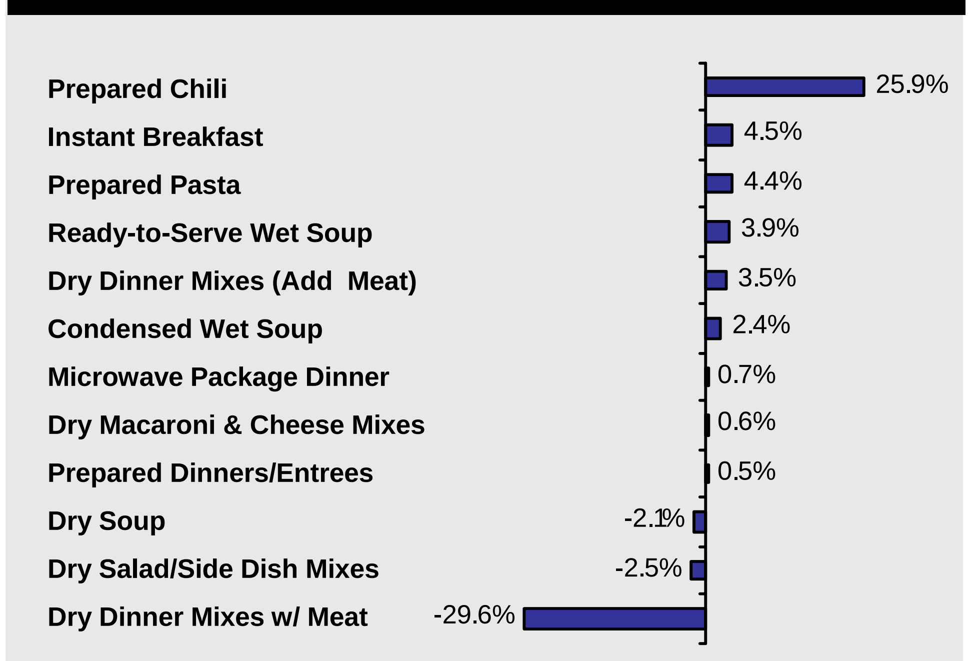
Shelf-stable meals offering reduced prep time, variety and flavor rise above modest segment sales.

Offering a hearty meal solution, strong flavor, and very limited preparation time, prepared chili has significantly outpaced total shelf-stable meal solution sales.

The new Campbell's Chunky Chili line played a large role in prepared chili category success and illustrates strong continued brand opportunity in shelf-stable solutions. The new multi-flavor chili line also includes microwaveable bowls that enable on-the-go eating.

The success of prepared chili, prepared pasta and ready-to-serve soups relative to some of the dry dinner solution alternatives may reflect the fact that they are not only faster to make than dry but are also likely to have a perceived freshness advantage.

Shelf -Stable Convenient Meal Solutions
Dollar Sales % Change vs Prior Year
Food, Drug, Mass (Including Wal-Mart)



Source: IRI MarketInsight™; IRI InfoScan®; 52 Weeks Ending 9/11/2005

CONVENIENT SNACKS & BEVERAGES
INDULGENT SNACKS

Among more indulgent snacks, products offering portability and portion control are growing despite slow total market growth.

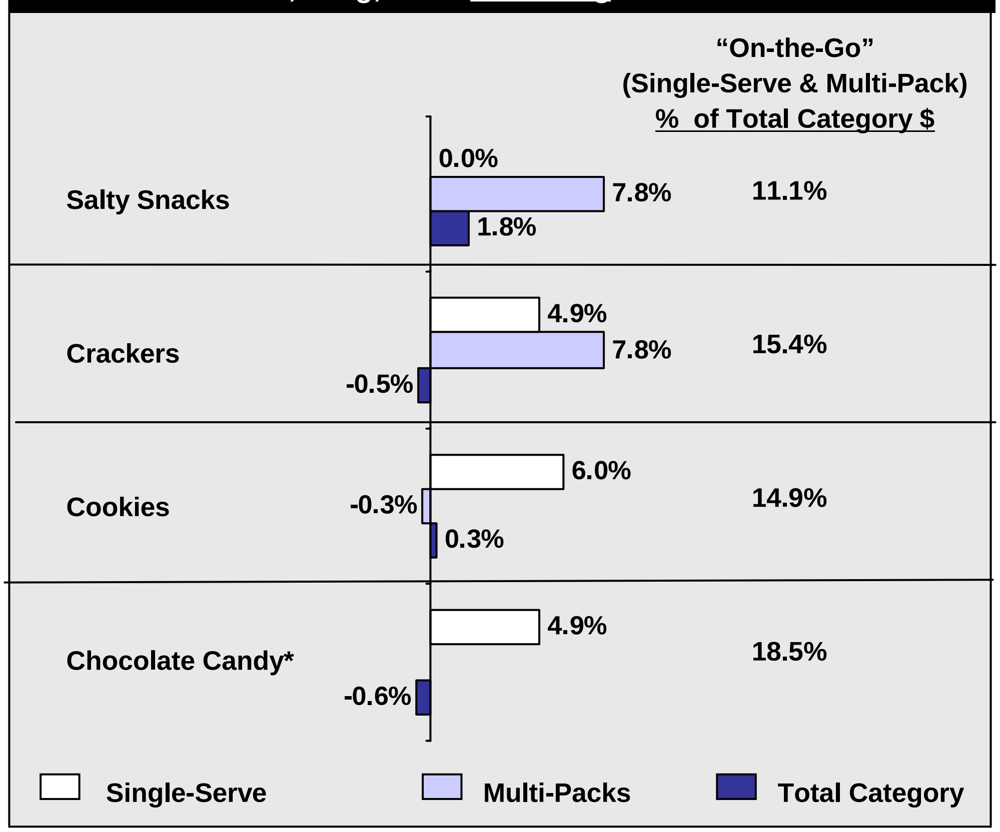
Convenience needs extend beyond meal preparation into snacks, where portability and portion control have become high-demand benefits.

Among more indulgent snacks, single-serve and/or multi-packs of single-serve products are experiencing strong growth in food, drug, mass channels (excluding Wal-Mart), even within mature categories.

These packages not only make time-crunched, on-the-go lives a bit easier, they also help consumers with portion control. The success of Nabisco's 100 Calorie Packs, which offer portability, portion control and low fat and calories, demonstrates the value that consumers now place on these benefits.

While "on-the-go" snack packages are a relatively small proportion of dollar sales within food, drug mass channels (excluding Wal-Mart) currently, expect to see that proportion increase over the next few years.

Dollar Sales % Change vs Prior Year by Package Type
Food, Drug, Mass Excluding Wal-Mart



Source: IRI InfoScan®; 52 weeks ending 9/11-10/2 Chocolate Candy Multi-Pak data not available.
*Chocolate candy multi-pack data not available; single-serve represents candy bars < 3.5 oz.

CONVENIENT SNACKS & BEVERAGES
HEALTHY SNACKS/MEAL REPLACEMENT

The yogurt category has been a pioneer in the convenient healthy snack and meal replacement market.

Healthier snacks that are easily portable have also met strong growth, filling not only snacking needs but also the growing need for meal replacement.

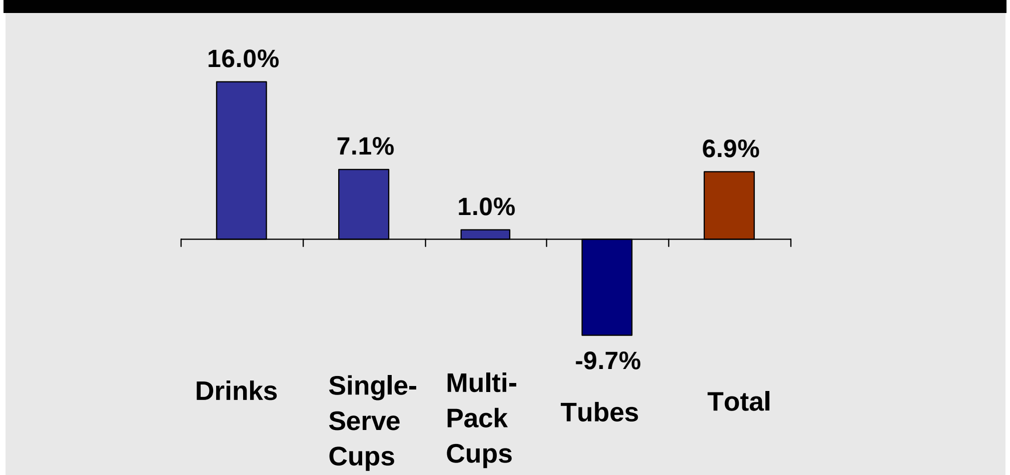
An NPD study has found that 16% of lunches are 13% of breakfasts are skipped.[3] These dayparts are particularly strong targets for convenient meal replacement solutions.

With significant packaging and product innovation, the yogurt category has been a pioneer in the convenient healthy snack and meal replacement market. All segments have exhibited continued strong growth, with the exception of tubes, which have been impacted in part by yogurt drinks targeting children. The total yogurt drink segment, which offers ultimate convenience (no utensils required) is outpacing category sales.

Granola bars have also been a staple in consumers' on-the-go snack/meal replacement solution set for the past several years. While total category sales were flat, due to major declines in Atkins-related nutritional bars, the rice snack square and granola bar segments continue to post strong growth.

Soups, which are an ideal meal replacement for the large number of skipped lunches, have made a much more aggressive foray into the on-the-go snack realm with innovative products such as Campbell's Soup-at-Hand. As a whole, however, microwaveable soup bowls have not gained as a percent of total wet soup sales over the past year (within food, drug, mass channels excluding Wal-Mart.)

Refrigerated Yogurt/Yogurt Drinks: Dollar Sales % Change vs Prior Year Grocery Channel

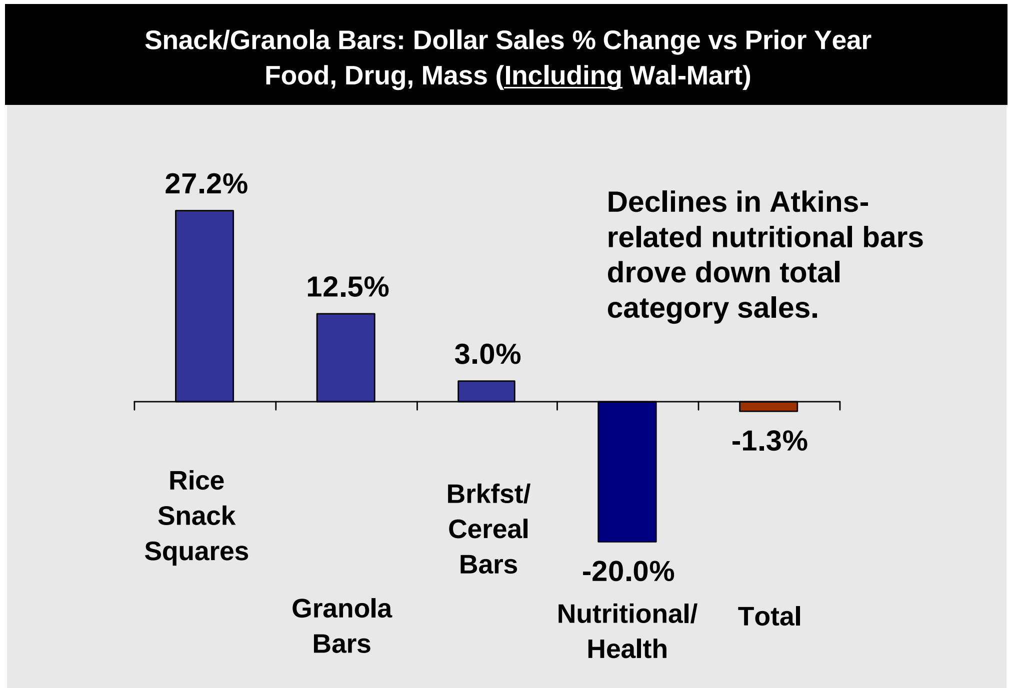


Source: IRI InfoScan®; 52 weeks ending 9/25/2005

[3] NPD National Eating Trends

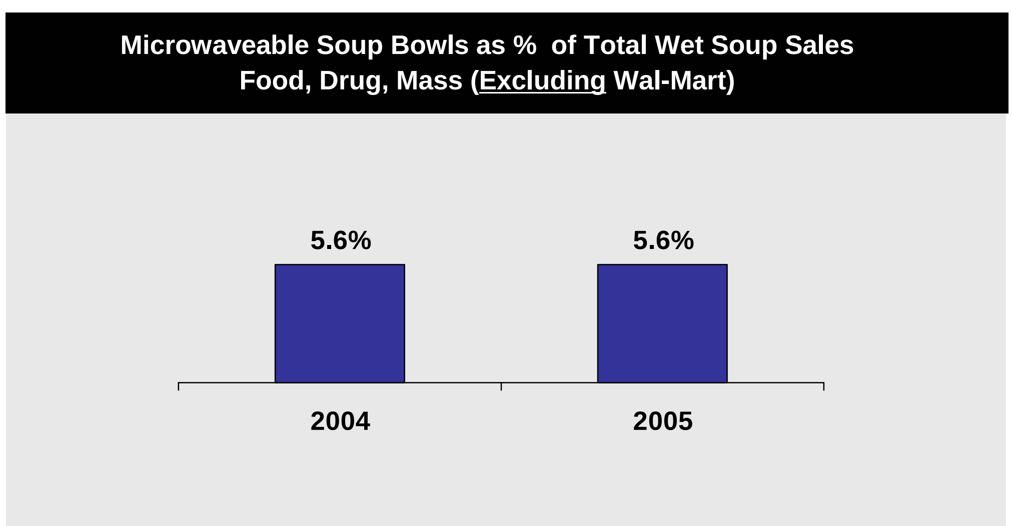
CONVENIENT SNACKS & BEVERAGES
HEALTHY SNACKS/MEAL REPLACEMENT

Granola bars continue to be a strong on-the-go snack and meal-replacement solution.



Source: IRI MarketInsight™; IRI InfoScan®; 52 Weeks Ending 9/11/2005

Microwaveable soup bowl share has not increased within food, drug, mass channels (excluding Wal-Mart.)



Source: IRI InfoScan®; 52 Weeks Ending 9/11/2005; same time period prior year

CONVENIENT SNACKS & BEVERAGES
ON-THE-GO BEVERAGES

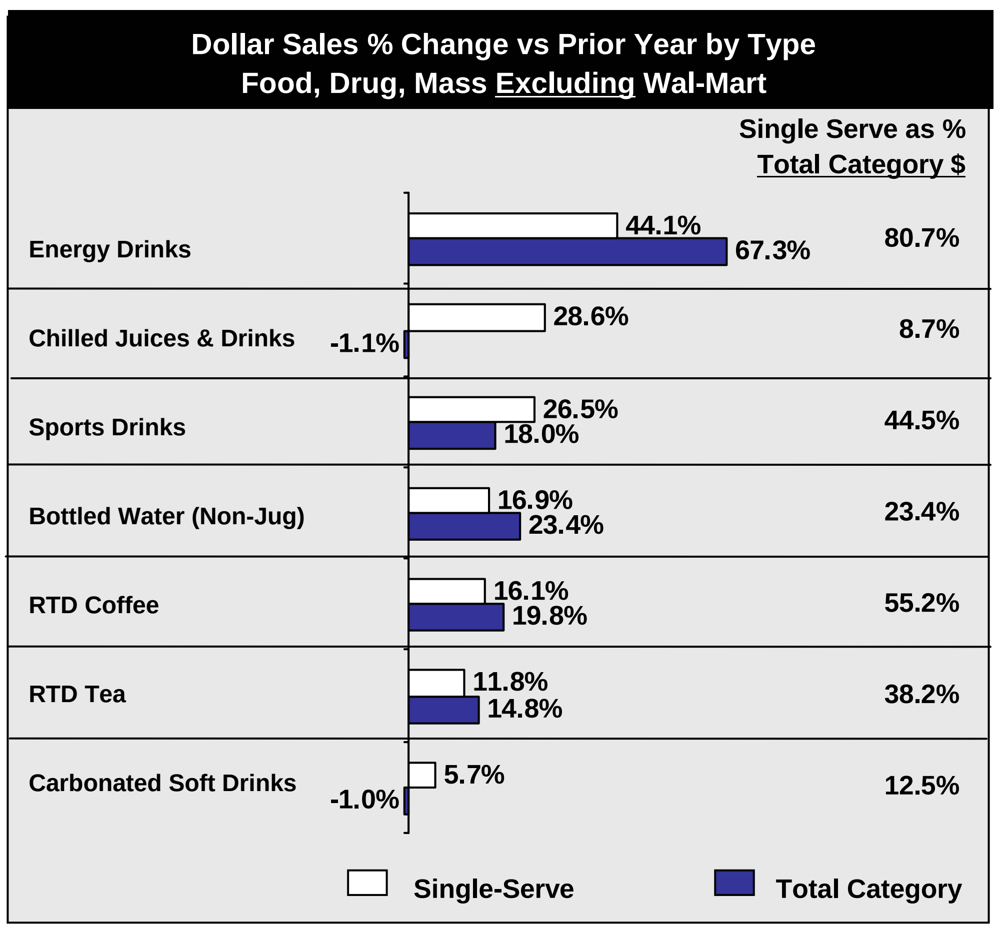
On-the-go beverage purchases are on the rise.

Strong sales growth in single-serve beverages across major categories within food, drug, mass channels (excluding Wal-Mart) illustrate the growing number of occasions in which beverages are consumed on-the-go.

Within carbonated soft drinks and chilled juices and drinks, single-serve dollar sales are far outpacing total category growth but represent a relatively small proportion of sales.

Retailers should explore opportunities to capitalize on the on-the-go trend by ensuring that consumers have easy access to these beverages throughout their shopping trips at multiple locations throughout the store.

Manufacturers should continue to increase points of access for single-serve beverages, as the demand is strong and growing.



Source: IRI InfoScan®; 52 weeks ending 10/2/2005

CONVENIENT FOOD & BEVERAGE SOLUTIONS
BLOCKBUSTER NEW PRODUCTS

Convenient meal and snack solutions have been among the most successful new product introductions in each of the past several years.

Over the past several years, convenient meal and snack solutions have comprised one-third or more of the top ten *New Product Pacesetters* Food & Beverage list.

These brands are a testament to the fact that if a product delivers convenience benefits in addition to other high-demand benefits, such as health and flavor, consumers will rally around it.

Blockbuster New Convenient Meal & Snack Solution Brands by Year Among Top 10 Food & Beverage New Product Pacesetters

Year	Brand	Year-One Sales (Mil$)
2000-2001	Boston Market Frozen Dinners	$181.0
	Uncle Ben's Bowl Entrees	$79.7
	Frito Snack Kits	$74.1
	Dannon Danimals Yogurt Drink	$52.4
2001-2002	Marie Callender's Complete Dinners	$122.5
	Banquet Homestyle Bakes	$95.9
	Marie Callender's One-Dish Classics	$92.7
2003-2004	Yoplait Nouriche	$89.5
	Healthy Choice Flavor Adventures	$79.7
	Dannon Light & Fit Carb Control	$74.8
2004-2005	Nabisco 100 Calorie Packs	$103.4
2004 Pacesetters "Brands to Watch"	Banquet Crock Pot Classics	$71.1
	Campbell's Chunky Chili	$37.8

Source: IRI New Product Pacesetters

*Reflects dollar sales across food, drug, mass channels including Wal-Mart for 2000-2001 and excluding Wal-Mart for all other years.

PERSONAL CARE PRODUCTS

On-the-go personal care may be the next convenience growth arena.

Across personal care categories, convenience innovation has been limited primarily to packaging that enables easier dispensing.

The number of personal care products delivering significant time savings or enabling personal care on-the-go has been low relative to other product areas.

Yet, 60% of consumers report that they groom "on-the-go," and 47% use personal care products in the workplace.[4]

The phenomenal success of Oil of Olay Daily Facials and Listerine PocketPaks – both of which were among top ten leading new non-food brands when introduced - illustrate the market potential. In fact, portable oral care is one of the fastest growing CPG categories currently, posting 30% growth versus prior year (across food, drug, mass channels including Wal-Mart.)

Expect to see increased positioning of "travel sizes" across personal care segments for everyday use as well as additional transformational new product introductions.

Blockbuster New Personal Care Brands with Convenience Benefits by Year Among Top 10 Non-Food New Product Pacesetters

Year	Brand	Year-One Sales (Mil$)
2000-2001	Oil of Olay Daily Facials	$71.2
2001-2002	Listerine PocketPaks	$124.0

Source: IRI New Product Pacesetters

*Reflects dollar sales across food, drug, mass channels including Wal-Mart for 2000-2001 and excluding Wal-Mart for 2001-2002.

[4] Research and Markets: Personal and Oral Care On-the-Go.

HOUSEHOLD PRODUCTS

The market is ripe for time-saving new house care solutions that "do-it-all."

Strong market response to new house care products that are disposable and/or pre-moistened with cleaning solution illustrate consumers' desire for time-saving house care solutions.

Over the past several years, a handful of blockbuster new house care products with convenience benefits have transformed consumers' cleaning routines. The market is ripe for additional new solutions.

Exceptional growth within all-purpose cleaning cloths versus specialized cleaning cloths demonstrates the appeal of streamlined solutions. Consumers want to simplify and reduce the number of cleaning products in their cupboards. Products that can "do-it-all" will be well-received.

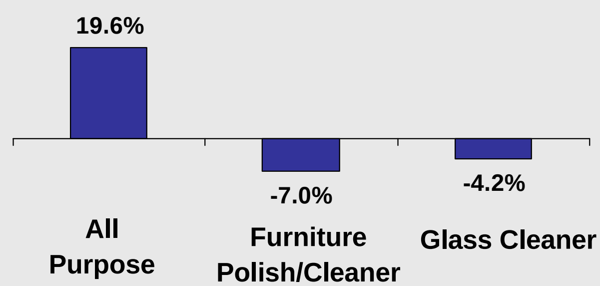
Blockbuster New Household Brands with Convenience Benefits by Year Among Top 10 Non-Food New Product Pacesetters

Year	Brand	Year-One Sales (Mil$)
2000-2001	Clorox Disinfecting Wipes	$73.6
2001-2002	Clorox Ready Mop	$68.7
2002-2003	Swiffer WetJet	$75.5
2004-2005 2004 Pacesetters "Brands to Watch"	Scrubbing Bubbles Fresh Brush	$32.8

Source: IRI New Product Pacesetters

*Reflects dollar sales across food, drug, mass channels excluding Wal-Mart in all years except 2000-2001 which includes Wal-Mart.

Household Cleaning Cloths - Dollar Sales % Change vs Prior Year Food, Drug, Mass (Including Wal-Mart)



Source: IRI MarketInsight™; IRI InfoScan®; 52 Weeks Ending 9/11/2005

CONCLUSIONS

- **Convenience remains a powerful driver** of consumer purchases across food, beverage and house care categories; personal care convenience categories are poised for growth
- In addition to significant time savings, **convenience products must address other pressing consumer needs**, such as health & wellness, taste, variety and portability
- Among convenient meal solutions, **new product opportunity exists across refrigerated, frozen and shelf-stable segments**; however, fresh refrigerated solutions delivering taste and healthy ingredients appear to have the strongest growth potential
- **Traditional grocers should protect and grow their advantaged position** in the high-growth refrigerated meal solutions segment through targeted marketing and merchandising initiatives
- **Rising demand for single-serve snacks and beverages** among food, drug, and mass channels highlights potential growth opportunities through product mix/assortment shifts and additional points of access for single-serve products
- Personal care manufacturers should explore new product opportunities and new on-the-go positioning opportunities for existing products (eg. trial/travel sizes for everyday use) to **capitalize on emerging interest in convenient personal care**
- **New product potential for convenient house care products** that deliver time savings and performance and serve multiple needs in one remains strong

RESOURCES

To gain insight into current and likely future convenience trends across specific categories, consumer segments or channels, contact your IRI client service representative regarding custom analyses leveraging the following resources:

IRI MarketInsight™	Proprietary model-based sales tracking service providing superior coverage of channels, including Wal-Mart, for which point-of-sale data are not available. Reflects sales across IRI InfoScan® Reviews CPG categories. Wal-Mart data include traditional outlets and supercenters.
IRI Consumer Network®	Nationally representative panel of households tracking purchases with hand-held barcode scanners; extensive demographic profiles enable in-depth analysis of purchase behavior across standard or custom-defined consumer segments across channels.
IRI AttitudeLink	IRI's custom survey capability that can be executed via mail, telephone or Internet; the ability to link attitudes with actual purchase behavior enables clients to track sales across custom attitudinal segments.

MORE INFORMATION >

Please contact Sheila McCusker at sheila.mccusker@infores.com with questions or comments about this report.

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Information Resources, Inc. (IRI) is the world's largest provider of enterprise market information solutions and services, empowering its clients to grow their business profitably in a complex marketplace. Driving the transformation of the consumer packaged goods (CPG), retail and healthcare industries, only IRI provides a unique combination of real-time market content, advanced analytics, enterprise performance management software and professional services. The company's portfolio of services, solutions and technology enable leading retailers and their suppliers around the globe to see what they are missing, act faster and with greater confidence and win at the shelf. Ninety-five percent of the FORTUNE Global 500 in CPG and retail leverage IRI to power their business. For more information, visit www.infores.com.

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