TIMES&TRENDS
A SNAPSHOT OF TRENDS SHAPING THE CPG INDUSTRY

FEBRUARY 2005

2004 U.S. CPG Industry Year in Review

INFORMATION RESOURCES, INC.

CONTENTS

METHODOLOGY

Findings presented in this report are based upon an extensive analysis of store and consumer data from several key sources:

IRI Total Retail View™: 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 InfoScan® Reviews: Weekly scanner-based sales tracking and causal information collected across major CPG retail channels.

IRI Consumer Network®: Nationally representative panel of households tracking actual purchases through hand-held barcode scanners.

IRI/SPINS: New natural and organic products tracking service that combines IRI's Consumer Network® panel data with product coding from San Francisco-based SPINS, the leading provider of information and services to the natural products industry.

EXECUTIVE SUMMARY

With dollar growth of 2.4% across food, drug and mass channels including Wal-Mart (FDMW) and flat sales excluding Wal-Mart (FDMx), 2004 was a lackluster year overall for the U.S. CPG industry.

The year was characterized by shifts in spending more so than real industry growth: supercenters and dollar stores continued to grow at the expense of traditional channels, low carb products grew at the expense of higher carb products, and heavy price increases on staples (eg. milk, eggs) took a toll on sales of other "non-essential" categories such as general merchandise. However, there were several bright spots revealing positive momentum across key categories, including low calorie/light products, natural/organic products, several healthcare categories and convenient cleaning products.

This report provides an in-depth analysis of 2004 performance, the underlying consumer trends driving spending shifts, including value, health and wellness and convenience, and likely growth opportunities in 2005 given where the trends are headed.

2004 U.S. CPG INDUSTRY PERFORMANCE OVERVIEW

- Total FDMW food and beverage dollar sales increased 3.7%; this increase was largely driven by growth in the dairy (+7.8%) and deli (+6.4%) departments, which benefited from substantial price increases, low carb diet trends and a general movement towards products with health benefits. With price increases expected to moderate in 2005, food and beverage product growth will likely slow.

- Overall, non-food FDMW dollar sales were flat in 2004. Modest growth in health and beauty care (+2.1%) was offset by continued declines in general merchandise categories (- 6.3%). Plagued by intense category competition, growing obsolescence of some products and competition from alternative channels, such as specialty stores, nine of the top ten general merchandise categories lost dollar sales.

➔ For manufacturers and retailers, protecting and growing share within their most loyal customer base will become even more critical but also more challenging in face of intensifying competition; loyalty-based segmentation and marketing has become an imperative.

➔ While both manufacturers and retailers will need to continue to respond to mass market trends, real growth will likely come from focused efforts against high potential consumer segments and markets.

DRIVERS OF GROWTH: VALUE

- Consumers' quest for value continued in 2004 – aided by ongoing supercenter and dollar store expansion. More consumers shopped within these channels, and shoppers across all value channels significantly stepped up their number of visits. As a result, there are fewer shoppers in traditional outlets and those who do shop visit less often. In fact, the supercenter phenomenon has led to fewer shopping trips overall, which means less opportunity to influence consumer purchases in-store.

EXECUTIVE SUMMARY

DRIVERS OF GROWTH: VALUE (CONT'D)

- Significant price increases in private label products (particularly staple categories) resulted in slight dollar share growth but declining volume growth across channels. Drug store private label achieved relatively strong dollar sales growth (+3.5%), driven primarily by gains in food and beverage categories. A closing price gap and increased availability of branded products at discounted prices in value channels will likely continue to drive private label volume share down.

➔ To optimize distribution strategies, manufacturers should explore the mix of heavy vs light value channel shoppers within their categories and brands; while value-seeking is a powerful mass market trend, there is variation in degree among consumer segments.

➔ Traditional retailers should consider segmenting their customer base by heavy vs light value channel shoppers crossed with heavy vs light store shoppers and develop targeted marketing plans for each group.

➔ Traditional channel private label has the potential to serve as a deterrent to lost share to value channels, but the current price gaps may need to be reassessed to capitalize on this potential.

➔ A by-product of supercenter expansion, consumers are in stores less often, overall. Enhancing the effectiveness of in-store marketing will become even more critical, given reduced opportunities to make an impact.

DRIVERS OF GROWTH: HEALTH & WELLNESS

- Consumers' efforts to manage weight, chronic conditions and general well-being through diet drove sizable FDMx dollar sales gains across brands offering low carb (+144%), low calorie/light (+7.1%) and low fat/lean (+3.2%) benefits. As the low carb diet craze has already peaked, expect significantly slower low carb sales growth in 2005, but low calorie and low fat trends are likely to continue as consumers replace more extreme measures with healthy, balanced eating.

- With 94% household penetration, the natural/organic segment has become mainstream and is enjoying continued strong dollar growth (+9.5%). The more specialized organic products subsegment achieved 15.9% dollar growth. While repeat rates for the segment as a whole are very high, organic product repeat buying rates, at 65%, have room for improvement.

EXECUTIVE SUMMARY

DRIVERS OF GROWTH: HEALTH & WELLNESS (CONT'D)

- While healthcare products achieved modest dollar growth across FDMW in 2004 (+1.4%), growth varied widely across categories. Gastrointestinal tablets experienced phenomenal growth, driven in large part by Prilosec OTC, but gastrointestinal liquids suffered (-5.8%). Adult incontinence and anti-smoking products also saw double digit growth. Weight control liquids and tablets both declined, reflecting a move towards weight control through diet.

- Healthcare manufacturers and retailers face the challenge over the next few years of effectively planning for unplanned events, such as the September 2004 Vioxx prescription drug withdrawal and subsequent concerns over OTC remedies, as well as potential Rx-to-OTC switches in new categories. Meeting the needs of huge groups of ailment sufferers is paramount and will have a dramatic impact on product and total store sales.

➔ Both retailers and manufacturers should continue to closely monitor consumers' eating trends, which appear to be shifting towards a more moderate, balanced, healthy diet, and modify positioning accordingly.

➔ In addition to addressing mainstream eating behavior, which will integrate elements from several major diet trends (ie low fat, low calorie, low carb), identify and market to high potential target segments, such as diabetic consumers, who follow a restricted diet out of necessity, not in response to a fad.

➔ Retailers have an opportunity to differentiate their stores by staking a claim on the growing organic market via a comprehensive targeted marketing strategy; organic manufacturers have major upside potential once factors inhibiting repeat purchases are identified and addressed.

➔ Retailers and manufacturers need to collaborate to develop effective planning, targeted marketing and retail execution initiatives to ensure that consumers' needs are met and sales are maximized during drug switches, recalls and withdrawals.

DRIVERS OF GROWTH: CONVENIENCE

- As evidenced by 57% FDMW dollar growth in all-purpose household cleaner cloths, consumer demand for convenience is alive and well. Mixed results across convenient meal solutions highlight the complexities of major trends colliding, as diet trends, particularly low carb, took precedence over convenience for some consumers in 2004. (For instance, shelf stable dry dinner mixes, which tend to have high carbs, declined 6.3%). Refrigerated salads/coleslaw, which combine intrinsic health benefits with convenience, climbed.

    ➔ Convenience meal manufacturers need to identify healthy eating trends within their target consumer base and develop segmented offerings as warranted.

    ➔ Retailers also need to work with manufacturers to track the diet profiles of their customer base who purchases convenient meal solutions to ensure appropriate assortment.

KEY FINDINGS

2004 U.S. CPG INDUSTRY PERFORMANCE OVERVIEW: INDUSTRY GROWTH

With Wal-Mart capturing the vast majority of growth, total U.S. CPG industry dollar sales increased 2.4% in 2004 across food, drug and mass merchandise channels. Excluding Wal-Mart, dollar sales were essentially flat – increasing only 0.5%.

This year's results were heavily influenced by significant price increases across many staples, including milk, eggs, and meats that elevated dollar sales in these categories but negatively influenced sales in other categories as consumers, who were already reeling from rising gas and heating prices, felt the pinch.

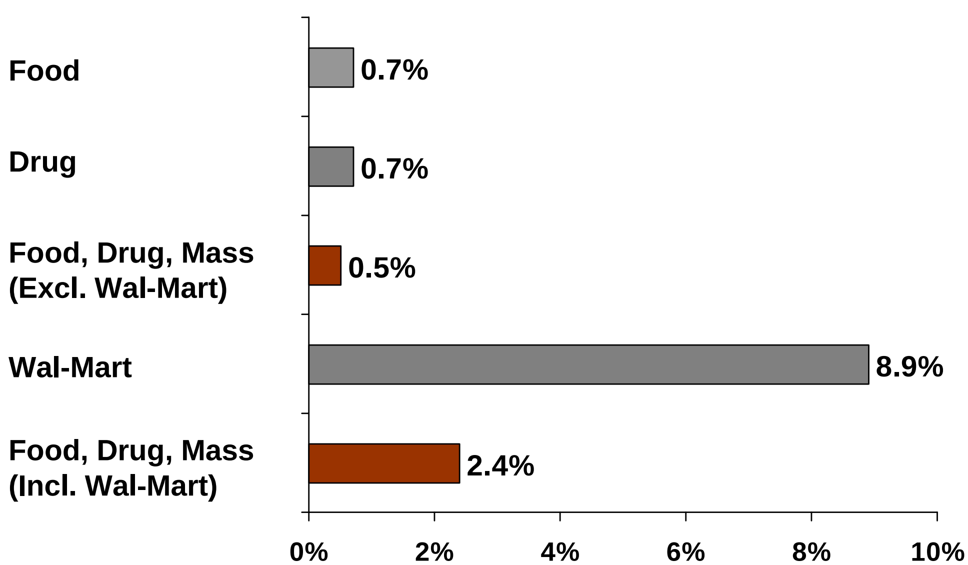
Led by the dairy and deli departments, who benefited from low carb diets as well as the price increases, food and beverage dollar sales increased a healthy 3.7%.

The industry continues to be plagued by lagging sales in non-food products, however, particularly across general merchandise categories, whose growth has been inhibited by a host of factors, including products replaced by new technologies and competition from specialty channels.

Despite slow growth overall, there were several bright spots: the industry's success in addressing specific consumer needs, including value, health and wellness and convenience, was rewarded with strong growth in select categories and channels.

With price increases expected to moderate in 2005 and without a new diet craze for consumers to rally around, growth may be even more elusive in the coming year. Retailers and manufacturers will need to stake a claim within this new phase of moderation and balanced, healthy eating and identify growth opportunities in serving the specific needs of targeted consumer segments.

**CPG Industry* Dollar Sales % Change by Channel
2004 vs 2003**



*Reflects sales across IRI InfoScan® Reviews CPG categories.

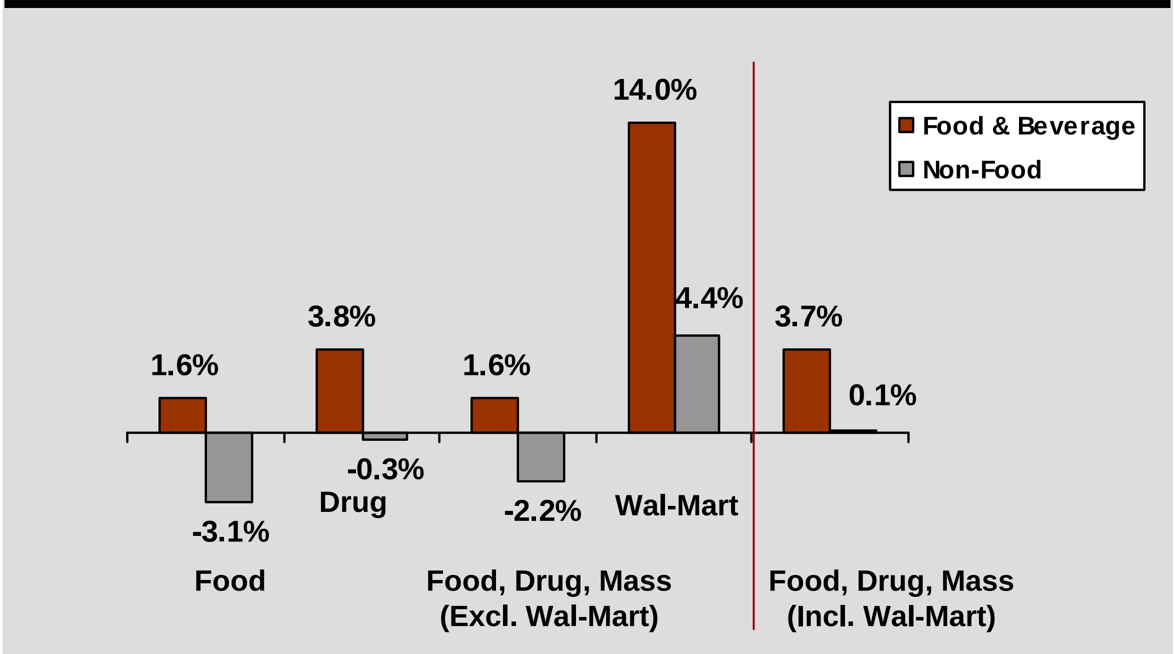
Sources: IRI Total Retail View™, IRI InfoScan® Reviews

2004 U.S. CPG INDUSTRY PERFORMANCE OVERVIEW: DEPARTMENT GROWTH

Food and beverage sales, which continued to shift away from traditional grocery towards drug stores and Wal-Mart, saw the largest gains in dairy and deli. Growth in these departments reflects major price increases (which are expected to temper significantly in 2005) and increases in demand driven by low carb dieters (also expected to wane in 2005). Drug stores were also highly successful in increasing private label food and beverage sales last year.

Non-food sales, which also shifted from other channels to Wal-Mart, were flat overall. Health and beauty care is the only department that grew last year.

Food & Beverage vs Non-Food* Dollar Sales by Channel
2004 vs 2003 % Change



Food, Drug, Mass (Including Wal-Mart)
Dollar Sales % Change by Department – 2004 vs 2003

Food & Beverage*	
Bakery	+2.1%
Dairy	+7.8%
Deli	+6.4%
Edible	+2.5%
Frozen	+3.0%
Total Food & Beverage	+3.7%

Non-Food*	
General Merchandise	-6.3%
Health & Beauty Care	+2.1%
Non-Edibles	+0.3%
Total Non-Food	+0.1%

*Reflects sales across IRI InfoScan® Reviews CPG categories.

Sources: IRI Total Retail View™, IRI InfoScan® Reviews

2004 U.S. CPG INDUSTRY PERFORMANCE OVERVIEW: DEPARTMENT GROWTH

General Merchandise

Declines in general merchandise FDMW sales cut across nine of the top ten categories (with tights/socks experiencing flat demand and a slight dollar increase.)

Key factors driving declines in these categories vary widely. While batteries have actually seen an increase in demand as more products require more power, dollar sales declines reflect intense competition and downward pricing pressure. Kitchen storage has also faced competitive pricing pressure. Digital technologies have led to dramatic declines in demand for photography supplies and blank audio/visual media. Competition from other channels has impacted other categories such as hair accessories (dollar stores) and office products (office specialty stores.)

Food, Drug, Mass (Including Wal-Mart)
Top 10 General Merchandise Categories* Based on Dollar Sales

	% Change 2004 vs 2003	
	Dollar Sales	Volume Sales
Batteries	(3.4%)	+2.9%
Photography Supplies	(14.1%)	(19.9%)
Tights/Socks	+1.2%	+0.2%
Baby Accessories	(5.7%)	(2.8%)
Cleaning Tools/Mops/Brooms	(3.5%)	(1.7%)
Kitchen Storage	(11.7%)	(2.8%)
Light Bulbs	(6.7%)	(5.2%)
Hair Accessories	(0.8%)	(2.8%)
Blank Audio/Video Media	(5.8%)	(3.0%)
Office Products	(4.4%)	(9.7%)

Dairy & Deli

Nine of the top ten dairy categories grew FDMW dollar sales in 2004. While some, such as natural cheese and yogurt benefited from demand growth as consumers sought to eat healthier, others, such as milk and eggs grew mostly due to price (although eggs have also seen increased demand among the low carb dieter segment.)

*Reflects sales across IRI InfoScan® Reviews CPG categories.

Sources: IRI Total Retail View™, IRI InfoScan® Reviews

2004 US CPG INDUSTRY PERFORMANCE OVERVIEW: DEPARTMENT GROWTH

Within deli, four of the top five categories enjoyed dollar sales growth. While overall demand was negatively impacted by higher prices, the high protein/low carb benefits of deli meats brought new demand that tempered this effect.

Both dairy and deli prices are expected to moderate in 2005.

Food, Drug, Mass (Including Wal-Mart)
Top 10 Dairy Categories* % Change: 2004 vs 2003

	Dollar Sales	Volume Sales
Natural Cheese	+13.9%	+5.5%
Creams/Creamers	+13.0%	+8.0%
Milk	+8.9%	(2.0%)
Yogurt	+8.8%	+5.6%
Rfg Salad/Coleslaw	+8.1%	+2.2%
Margarine/Spreads/Butter Blends	+6.2%	+1.1%
Rfg Fresh Eggs	+5.4%	(0.8%)
Processed Cheese	+4.9%	+0.5%
Dough/Biscuit Dough	+1.5%	(1.2%)
Rfg Juices/Drinks	(0.9%)	(1.7%)

Price Changes

Dairy	7.0-8.0%	2004
	2.3-3.5%	2005P
Eggs	5.5- 6.5%	2004
	(2.0) – (1.0%)	2005P

Food, Drug, Mass (Including Wal-Mart)
Top 5 Deli Categories* % Change: 2004 vs 2003

	Dollar Sales	Volume Sales
Breakfast Meats	+7.0%	(1.5%)
Luncheon Meats	+7.0%	+2.8%
Dinner Sausage	+6.8%	+3.2%
Frankfurters	+1.9%	(0.6%)
Lunches- Refrigerated	(0.2%)	+0.5%

Price Changes

Beef/ Veal	10.0-11.0%	2004
	1.5- 2.5%	2005P
Pork	4.5-5.5%	2004
	2.0-3.0%	2005P
Poultry	4.5-5.5%	2004
	2.0-3.0%	2005P

*Based on FDMW dollar sales.

Source: IRI Total Retail View™; IRI InfoScan® Reviews, USDA ERS Consumer Price Index Forecast

CPG INDUSTRY PERFORMANCE OVERVIEW: ACTION ITEMS

Action Items for Manufacturers

- Conduct analysis of your brands' most loyal customer base; aggressively market specifically to this segment to protect and grow share.
- Work with leading retailers to identify top brand customers among their most loyal segments; develop retailer-specific marketing and merchandising programs to effectively reach these consumers.
- Explore opportunities to uniquely serve high-growth niche segments.
- Continually monitor diet trends, as well as "dual trends", such as health and convenience combined; reassess product offerings and demand forecasts multiple times throughout the year.

Action Items for Retailers

- Segment your customer base according to spending and loyalty; partner with manufacturers to develop targeted marketing programs and optimize assortment to protect and grow share of most loyal customers.
- Identify high potential niche opportunities within your customer profile and create a differentiated position within these target segments through product mix, advertising and targeted marketing.
- Carefully monitor consumer purchase trends across products with specific dietary benefits to ensure that your stores are on the front edge of trends.
- Continually evaluate shelf space allocation with respect to general merchandise categories.

KEY FINDINGS (CONT'D)

DRIVERS OF GROWTH: VALUE – CHANNEL MIGRATION

As supercenter and dollar store expansion continued into 2004, consumers responded: while these two channels increased in penetration, all others – including other value channels such as club and mass – declined. We will see further expansion and further channel migration to dollar and supercenter channels in 2005.

Those who do shop value channels are shopping even more aggressively -- increasing their number of trips substantially between 2002 and 2004 at the expense of other channels. The result has been a decline in the overall number of shopping trips, which means fewer opportunities to influence consumers' purchases.

DRIVERS OF GROWTH: VALUE – CHANNEL MIGRATION

Consumer Shopping Trends by Channel: 2004 vs 2002*

	% Households Buying			Average Trips per Shopper per Month		
	2004	2002	Point Change	2004	2002	Percent Change
Food	99.5%	99.6%	(0.1)	5.48	5.81	(5.7%)
Drug	79.1%	80.2%	(1.1)	1.23	1.25	(1.6%)
Mass	89.9%	92.0%	(2.1)	1.81	2.06	(12.1%)
Supercenter	61.4%	63.1%	(1.7)	1.73	1.50	+15.3%
Club	48.9%	50.2%	(1.3)	.83	.78	+6.4%
Dollar	57.6%	52.0%	+5.6	1.01	.96	+5.2%
Wal-Mart	82.9%	81.8%	+1.1	2.00	1.87	+7.0%
All Outlets	100.0%	99.9%	+0.1	13.77	14.24	(3.3%)

Channel Dollar Share Shifts: 2004 vs 2002*

	2004	Point Change vs 2002
Food	58.5%	(0.8)
Drug	5.1%	+0.1
Mass	9.7%	(0.8)
Supercenter	12.2%	+2.0
Club	5.9%	(0.5)
Dollar	1.3%	+0.1
Wal-Mart	16.9%	+2.7

Source: IRI Consumer Network®

*Represents penetration and share across IRI InfoScan® Reviews CPG categories

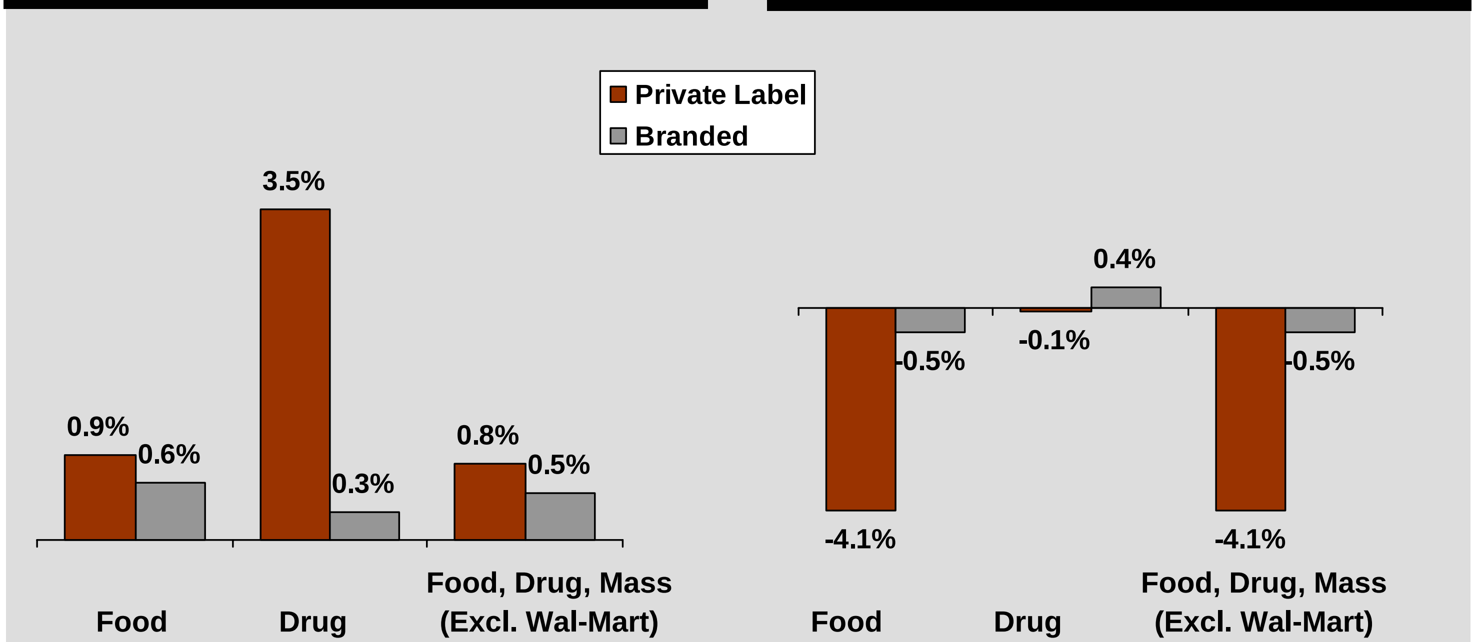
DRIVERS OF GROWTH: VALUE – PRIVATE LABEL

In 2004, within the grocery channel and total FDMx, private label dollar sales growth slightly outpaced branded products, but volume declined significantly. As reported in the November *Times & Trends*, private label price increases have tracked at roughly double branded price increases. Many consumers looking for value likely shifted purchases to branded products available at discounted prices within value channels as the pricing gap diminished.

Drug store private label products, which offers consumers value pricing along with drug stores' in-and-out convenience, are an exception. While volume was flat, dollar sales increased 3.5%. The vast majority of this growth (76%) was derived from drug store food and beverage private label products, including snack nuts, milk, bottled water and candy.

Percent Dollar Growth: 2004 vs 2003
Private Label vs Branded Products

Percent Volume Growth: 2004 vs 2003
Private Label vs Branded Products



Private Label Share* by Channel : 2004 vs 2003

	Dollar Share		Volume Share	
	2004	Point Change vs 2003	2004	Point Change vs 2003
Food	16.1%	+0.1	24.1%	(0.7)
Drug	11.6%	+0.3	23.1%	(0.1)
Food, Drug, Mass (Excl. Wal-Mart)	15.1%	+0.1	23.6%	(0.7)

Source: IRI InfoScan® Reviews

DRIVERS OF GROWTH - VALUE: ACTION ITEMS

Action Items for Manufacturers

- In addition to channel sales trends, identify the mix of heavy value channel shoppers for your brands to ensure that channel distribution strategies are in close alignment with consumer profile.
- Evaluate the effectiveness of in-store marketing and merchandising across channels to drive greater impact from fewer exposures as shopping trips decline.
- Manufacturers of impulse items must carefully track trip and sales trends across channels and shift distribution accordingly as impulse opportunities diminish with fewer visits.

Action Items for Retailers

- Segment your customer base by heavy vs light value channel shoppers; cross with heavy vs light store shoppers; implement targeted marketing plans for each segment.
- Evaluate optimal price gap between private label and branded products by category to ensure overall category growth and profitability and optimal assortment in support of customer acquisition and retention strategies.
- Traditional channels need to more aggressively evaluate the effectiveness of current in-store marketing and merchandising initiatives to ensure maximum impact during fewer store visits; consider increasing focus on external marketing vehicles.

KEY FINDINGS (CONT'D)

DRIVERS OF GROWTH: HEALTH & WELLNESS - DIET TRENDS

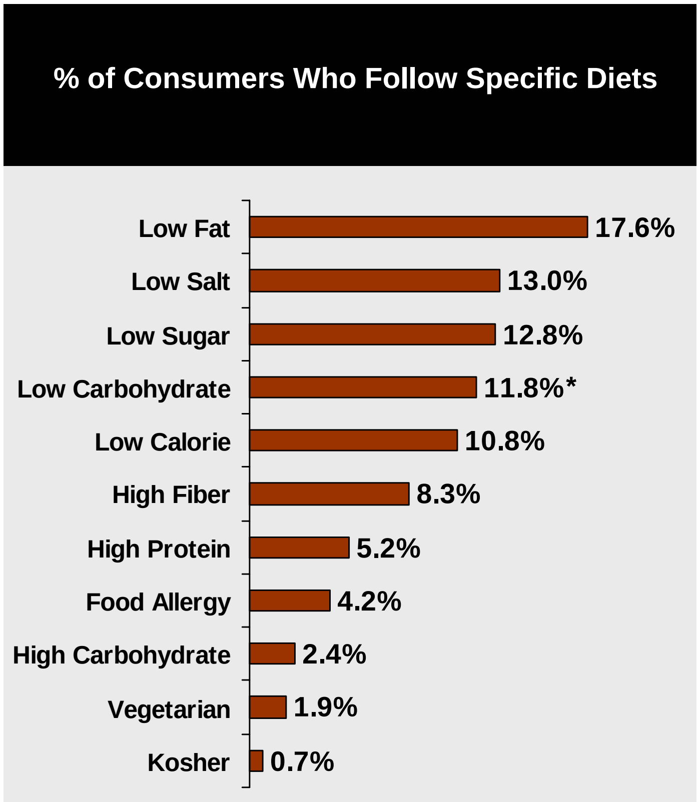
2004 may well be remembered as a milestone year for increased awareness of the need to eat healthy to stay healthy. While the impact of the low carb diet peaked in early-to-mid 2004 and has decreased in intensity since then, the diet, combined with a barrage of media attention to obesity and eating patterns and the growing need to manage chronic diseases with diet have struck a chord with consumers that will have lasting effects.

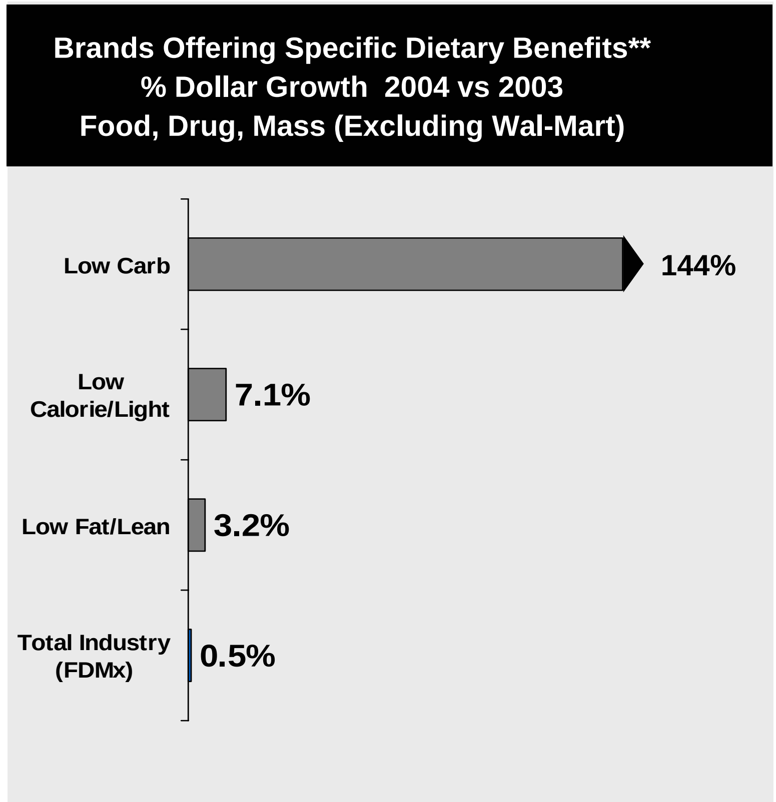
A substantial proportion of consumers reported following specific diets in 2004; these consumers represent sizable target markets for specialized products and marketing initiatives going into 2005. It is critical, however, that changes in the direction and compliance to these diets are closely monitored to accurately assess ongoing market opportunity.

Within a slow growth CPG market, the ability to drive impressive growth through products that meet consumers' dietary needs is a testament to the sheer power of the health and wellness trend. Low carb products experienced phenomenal growth in 2004 that will slow in 2005, but other products with weight management benefits, such as low calorie and low fat, quietly grew as well and will see continued growth.

DRIVERS OF GROWTH: HEALTH & WELLNESS - DIET TRENDS

Throughout the coming year, consumers are likely to forego extremes and pursue a healthy, balanced diet that not only helps them control weight but also provides disease prevention and general health benefits.





*** Estimates of low carb dieters vary, depending upon definitions; For instance, NPD reported in November 2004 that 3.6% of consumers were low carb dieters**

****Based upon an analysis of over 1000 brands referencing specific dietary benefits in brand name.**

DRIVERS OF GROWTH: HEALTH & WELLNESS - DIET TRENDS: BEVERAGES

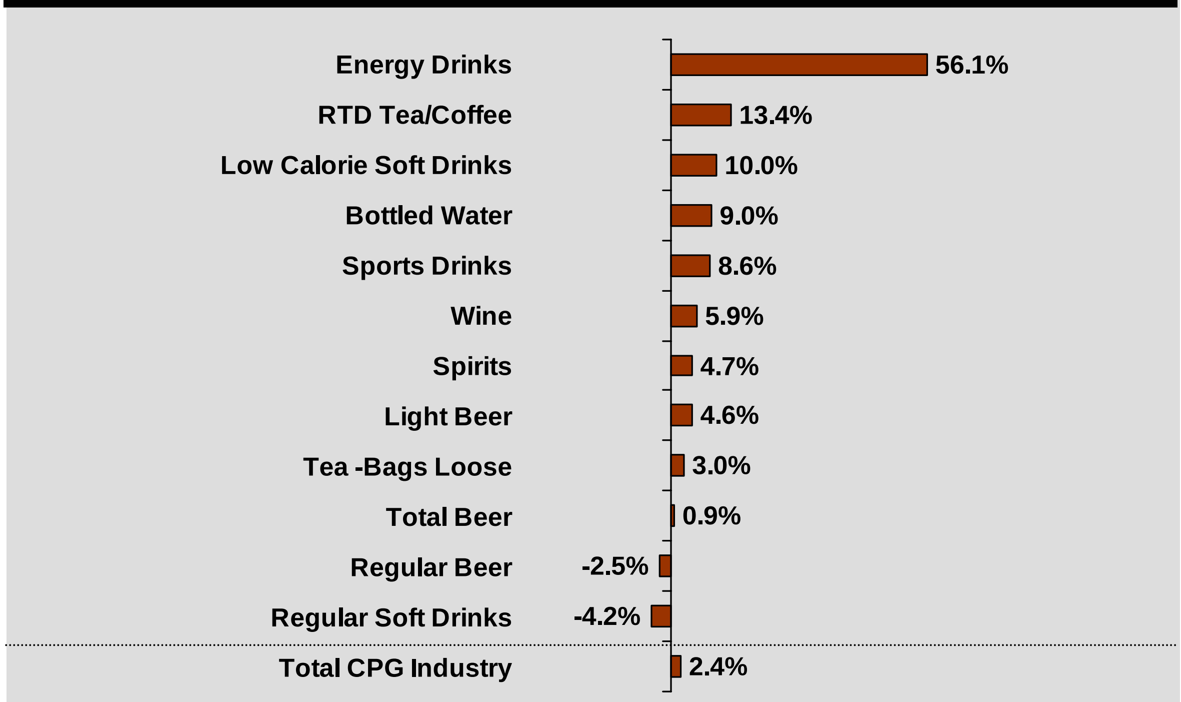
The beverage segment offers a solid representation of trends shaping results across the industry. Consumers gravitated toward beverages with inherent health benefits, such as bottled water and soy milk; healthier alternatives of favorite beverages, including low calorie soft drinks and light beer; and beverages with functional benefits, such as energy drinks and sports drinks.

Sources: IRI MedProfiler IV January 2005; IRI InfoScan® Reviews

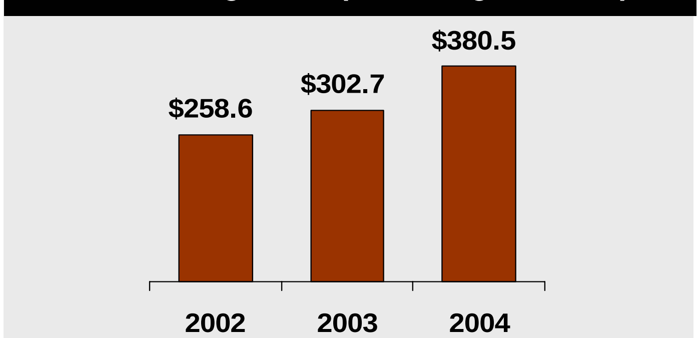
DRIVERS OF GROWTH: HEALTH & WELLNESS: DIET TRENDS: BEVERAGES

The notion of balance, which is reflected in consumers' general attitudes and behavior regarding healthy eating, is evident in beverage purchase trends. Consumers are seeking healthier fare but are not giving up all that they enjoy – both wine and spirits, for instance, recorded solid growth.

Selected Beverage Category Dollar Sales % Change: 2004 vs 2003
Food, Drug, Mass (Including Wal-Mart); Beer, Wine, Spirits Food & Drug Only



Soy Milk Dollar Sales (Mil$)
Food, Drug, Mass (Excluding Wal-Mart)



Source: IRI Total Retail View™; IRI InfoScan® Reviews

DRIVERS OF GROWTH: HEALTH & WELLNESS – NATURAL AND ORGANIC PRODUCTS

Strong buying trends for natural and organic products are further evidence of consumers' commitment to a more healthful, balanced diet. With 94% household penetration, these products have become mainstream. The organic product subsegment is now purchased by nearly half of consumers.

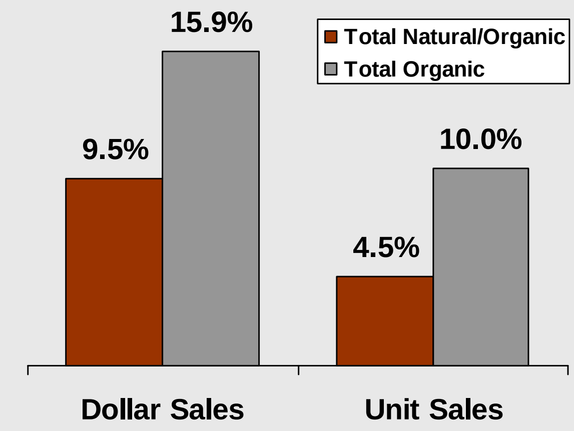
Following a pattern that mirrors the CPG industry as a whole, grocery and club channels are losing share to supercenters; however, grocers and other retailers have an opportunity to differentiate themselves in this space– particularly within the more targeted organic products segment.

A key opportunity within this segment is to further drive trial of organic products by increasing availability and awareness of benefits. In addition, it is imperative that manufacturers and retailers understand and address the factors inhibiting repeat purchases of organic products.

Natural and Organic Food and Beverage Household Penetration and Repeat Buying

	2004	2003
% Households Buying		
Total Natural/Organic	94%	94%
Organic	46%	43%
% Repeat Buyers		
Total Natural/Organic	93%	92%
Organic	65%	63%

Natural and Organic Food and Beverage % Sales Change: 2004 vs 2003



Natural and Organic Food and Beverage % Dollars by Channel: 2004 vs 2003

	2004	Point Change 2004 vs 2003
Food (Excl. Natural Chains)	72.2%	(0.7)
Drug	1.9%	+0.1
Mass	4.4%	+0.3
Supercenter	6.0%	+1.0
Club	3.9%	(0.7)
Natural Grocery Chains	4.0%	+0.1
Other	7.6%	+0.1

Sources: IRI Consumer Network®; SPINS (Product Definitions); 52 weeks ending 10/24/04 and 10/26/03

DRIVERS OF GROWTH: HEALTH & WELLNESS – HEALTHCARE PRODUCTS

Overall, healthcare sales growth was modest in 2004, but performance varied widely across categories. Growth categories benefited from consumer aging (eg. adult incontinence), a broad base of consumers treating chronic health conditions (eg. gastrointestinal tablets, bolstered by the Prilosec OTC switch) and consumers seeking to improve their general health (eg. anti-smoking products).

A number of the categories facing declines have significant upside potential, given current events and trends. For instance, the internal analgesic market has been impacted by consumer uncertainty following the withdrawal of the Cox-2 prescription drug Vioxx® and subsequent concerns regarding OTC remedies. With over 20% of the population suffering from arthritis and one-third from joint and muscle pain, this is a huge market that requires solutions – Rx, OTC and non-drug remedies, such as vitamins and supplements. Targeted, educational communications will be essential to capturing this market's potential.

The decline in sales of weight control candy/tablets and liquids is further evidence of consumers' move to a more natural approach to weight management and healthy eating.

Food, Drug, Mass (Including Wal-Mart)
Top 15 Healthcare Categories by Dollar Sales: % Change: 2004 vs 2003

	Dollar Sales	Volume Sales
Adult Incontinence	+16.8%	+13.5%
Gastrointestinal Tablets	+12.0%	+1.2%
Anti-Smoking Products	+11.2%	+13.8%
First Aid Accessories	+8.8%	+4.6%
Miscellaneous Health Remedies	+4.9%	+1.7%
Foot Care Products	+4.6%	+3.1%
Feminine Needs	+2.1%	(1.3%)
Cold/Allergy/Sinus Tablets	+1.9%	(3.5%)
First Aid Treatment	+1.7%	+1.3%
Internal Analgesics	(0.8%)	(2.0%)
Weight Control Candy/Tablets	(1.5%)	(1.9%)
Vitamins	(3.3%)	(1.6%)
Cold/Allergy/Sinus Liquids	(5.8%)	(4.3%)
Gastrointestinal Liquids	(5.8%)	(6.8%)
Weight Control/Nutrition Liquid	(12.8%)	(15.4%)
Total Healthcare	+1.4%	+0.8%

Sources: IRI Total Retail View™, IRI InfoScan® Reviews, IRI MedProfiler IV

DRIVERS OF GROWTH – HEALTH & WELLNESS: ACTION ITEMS

Action Items for Manufacturers

- Explore mainstream product development and marketing opportunities for food and beverage solutions consistent with a balanced, healthy diet.
- Identify high-potential health and wellness consumer segments, such as purchasers of organic products and ailment sufferers (eg. diabetics, consumers with high cholesterol) who have specific dietary and treatment needs; develop targeted marketing initiatives, including joint programs with top retail accounts.
- Given the potential for dramatic changes in the healthcare environment with new Rx-to-OTC switches and the risk of drug recalls and withdrawals, manufacturers of both prescription and OTC remedies need a highly flexible, real-time forecasting and tracking system that effectively estimates the reaction of consumers, healthcare providers, insurance providers and competitors.

Action Items for Retailers

- Continually monitor consumer dietary trends to assess degree to which specific principles (ie low carb, low calorie) and general healthier eating have been incorporated into mainstream diets.
- Identify high potential health and wellness consumer segments (eg. organic, sufferers of specific ailments) within your customer base; assess product purchase behavior and unmet needs; working with manufacturers, develop a comprehensive targeted marketing, product assortment and merchandising strategy to create a differentiated position within each segment.
- Collaborate with prescription drug and OTC manufacturers in the development of store-specific forecasting and tracking systems for drug switches, recalls and withdrawals that reduce the uncertainty, exposure and missed sales opportunities associated with these events.

KEY FINDINGS (CONT'D)

DRIVERS OF GROWTH: CONVENIENCE

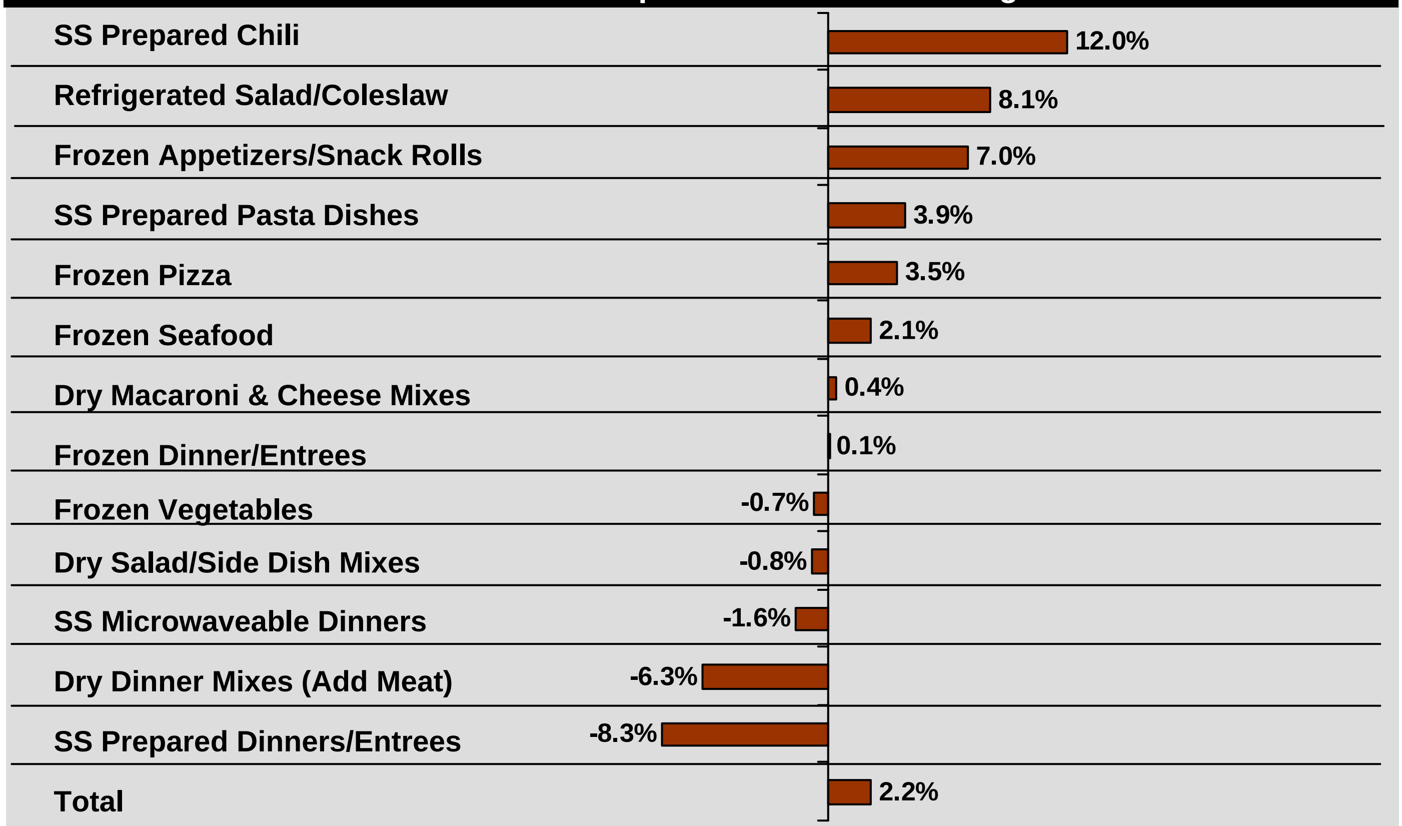
Convenience continues to be a top priority for consumers, as evidenced by strong dollar sales growth across numerous convenient meal and meal component categories. However, several tried and true convenient meal options suffered declines, which were driven, at least in part, by conflicts with low carb dieting and other health trends. As proof that not everyone was on a low carb diet last year, some higher carb categories, such as prepared pasta dishes, grew despite the low carb craze.

The market for convenient meal options will to a large extent mirror the market for food and beverage at large, and product offerings must reflect the needs of a diverse consumer base with a range of dietary approaches. As we move into 2005, the opportunity for balanced meals with weight management (ie. low or moderate calorie levels) and other health benefits is likely to be strong as these trends dominate mainstream diets.

DRIVERS OF GROWTH: CONVENIENCE

Within non-food categories, convenience is a particularly strong driver, as evidenced by sales trends within household cleaner cloths illustrated in the chart below. We not only want effective, disposable cleaning options -- we want them to be all purpose, too.

Food, Drug, Mass (Including Wal-Mart)
Convenient Meal and Meal Components: Dollar % Change – 2004 vs 2003



Food, Drug, Mass (Including Wal-Mart)
Household Cleaner Cloths: % Dollar Growth 2004 vs 2003

All Purpose	**+57.1%**
Furniture	**(1.0%)**
Glass	**(3.0%)**
Total Category	**+39.5%**

Sources: IRI Total Retail View™, IRI InfoScan® Reviews, IRI MedProfiler IV

DRIVERS OF GROWTH – CONVENIENCE: ACTION ITEMS

Action Items for Manufacturers

- Manufacturers of convenient meal solutions need to identify the dietary preferences of their core consumer target group(s) and develop segmented product development and marketing plans as warranted.
- Snack food and beverage manufacturers should continue to explore opportunities to meet the dual needs of convenience and health with on-the-go products targeting mainstream consumers and/or specific consumer segments.
- Household product manufacturers should consider products that not only reduce time and mess but also reduce the number of products required to get the job done, per the phenomenal growth of all-purpose household cleaner cloths.

Action Items for Retailers

- Conduct a comprehensive store-level assessment of purchase trends and preferences among your top customers to ensure that assortment of convenient meal solutions addresses their needs.
- Continually seek convenient new food, beverage and household products with benefits simultaneously addressing multiple consumer needs, such as healthy, convenient snacks or cleaning products that not only reduce time but can also be used for multiple purposes.

RESOURCES

To gain insight into consumer trends impacting your categories, brands or stores and to identify specific opportunities that arise from these trends, contact your IRI client service representative regarding custom analyses and reports leveraging the following resources:

Issue	Source	Description
Sales Trends Across All Major CPG Channels and Retailers	**IRI Total Retail View™**	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.
Purchase Trends Among Consumers Following Specific Diets	**IRI *Consumer Trends on a Diet***	Category-specific reports summarizing purchase behavior trends across consumer segments following 11 different diets, versus non-dieting households.
Purchase Trends Across Specific Ailment Segments	**IRI Consumer Network® ; IRI MedProfiler Heath & Wellness Survey**	Panel-based product purchase trends across ailment segments identified in IRI's annual MedProfiler syndicated survey of health attitudes and conditions.
	IRI RxPulse™ Patient Panel	Rx and OTC purchases among over 84,000 individuals who are ailment sufferers.
Purchase Trends Across Custom Consumer Segments	**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.

QUESTIONS ABOUT THIS REPORT

Please forward questions and comments about this report to Sheila McCusker at sheila.mccusker@infores.com.