TIMES & TRENDS

A Snapshot of Trends Shaping the CPG Industry

EMERGING CONSUMER SEGMENTS

CAPTURING POTENTIAL IN HIGH-GROWTH AND UNDER-SERVED MARKETS

December 2006

IRI INFORMATION RESOURCES, INC.

EXECUTIVE SUMMARY

- Due to sheer size and/or projected growth, three consumer groups are emerging as critical target segments for CPG manufacturers and retailers: families with young children, Hispanic consumers and lower-income consumers

- Households with young children are among the biggest consumers of CPG products, and their numbers are on the rise; attempts to capture share of this group's staple products, baby and kid-driven categories, and meet growing health needs are driving innovation at the product and store level

- Despite a common affinity for select food, beverage and beauty/personal care products among Hispanic consumers, fragmented customs and preferences have created a need for varied strategies to capture the attention and dollars of this valuable segment

- Perhaps the most under-served market today, the lower-income household is fueling the battle for channel share as traditional retailers fight to stem the flow of this segment's spending to value channels, while manufacturers look to value-based brands to build loyalty

INTRODUCTION

Three consumer groups are emerging as critical target segments for CPG manufacturers and retailers.

Three consumer groups are emerging as critical target segments for CPG manufacturers and retailers: families with young children, Hispanic consumers and lower-income consumers.

As the Echo-Boom enters parenthood, the population of households with young children (i.e., children under the age of 12) is climbing quickly. This group grows up with challenges which have not been faced by earlier generations- for example, the obesity epidemic- which will largely rule their shopping behavior for the foreseeable future and play a major role in the development of buying and eating habits that will last a lifetime.

The Hispanic population is a force to be reckoned with. No other population in history has demonstrated such growth, both in terms of sheer number and spending power. And the ethnic diversity within the Hispanic population brings a whole new level of complexity to any attempt to serve the market.

Lower-income households, "Getting By" consumers, struggle to meet basic needs on a very tight budget. Value, by necessity, is the prime driver of shopping behavior among this consumer segment. Lower-income households are perhaps the most under-served segment in retail today.

This report summarizes an extensive analysis of purchase behavior among these key consumer segments to predict the impact these consumers will have on the future of CPG.

Some product segments, such as convenient food and beverages, baby care products, and health and wellness related categories are poised for strong growth as these populations boom, while others, such as more indulgent categories will present more of a challenge to retailers and manufacturers in years to come.

These segments, combined with consumers aged 55+, who are also growing at an exceptional rate (see the June 2006 *Times & Trends*), represent solid growth potential for CPG manufacturers and retailers.

This issue of *Times & Trends* is intended to help CPG manufacturers and retailers:

See new opportunities and risks associated with serving these high-potential segments

Act on these insights with speed and confidence and

Win at the shelf.

FAMILIES WITH YOUNG CHILDREN
OPPORTUNITY

Young children comprise a large and growing share of this country's population.

Children (under 18 years of age) represented about one-quarter of the total U.S. population in 2005. The segment, already sizeable, is poised for significant growth over the next decade.

Households with younger children, particularly children under the age of six, are expected to increase by 10% by 2015.

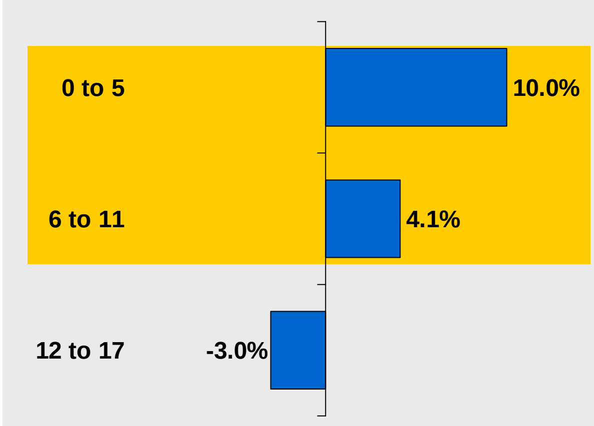
The sheer size of this consumer segment, coupled with specialized needs (baby care, on-the-go foods, etc) make this a critical segment to understand. This large and growing consumer segment will have a significant impact on the future of U.S. retail.

Not to be overlooked are households with children between the ages of 6-11. Though tempered versus their younger counterparts, this age group will also experience healthy growth over the next several years. And, this segment is dealing with a never-before seen issue that is sure to change the packaged goods industry forever: an epidemic of childhood obesity.

Since the needs of the household actually increase with the presence of young children, it is no surprise that these households spend more per household than the average consumer.

This high rate of spending will compound the impact of the burgeoning young family population.

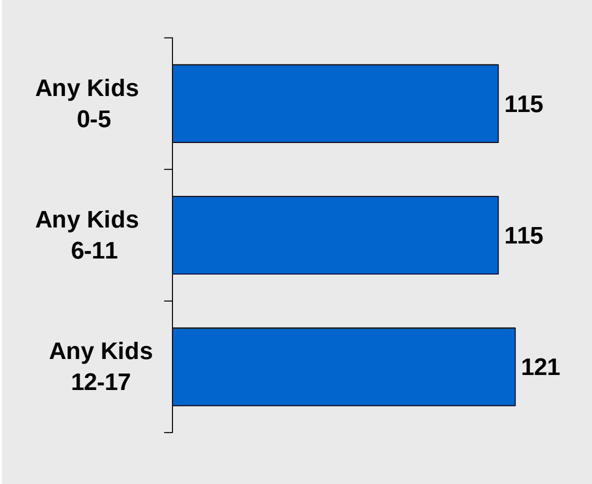
Projected U.S. Population Growth by Age 2005 - 2015



In 2005, children under the age of 18 represented 25% of the U.S. population.

Source: U.S. Census Bureau

2006 Dollars/1000 HH Index vs Total Panel All Outlet



*Across IRI Reviews Categories

Source: IRI Consumer Network®, 52 weeks ending 11/25/06

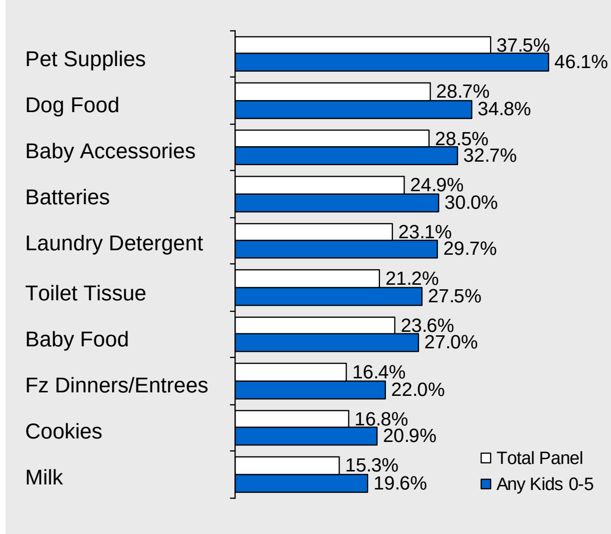
FAMILIES WITH YOUNG CHILDREN
SHOPPING PATTERNS

Broad product assortment and value make supercenters particularly appealing to households with young children.

While grocery, mass merchandise, club and dollar channel behavior is fairly consistent across consumer segments, households with young families have demonstrated a preference for supercenters as a convenient yet value-driven shopping alternative. Drug stores actually garner a lower share among these consumers versus general population, signaling upward potential with this large and growing consumer segment.

Wal-Mart has secured a significantly higher share of families with young children's spending across many top 25 categories, as reflected in the top chart. These categories have become a source of competitive advantage in attracting and retaining shoppers within this segment.

Categories with Above Average Wal-Mart Share of Expenditures Among Households with Kids 0-5



Source: IRI Consumer Network®, 52 weeks ending 11/25/06

2006 Channel Share of Total CPG Spending*

	Total Panel	Any Kids 0-5	Any Kids 6-11	Any Kids 12-17
Grocery	57%	57%	58%	58%
Drug Store	5%	3%	3%	4%
Mass Merchandise	9%	10%	10%	9%
Supercenter	14%	17%	16%	15%
Club	7%	7%	7%	7%
Dollar	1%	1%	2%	1%
Wal-Mart*	18%	23%	21%	20%

*Total Wal-Mart, including Neighborhood Markets

Source: IRI Consumer Network®, 52 weeks ending 11/25/06

*Across IRI Reviews Categories

FAMILIES WITH YOUNG CHILDREN
SHOPPING PATTERNS

Households with young children generally make fewer, but larger shopping trips.

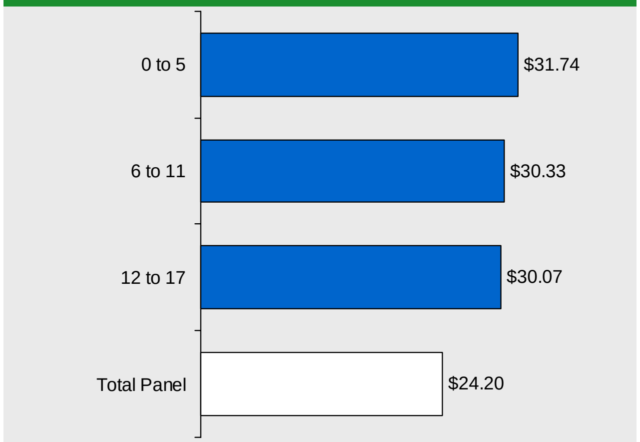
Households with young children make significantly fewer shopping trips than the average household.

Value channels- particularly mass merchandise and supercenter (including Wal-Mart), actually experience a slight increase in frequency among young families.

The fact that grocery maintains an even share of CPG spending among young families despite a lower trip frequency speaks to the value reaped by increasing trips among this segment.

To balance increased need with fewer trips, it is logical that per trip expenditures rise among families with young children. In fact, these households spend 24% more per trip versus total panel. Any up-tick in trips will result in a healthy jump in share of CPG spending.

Dollar Sales per Occasion* Among Families with Children by Age- All Outlet: 2006



*Across IRI Reviews Categories

Source: IRI Consumer Network®, 52 weeks ending 11/25/06

2006 Average Trips per Shopper per Month

	Total Panel	Any Kids 0-5	Any Kids 6-11	Any Kids 12-17
Grocery	5.2	4.4	4.6	4.9
Drug Store	1.3	0.9	0.9	1.0
Mass Merchandise	1.6	1.7	1.7	1.7
Supercenter	1.9	2.0	2.0	2.0
Wal-Mart*	2.0	2.2	2.1	2.2
Club	0.8	0.8	0.8	0.9
Dollar	1.0	0.8	0.9	1.0
All Outlet	13.2	11.2	11.7	12.4

*Total Wal-Mart, including Neighborhood Markets

Source: IRI Consumer Network®, 52 weeks ending 11/25/06

[1] *IRI Healthy Kids* report

FAMILIES WITH YOUNG CHILDREN
CATEGORY OPPORTUNITY

Within kid-driven categories, better-for-you products are growing at explosive rates.

The higher-than-normal increase in the number of young-child households is driving a healthy growth rate among kid-driven categories.

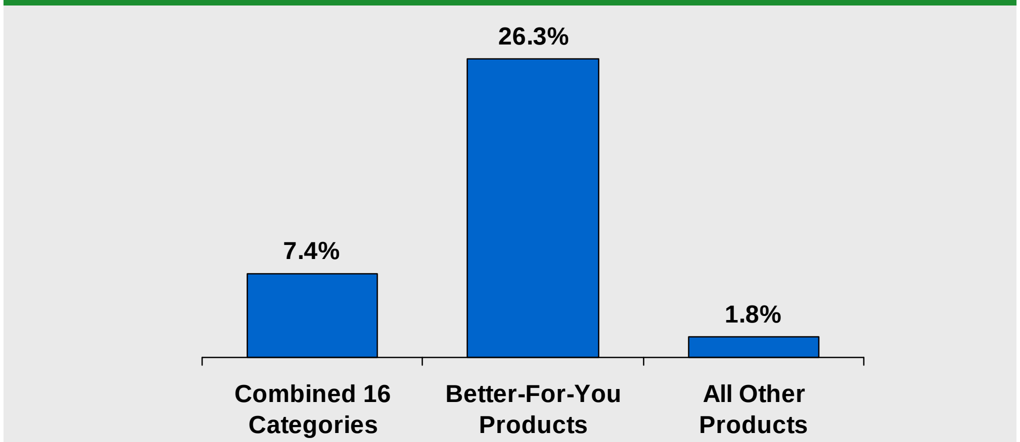
But the country's struggle with obesity will impact packaged goods like no trend has before. If current trends continue, 50% of U.S. kids will be overweight by 2010[1].

Legislators are closely monitoring food manufacturers and away-from-home outlets, and are increasingly mandating the availability of new, better-for-you options.

Manufacturers are responding with a plethora of healthier food options, from more established product attributes such as low or no-fat to newer introductions including functionally enhanced and portion-controlled options.

At the a consumer level, shoppers of households with young children are turning to better-for-you products within kid-driven categories. In fact, as reported in the IRI Healthy Kids Report, these categories are growing at over ten times the rate of mainstream products.

Kid-Driven Categories Growth Trends by Segment:
All Channel Dollar Sales 2005 v 2002



	Combined 16 Categories	Better-For-You Products	All Other Products
Absolute $ Growth	$5,387.1 Million	$4,358.2 Million	$1,028.9 Million

Source: IRI Healthy Kids Report

Kid-Driven Categories Studied

- Bread
- Carbonated Soft Drinks
- Cheese
- Chocolate Candy & Chewing Gum
- Cookies
- Crackers
- Frozen Hand-Held Entrees
- Ice Cream/Novelties
- Lunch Combos & Lunchmeat
- Portable Breakfast & Snack Foods
- Ready-to-Eat Cereal
- Salty Snacks
- Shelf-Stable Juice & Juice Drinks
- Soup
- Sport & Energy Drinks
- Yogurt & Yogurt Drinks

[1]International Journal of Pediatric Obesity, March 2006

FAMILIES WITH YOUNG CHILDREN
CATEGORY OPPORTUNITY

For households with young children, convenience is the name of the game.

Households with young children, in particular those under six years of age, spend a significantly higher portion of their CPG dollars on products related to baby needs, such as diapers, baby foods, and infant snacks.

But they also seek convenience with significantly higher-than-average expenditures on convenient food solutions such as refrigerated lunches and toaster pastries/tarts. And among households with kids aged 6 to 11, convenience is even more prevalent.

It is within these categories that retailers and manufacturers can set the stage with better-for-you alternatives.

And, the effort must go beyond product development: packaging, parent-related messaging, and child-education programs are all relationship-building opportunities. Parents and children must understand the value of these attributes in order for the effort to pay off.

Teach healthy eating habits including balanced nutrition, portion control, and selective indulgence. The rewards will be significant and long-lasting.

Top 10 Categories* Based on 2006 Dollars/1000 HH Index- All Outlet

TOP 10: HH W/ ANY KIDS 0-5		TOP 10: HH W/ ANY KIDS 6-11	
Diapers	588	Aseptic Juices	295
Baby Food	521	Lunches- RFG	290
Baby Formula/Electrolytes	409	Dry Fruit Snacks	260
Baby Accessories	356	Toaster Pastries/Tarts	227
Moist Towelettes	340	Diapers	194
Baby Needs	304	Fz Breakfast Food	180
Dry Fruit Snacks	269	Mexican Foods	175
Aseptic Juices	260	Dry Packaged Dinners	172
Lunches- Rfg	221	Fz Appetizers/Snack Rolls	167
Toaster Pastries/Tarts	197	Moist Towelettes	166

Source: IRI Consumer Network®, 52 weeks ending 11/25/06

*Among top 100 IRI Categories

FAMILIES WITH YOUNG CHILDREN
CATEGORY OPPORTUNITY

Self-indulgence is a luxury often forsaken among shoppers in households with young children.

Snack Nuts/Seeds/Corn Nuts index quite low among households with young children. This category is a shining example of a healthy snack which is often overlooked by the household shopper.

Marketing efforts which tout the convenience of this and similar snack alternatives and educate about the heart-healthy attributes of the product would effectively drive purchase behavior among this consumer group.

Because the focus of households with young children is on tending and nurturing the younger members, the caretakers- often the parents- are often overlooked.

These households index quite low on “self-indulgent” categories such as beer/ale/alcoholic cider and coffee, and even on important self care categories such as vitamins or internal analgesics.

Bottom 10 Categories* Based on 2006 Dollars/1000 HH Index- All Outlet

BOTTOM 10: HH W/ ANY KIDS 0-5		BOTTOM 10: HH W/ ANY KIDS 6-11	
Internal Analgesics	85	Pet Supplies	84
Beer/Ale/Alcoholic Cider	81	Beer/Ale/Alcoholic Cider	82
Snack Nuts/Seeds/Corn Nuts	71	Internal Analgesics	82
Pet Supplies	68	Snack Nuts/Seeds/Corn Nuts	80
Dog Food	66	Dog Food	76
Coffee	65	Coffee	76
Vitamins	51	Cat Food	60
Wine	49	Wine	57
Cat Food	46	Vitamins	53
Spirits/Liquor	39	Spirits/Liquor	52

Source: IRI Consumer Network®, 52 weeks ending 11/25/06

*Among top 100 IRI Categories

HISPANIC POPULATION OPPORTUNITY

The Hispanic population is expected to increase 29% by 2015.

The Hispanic population is a force to be reckoned with. Phenomenal growth in population and buying power make serving this market well critical.

The Hispanic population currently represents 14% of the total U.S. population. But the projected growth of this segment is significant. The U.S. Census Bureau projects a 29% growth in Hispanic population by 2015, versus just 9% total population growth.

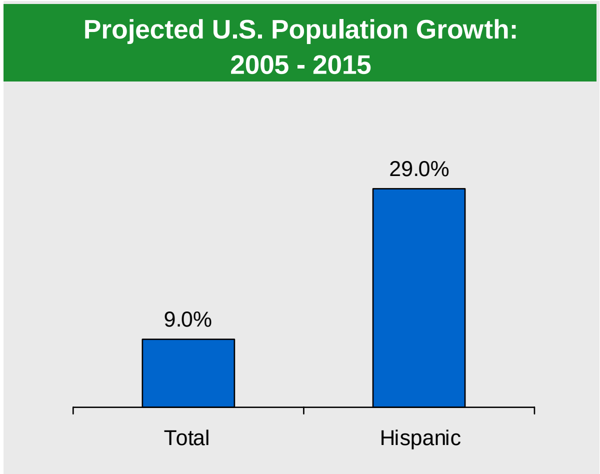
While population growth is strong, growth in Hispanic wealth is even more phenomenal. U.S. Hispanic buying power is estimated at about $652 billion today, and growing at an estimated 9% annually[1].

We are about to enter an era where Hispanics control more disposable income than any other U.S. minority group.

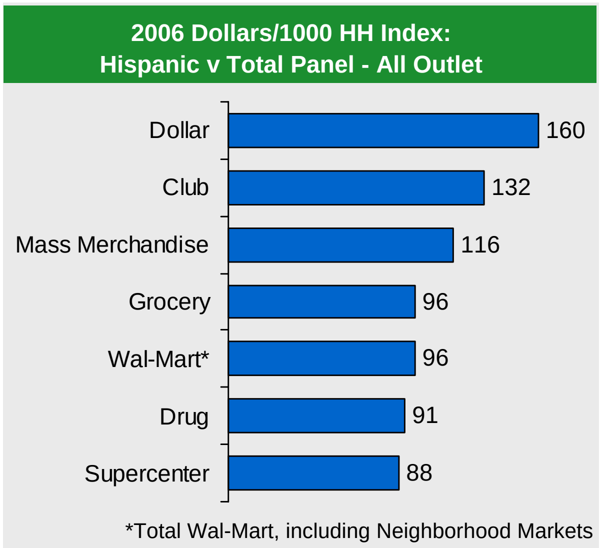
And Hispanic buying patterns indicate that this market spends more heavily on CPG products versus the general population.

The Hispanic segment will play a powerful role in shaping the future of the U.S. consumer packaged goods marketplace.

> *"In terms of spending power, 2007 will mark the first year that Hispanics control more disposable income than any other U.S. minority group."*
> ~Dr. Jeffery Humphreys
> Selig Center for Economic Growth



Source: U.S. Census Bureau



*Across IRI Reviews Categories
Source: IRI Consumer Network®, 52 weeks ending 11/25/06

[1] Source: *IRI's Uncovering Insights on Hispanic Shopping Behavior*, June 2006

HISPANIC POPULATION
OPPORTUNITY

Population growth among the youngest Hispanics is phenomenal.

In general, Hispanics are younger (i.e., more Hispanics are or child-bearing age versus the general population), and Hispanics have more children versus the general population. Couple these facts with high rates of migration from Mexico and other Latin-American countries, and the boom in Hispanic population is on.

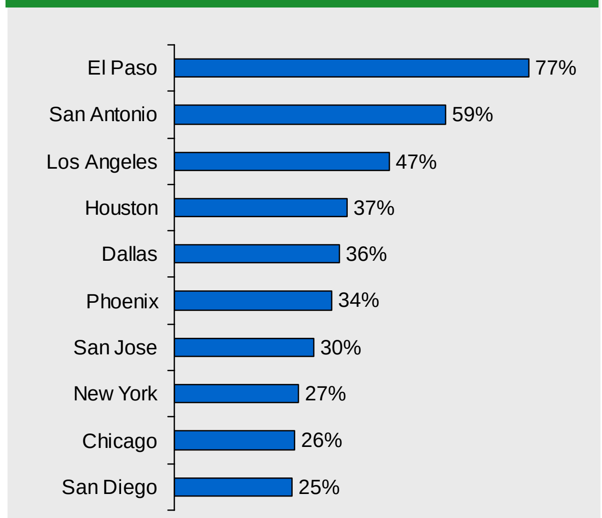
The chart to the right details the ten largest U.S. cities based on Hispanic concentration. But, across the country, this market is booming.

And growth in the younger Hispanic population is even more impressive.

Among total U.S. population, the 0-6 and 6-11 age groups will grow 10% and 4%, respectively, by 2015. Among Hispanics, though, growth among the 0-6 population will be twice the total population growth, at 22%, and 6-11 growth will be a staggering 23%.

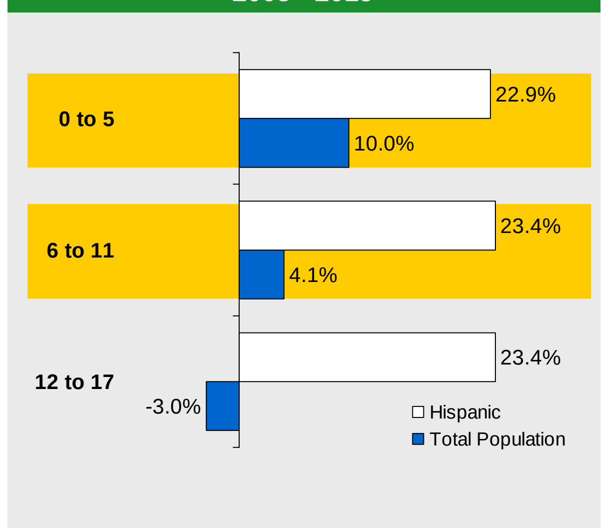
By 2015, one-third of U.S. Hispanics will be under the age of 18.

Ten U.S. Cities with the Highest Percentage of Hispanics-2000



Source: U.S. Census Bureau

Projected U.S. Population Growth by Age 2005 - 2015



Source: U.S. Census Bureau

HISPANIC POPULATION
SHOPPING PATTERNS

Hispanic consumers show a preference for mass, club and dollar store channels.

While this section explores shopping tendencies within the Hispanic market, it is critical to note that there is not one single Hispanic consumer segment. IRI's recent *Uncovering Insights on Hispanic Shopping Behavior* explains that country of origin and degree of acculturation have a significant impact on all aspects of shopping behavior, from promotional responsiveness to product and store selection. The high-level trends reflected here provide directional insights that can be further explored across sub-segments.

Hispanic consumers show a preference for mass, dollar and club outlets, largely at the expense of grocery. These tendencies are probably driven, in part, by the group's higher sensitivity to price and value[1].

But, value isn't the only consideration. In fact, store proximity is rated the number one factor in store selection by a 4:1 margin over the number two reason of price. Why? Because one in four Hispanics walks or takes public transportation (versus 1 in 33 among the general population) [2].

And, Hispanics view food as a central part of life. As such, many activities revolve around food. To appeal to the Hispanic shopper is to become part of the routine. Retailers are taking note and focusing efforts on building relationships with this valuable consumer segment.

2006 Channel Share of Total CPG Spending*

	Total Panel	Hispanic
Grocery	57%	54%
Drug Store	5%	5%
Mass Merchandise	9%	11%
Supercenter	14%	12%
Club	7%	9%
Dollar	1%	2%
Wal-Mart*	18%	17%

*Total Wal-Mart, including Neighborhood Markets
*Across IRI Reviews Categories
Source: IRI Consumer Network®, 52 weeks ending 11/25/06

For example, H-E-B-run Mi Tienda (Pasedena, CA) appeals to the high Mexican concentration of the area leveraging a store-within-a-store concept. The ambiance is "like stepping into a Mexican village". It's Panaderia, Tortilleria and Carneceria departments (modeled after shopping separately the bakery, pastry shop and butcher) prepare fresh tortillas, sweets and meats for its largely Latino customer base.

[1] Source: *IRI's Uncovering Insights on Hispanic Shopping Behavior*, June 2006

[2] Source: Unilever, *Winning the Hispanic Shopping Trip*

HISPANIC POPULATION
CATEGORY OPPORTUNITIES

Hispanics index high in beauty care, baby care, and categories which offer strong or ethnic flavor options.

As the Hispanic market has a high and growing representation among young families, it is a huge market for baby-related categories such as baby formula/electrolytes and baby accessories.

The Hispanic market is also characterized by a particularly strong awareness of beauty and personal care. As the chart below illustrates, Hispanics index higher than average across 11 beauty and personal care-related product.

For food categories, IRI's recent *Uncovering Insights on Hispanic Shopping Behavior* indicates strong preference for distinct product attributes such as, crunchy, spicy, cheesy and savory. These preferences show through in actual category selection behaviors, as detailed in the chart below.

Several recent product introductions have answered the call for Hispanic-specific innovation, such as Gerber's Recetas Latinas line, Sunshine Cheez-It Fiesta and Oreo Dulce de Leche.

Categories* for Which Hispanics Index Above Average
Based on 2006 Dollars/1000 HH Index- All Outlet

Beauty Care		General Grocery		Baby Care	
Hair Conditioner	148	Mexican Foods	216	Baby Formula/Electrolytes	158
Shampoo	147	Aseptic Juices	177	Baby Accessories	147
Moist Towelettes	141	Sports Drinks	145	Diapers	124
Deodorant	129	Rice	130	**Household Needs**	
Hair Coloring	128	Tea/Coffee RTD	127	Fabric Softener Liquid	141
Soap	127	Bottled Water	121	Cups & Plates	117
Skin Care	126	Spices/Seasonings	121	Laundry Detergent	115
Toothpaste	123	Rfg Fresh Eggs	121	**Other**	
Blades	121	Luncheon Meats	120	Beer/Ale/Alcoholic Cider	137
Hand & Body Lotion	119	Shortening & Oil	119	Gum	130
Sanitary Napkins/Tampons	119	Seafood- SS	119	Tights/Socks	122

Source: IRI Consumer Network®, 52 weeks ending 11/25/06

*Among top 100 IRI Categories

LOWER-INCOME HOUSEHOLDS
OPPORTUNITY

Over one-third of U.S. households earn under $35K per year.

> *"Financial analysts believe that the extreme value industry is the most under-saturated major sector in retailing with a lot of un-tapped and under-penetrated markets remaining."*
> ~Chain Store Age

When adjusted for inflation, income among non-elderly U.S. households fell 2.7% from 2000 to 2005.
– U.S. Census Bureau

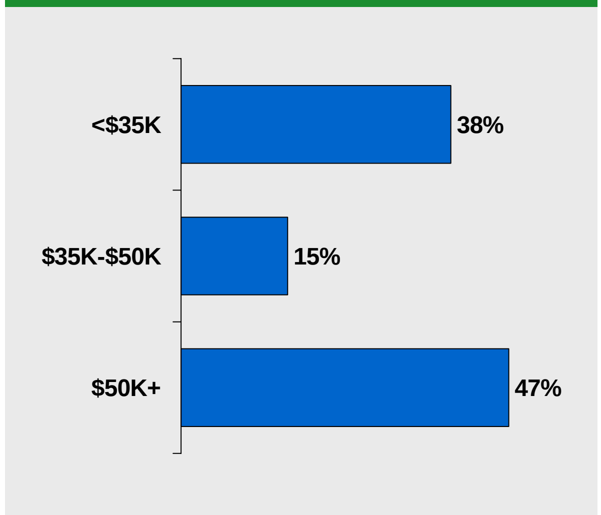
Households with income of $50K or less account for 53% of the U.S. population. More than one-third of U.S. households earn less than $35K annually. The fact is, many U.S. households struggle to make ends meet.

But to a large degree, the needs of a lower-income household are the same as those of a wealthier household. The lower-income households just have to meet those needs more frugally than the rest of the population.

Hence, the quest for value. Lower-income households spend less than their wealthier counterparts on packaged goods. Largely, they do this out of necessity.

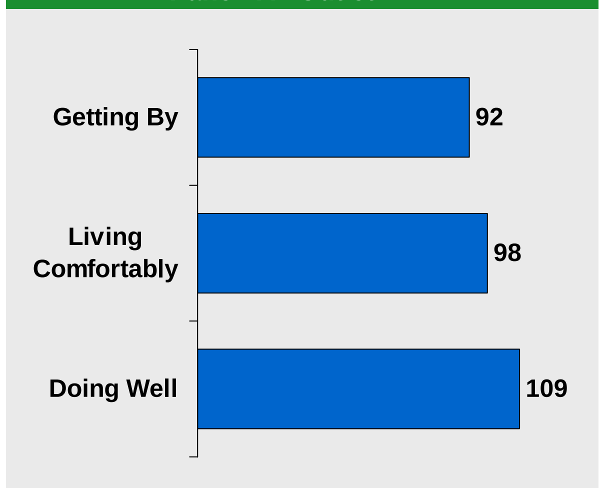
To date, the value segment is recognized as under-penetrated and under-served. Retailers and manufacturers who fill this need stand to gain a competitive advantage in the battle for low-income household's CPG dollar.

Proportion of U.S. Population by Income 2005



Source: U.S. Census Bureau

2006 Dollars/1000 HH Index vs Total Panel- All Outlet



*Across IRI Reviews Categories

Source: IRI Consumer Network®, 52 weeks ending 11/25/06

<u>Getting By</u>
- One member households, income up to $19.9K
- Two or more member households, income up to $34.9K

<u>Living Comfortably</u>
- One member households, income $20K - $34.9K
- Two or more member households, income $35K - $54.9K

<u>Doing Well</u>
- One member households, income $35K+
- Two or more member households, income $55K+

LOWER-INCOME HOUSEHOLDS
SHOPPING PATTERNS

Value is a dominant driver of lower-income consumer store selection.

Value channels- particularly supercenters and dollar stores- play a critical role in meeting the needs of lower-income consumers. The lower-income "Getting By" consumer allocates one-third more of their CPG dollars to the supercenter channel versus their wealthier "Doing Well" counterparts.

Within Wal-Mart (including Neighborhood Markets), this increase is even more notable, capturing 21% of lower-income household CPG dollars versus 15% of expenditures among wealthier households.

In the drive for value, lower-income households have dedicated a smaller share of CPG spending to the traditional grocery format. As grocers race to regain lost share, we are likely to see an increase in the number of value-oriented grocery formats.

The dollar channel actually captures fully three times the panel average in CPG share versus total panel and other consumer segments in spending allocation.

In fact, many analysts believe that the extreme value channel has major growth potential, as these consumers are under-served to a large extent.

2006 Channel Share of Total CPG Spending*

	Total Panel	Getting By	Living Comfortably	Doing Well
Grocery	57%	55%	56%	58%
Drug Store	5%	6%	5%	5%
Mass Merchandise	9%	9%	9%	9%
Supercenter	14%	16%	15%	11%
Club	7%	4%	6%	9%
Dollar	1%	3%	1%	1%
Wal-Mart*	18%	21%	20%	15%

*Total Wal-Mart, including Neighborhood Markets

Source: IRI Consumer Network®, 52 weeks ending 11/25/06

*Across IRI Reviews Categories

LOWER-INCOME HOUSEHOLDS
SHOPPING PATTERNS

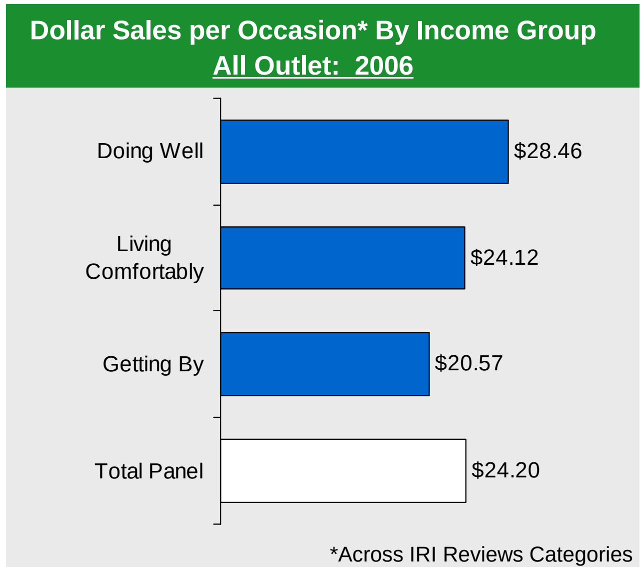
Lower-income households make more frequent but smaller trips versus wealthier income groups.

Nearly across the board, lower-income consumers shop more frequently versus their wealthier counterparts.

The notable exception is the club channel, the only channel to experience decreased shopping frequency among less wealthy households.

Per trip expenditures among lower-income consumers are notably less versus wealthier consumer segments. This group is more likely to shop on an as needed basis rather than "stocking up" to save trips.

Less wealthy consumers spend an average 15% less per trip versus total panel, and a stunning 27% less versus upper-income consumers.



Source: IRI Consumer Network®, 52 weeks ending 11/25/06

2006 Average Trips per Shopper per Month

	Total Panel	Getting By	Living Comfortably	Doing Well
Grocery	5.2	5.6	5.1	4.9
Drug Store	1.3	1.4	1.3	1.2
Mass Merchandise	1.6	1.8	1.6	1.5
Supercenter	1.9	2.1	1.9	1.6
Wal-Mart*	2.0	2.4	2.1	1.7
Club	.84	.72	.82	.93
Dollar	1.0	1.3	.93	.70
All Outlet	13.2	14.2	13.0	12.5

*Total Wal-Mart, including Neighborhood Markets

Source: IRI Consumer Network®, 52 weeks ending 11/25/06

LOWER-INCOME HOUSEHOLDS
SHOPPING PATTERNS

Value channel frequency and per-trip expenditures are up among Getting By shoppers.

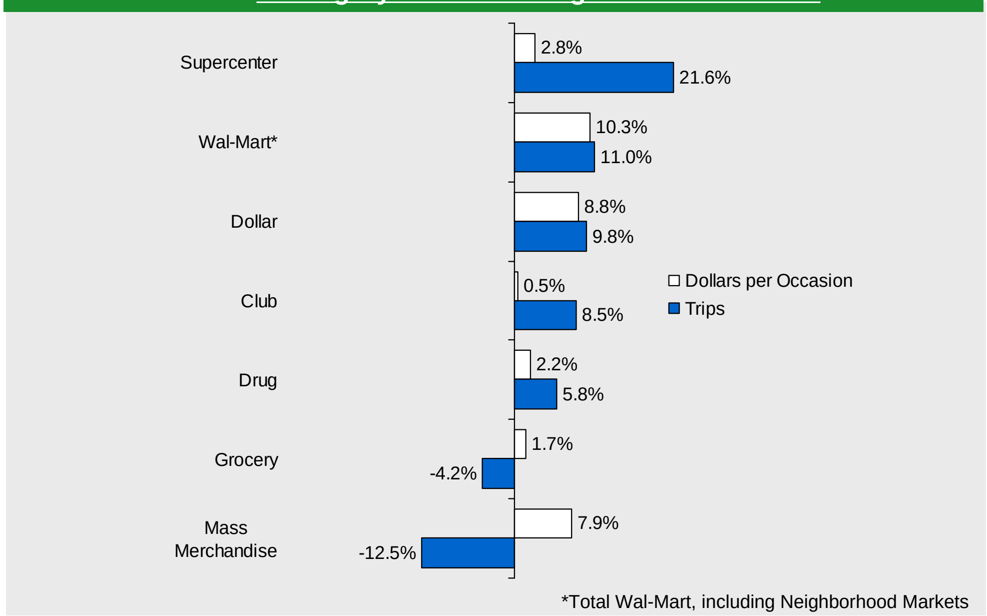
Value channels have advanced their position among lower-income consumers through increased trips and dollars per trip. By contrast, trips to grocery stores and traditional mass merchandising stores have declined. Trip growth among value channels highlights the extent to which value is a key driver of channel selection among these consumers.

Over the past several years, the dollar channel has stepped up food and beverage offerings in an attempt to build traffic and drive share of CPG spending- particularly among lower-income shoppers.

The strategy does appear to have met with some success, as demonstrated by a 4.2% decline in average trips within the grocery channel per month between 2003 and 2006 (versus a nearly 10% increase in dollar) among this huge and critical consumer segment.

Grocers have begun to answer the call for increased value with the introduction of new, no-frills formats such as SUPERVALU's Sav-A-Lot, which boasts savings of 40% versus traditional grocery stores, and Food Lion's Bottom Dollar.

Growth in Number of Trips & Dollar Sales per Occasion*
Getting By Consumer Segment: 2006 v 2003



Source: IRI Consumer Network®, 52 weeks ending 11/25/06

LOWER-INCOME HOUSEHOLDS
CATEGORY OPPORTUNITY

Lower-income households spend less nearly across the board, but some exceptions indicate opportunity to build sales.

An analysis of top 10 CPG categories provides critical insights into category-level shopping differences among shoppers of different economic means.

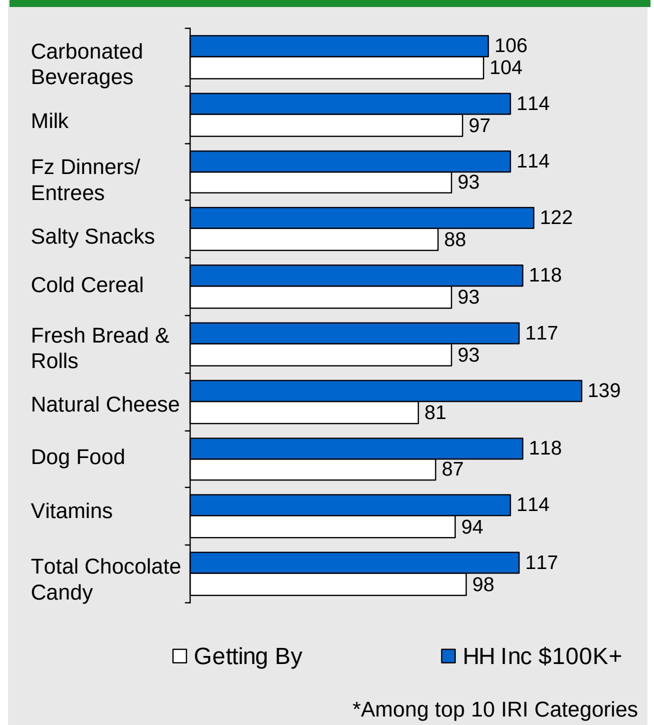
Not surprisingly, lower-income households index lower than average nearly across the board. Likewise, wealthier households index consistently high.

There are several categories, however, in which lower-income households actually outspend their wealthier counterparts. Adult incontinence and home health care kits are chief among these categories, which are consistent with lower-income households being most likely to be uninsured, and thus most likely to self-treat for common ailments.

Manufacturers have opportunity to serve this critical consumer segment through lower-priced product offerings.

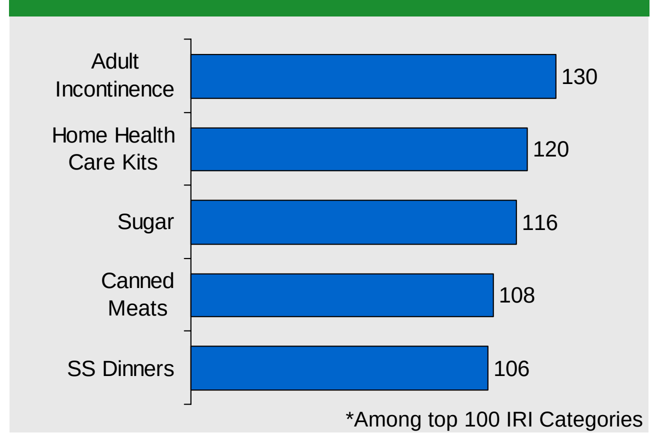
Proctor & Gamble, for instance, has introduced new paper goods targeting the highly value-conscious shopper: Charmin Basic and Bounty Basic.

2006 Dollars/1000 HH Index*: Getting By vs Total Panel and HH Inc $100K+ vs Total Panel - All Outlet



Source: IRI Consumer Network®, 52 weeks ending 11/25/06

Categories in Which Lower Income Households Spend Disproportionately High vs Total Panel: 2006 Dollars/1000 HH Index*- All Outlet



Source: IRI Consumer Network®, 52 weeks ending 11/25/06

LOWER-INCOME HOUSEHOLDS
CATEGORY OPPORTUNITY

Private label offers lower-income households a budget-conscious option for meeting CPG needs.

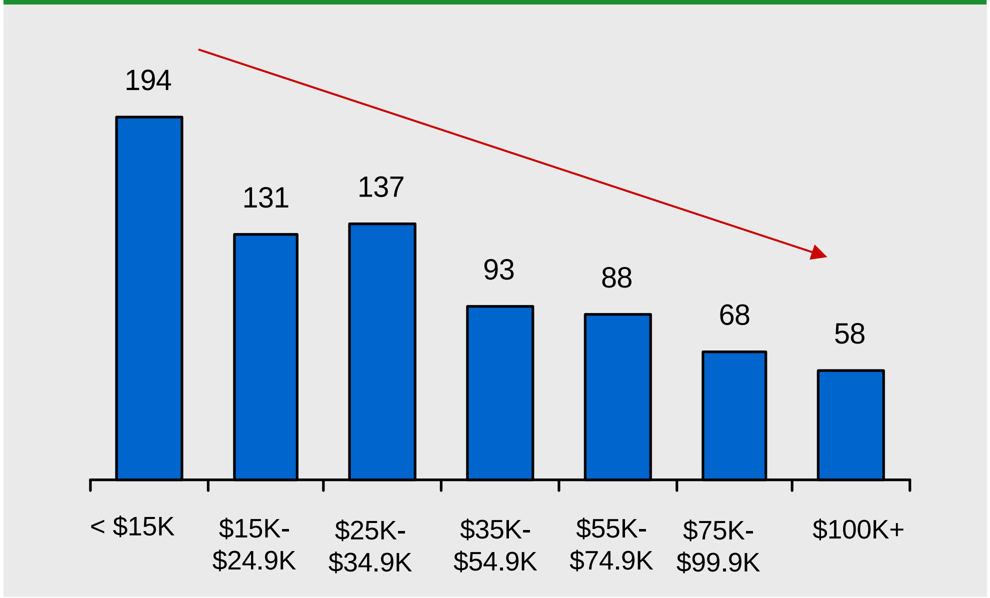
Value-oriented shoppers rely heavily on private label to meet their CPG needs in a cost-effective manner.

As such, private label spending links closely with household income, falling as household income rises.

Lower-income consumers' gravitation to private label products, which are discounted on average 27% versus national brands, illustrates the market potential for value-priced national and private label brands.

As both CPG manufacturers and retailers increasingly recognize the market potential and current market gaps within this segment, we will see increased new "value" product introduction and positioning.

Private Label Dollar Index by Income Segment (100 = Average)



Source: IRI Consumer Network® 52 weeks ending 9/3/2006

CONCLUSIONS

CPG MANUFACTURERS

Manufacturers seeking to protect and grow share within these emerging segments should consider the following action items:

- Families with Young Children
  - Explore new product development opportunities among healthier and more convenient kid-oriented foods and beverages
  - Align distribution strategies with channel preferences: heavier focus on supercenters; significantly lower share allocated to drug stores
  - Partner with leading retail accounts in leveraging destination categories (eg. baby care) to drive traffic and loyalty among families with young children

- Hispanic Consumers
  - Explore new product development and targeted marketing opportunities among high-index Hispanic consumer categories (eg. beauty/personal care, baby care, beer)
  - Focus development efforts against preferred flavors and textures (crunchy, spicy, cheesy, savory)
  - Align distribution strategies with channel/store preferences: heavier focus on club and traditional mass
  - Target stores with close proximity to Hispanic communities, as a high proportion of consumers walk or take public transportation to stores

- Lower-Income Consumers
  - Identify current mix of lower-income consumers among brand buyers
  - Implement more frequent/aggressive promotions among stores with a high mix of lower-income consumers
  - Explore market potential of new value brands specifically targeting this segment
  - Align distribution strategies with channel/store preferences: heavy focus on supercenters and dollar stores

CONCLUSIONS

CPG RETAILERS

Retailers seeking to protect and grow share within these emerging segments should consider the following action items:

- Families with Young Children
  - Explore category and private label development opportunities among healthier and more convenient kid-oriented foods and beverages
  - Align competitive strategies with channel preferences: heavier focus on supercenters; significantly lower share allocated to drug stores
  - Partner with leading manufacturers in leveraging destination categories (eg. baby care) to drive traffic and loyalty among families with young children
  - Identify targeted merchandising opportunities, such as store signage highlighting healthy, kid-friendly snacks, sections of the store devoted to healthier kids' products and/or kids' personal care products
- Hispanic Consumers
  - Explore category development and targeted marketing opportunities among high-index Hispanic consumer categories (eg. beauty/personal care, baby care, beer)
  - Align competitive strategies with channel/store preferences: heavier focus on club and traditional mass
  - Assess success of new formats targeting Hispanic consumers to identify optimal store features
  - Focus Hispanic marketing and merchandising efforts in stores within close proximity to Hispanic communities, as a high proportion of consumers walk or take public transportation to stores; explore feasibility of shuttle service
- Lower-Income Consumers
  - Implement targeted promotions among stores with a high mix of lower-income consumers
  - Explore market potential of "extreme value" private label and manufacturer brands
  - Align competitive strategies with channel/store preferences: heavy focus on supercenters and dollar stores

RESOURCES

To gain insight into opportunities to protect and grow share among the emerging segments represented in this report, contact your IRI client service representative about the following resources:

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 Healthy Kids Report	Comprehensive report uncovers emerging health trends for kid-driven food and beverage categories and assesses the performance and future impact of better-for-you products. Includes in-depth analysis within 16 kid-driven food and beverages categories.
IRI AttitudeLink	Custom surveys 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.

ABOUT IRI

Information Resources, Inc. (IRI) is the world's leading 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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