

TIMES & TRENDS

A Snapshot of Trends Shaping the CPG Industry

2007 NEW PRODUCT PACESETTERS

INNOVATIVE NEW CPG BRAND LEADERS



March 2008

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EXECUTIVE SUMMARY

- ▶ An exceptionally high number of new product introductions over the past three years reflects the growing importance of innovation in manufacturer growth strategies; however, less than 2% of new brands earn \$50 million or greater in sales
- ▶ The most successful new food and beverage brands addressed evolving consumer health and wellness needs – not only weight management and nutrition, but also disease prevention and management; food and beverage health benefits will become increasingly specific in the coming years
- ▶ Snack bars and cereal remain the most productive food and beverage categories in Pacesetter introductions, but several major categories significantly stepped up the number of qualifying introductions this year, including salty snacks, beer, ready-to-drink coffee and tea, and bottled water
- ▶ A substantial number of non-food Pacesetters offered game-changing benefits and positioning this year, raising the bar for future introductions; game-changers included automated home care, aromatherapy in laundry care and hair care, and “professional-caliber” personal care
- ▶ Among non-foods, hair care had a remarkable year, with every hair care category significantly increasing the number of Pacesetters, and four hair care brands making the top ten list
- ▶ A growing number of both food & beverage and non-food Pacesetters offer new varieties, including products targeting specific demographic segments, health conditions and dayparts; as the breadth of varieties expands, the need for relevant assortments becomes more critical



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INTRODUCTION

IRI's New Product Pacesetters report showcases the year's most successful new brands.

Now in its thirteenth year, the annual IRI New Product Pacesetters report showcases the year's most successful new CPG brands.

These brands truly beat the odds: less than one-quarter of new brands exceed the \$7.5 million hurdle for year-one sales that is required to earn Pacesetter status.

Further, with a record number of new products introduced over the past three years, competition for consumer attention and spending has become even more intense than we have seen in the past.

Within this environment, new brands must rapidly become "must-have" products through the delivery of unique, high-demand benefits. The brands showcased in this report have achieved just that.

Several new Pacesetters accomplished this goal by creating new markets, leveraging advanced consumer insights and new technologies. Tide Simple Pleasures, for instance, establishes mood-altering scent as a selection criterion in laundry detergent. Birds Eye Steamfresh offers a transformational new microwave steaming cooking technology that provides a quick and easy way to cook frozen vegetables while preserving taste, texture and nutrition.

Other Pacesetters extended category reach into new dayparts. Gatorade A.M., for example, enters sports drinks into the morning routine.

Many of this year's Pacesetters also supported brand launches with lifestyle-based marketing initiatives, which present the brand as part of a solution, not just a purchase. Campbell's highly successful Reduced Sodium soup, for instance, is positioned as one-step in reducing salt intake and as a solution for the whole family – not only those suffering from sodium-related health conditions. Dannon DanActive's immunity boosting dairy drink is marketed as a product that helps every member of the family in their daily lives.

This report details the most successful new CPG brands and the consumer benefits that have made them a success. IRI New Product Pacesetters are best practice case studies in how to beat the new product odds.

IRI New Product Pacesetters Criteria

- At least \$7.5 million in year-one-sales in Food, Drug, Mass channels (excluding Wal-Mart)
- Begin tracking sales after 30% ACV weighted distribution achieved
- Must complete a full year of sales (Brands that do not are considered Rising Stars for the following year)



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OVERVIEW NEW PRODUCT ACTIVITY

CPG manufacturers are increasingly investing in innovation to drive growth.

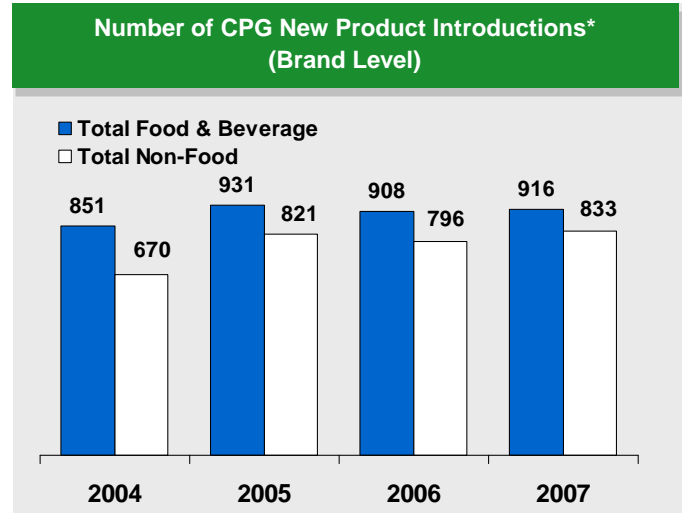
Exceptionally high levels of new product activity over the past three years reflect an increased focus on innovation to drive growth.

The brands showcased in this report delivered. These brands are the success stories.

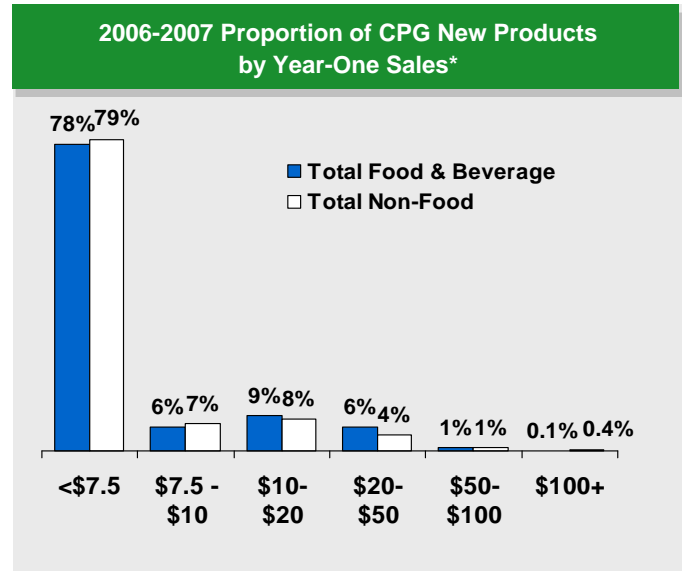
Most new brands, however, fail to deliver meaningful growth. Less than one-quarter of new brands exceed \$7.5 million in year-one sales – the threshold required to earn New Product Pacesetter status. In fact, year-one sales are actually declining. Over the past decade, the proportion of brands earning \$20 million or more has shrunk, from 13% to 7% in food and beverages and from 22% to 5% in non-foods.

Over the past decade, the proportion of brands earning \$20 million or more has shrunk.

While part of this decline is due to a rise in the introduction of targeted solutions intended for a narrow audience, there remains a dire need to improve the new product introduction process.



*Across Food, Drug, Mass Channels (Excluding Wal-Mart)
Source: IRI New Product Profiler™



*Across Food, Drug, Mass Channels (Excluding Wal-Mart)
Source: IRI New Product Profiler™



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OVERVIEW NEW BRANDS VS EXTENSIONS

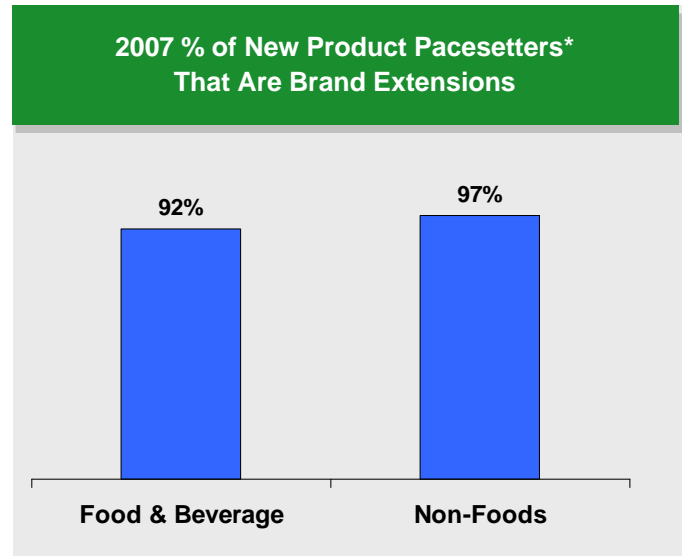
Most Pacesetters are extensions of well-established existing brands.

Virtually all of the New Product Pacesetters are extensions of existing brands, rather than net-new brands.

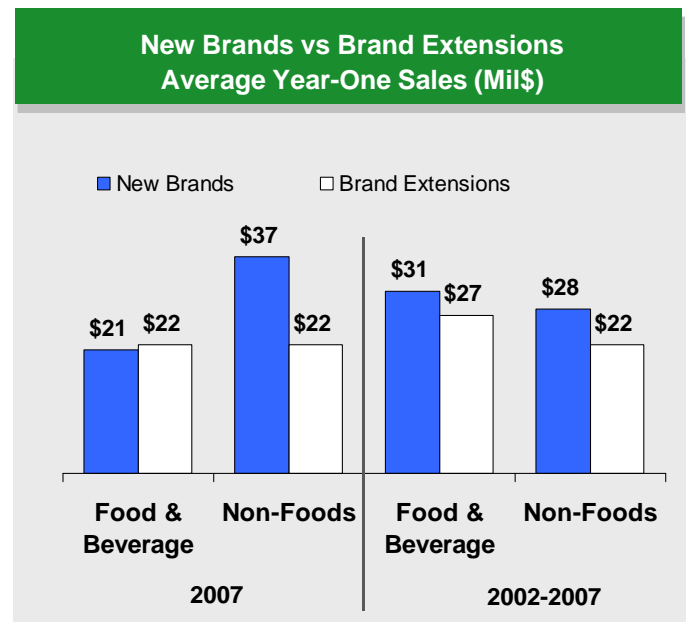
Historically, net-new Pacesetters brands have earned higher year-one sales than extensions. This year, however, while this relationship continues to hold true in non-foods, there was a departure in food and beverages: extensions were equally as successful as new. Manufacturers are cracking the code on getting a larger return when leveraging existing brand equities by creating excitement and distinguishing the new items on the shelf.

In a departure from historical trends, year-one sales among food and beverage brand extensions slightly outpaced sales of net-new brands.

Highly successful net-new food and beverage brands this year include Flat Earth fruit and vegetable chips from Frito Lay, Stride gum and Vault carbonated beverages. In non-foods, net-new brands include The Goodlife Recipe dog food and Sunsilk hair care.



*Across Food, Drug, Mass Channels (Excluding Wal-Mart)
Source: IRI New Product Profiler™



*Across Food, Drug, Mass Channels (Excluding Wal-Mart)
Source: IRI New Product Profiler™



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FOOD AND BEVERAGE TOP TEN NEW PRODUCT PACESETTERS

Top ten food and beverage brands help consumers meet their dietary goals without sacrifice.

As consumers become more proactive in selecting food and beverages that help them meet weight management, nutrition, and disease management and prevention goals, new brands delivering these benefits have been hugely successful.

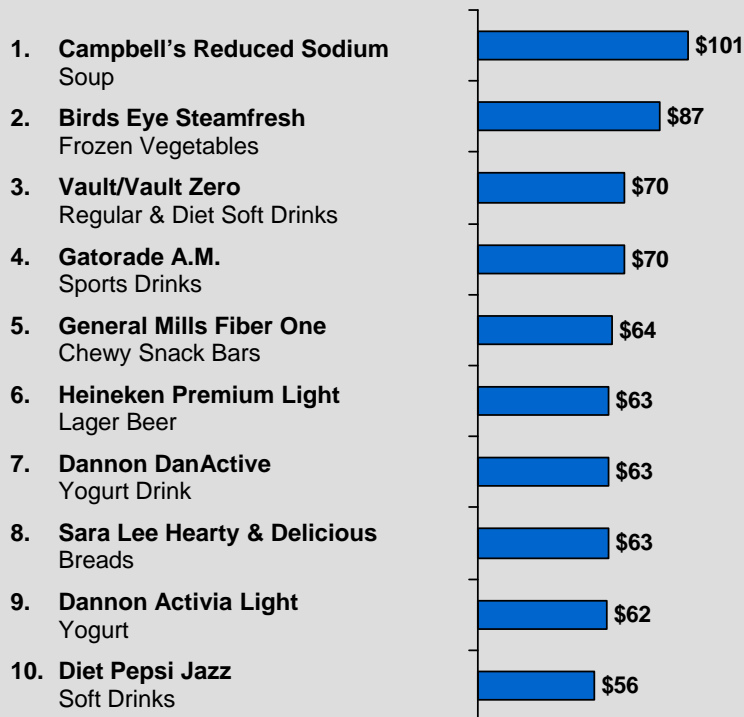
Several top ten new brands help consumers meet dietary guidelines for basic nutrition. Campbell's Reduced Sodium soups are effectively positioned as one step in reducing overall salt intake. Birds Eye Steamfresh offers a convenient new way to cook frozen vegetables, making it easier to get required daily servings. General Mills Fiber One snack bars deliver 35% of the

recommended daily fiber intake and can be consumed on-the-go. Sara Lee Hearty & Delicious breads deliver fiber and whole grains.

Other top ten brands deliver "functional" benefits beyond nutrition. Vault soft drinks provide an energy boost, DanActive yogurt drinks an immunity boost, and Dannon Activia Light aids in digestion. Gatorade A.M. replenishes fluids lost during sleep.

Brands delivering indulgence without the calories were also winners with consumers, as evidenced by the strong performance of both Heineken Premium Light and Diet Pepsi Jazz, which is available in unique flavors such as Caramel Cream.

**2006–2007 New Product Pacesetters: Top 10 Food & Beverage Brands
Year One Dollar Sales (Mil\$) Across Food, Drug, Mass (Excluding Wal-Mart)**



Sources: IRI New Product Profiler™, New Products Launched February 2006 – January 2007

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FOOD AND BEVERAGE CATEGORY TRENDS

Sustained high innovation delivers category and brand growth – even in mature categories.

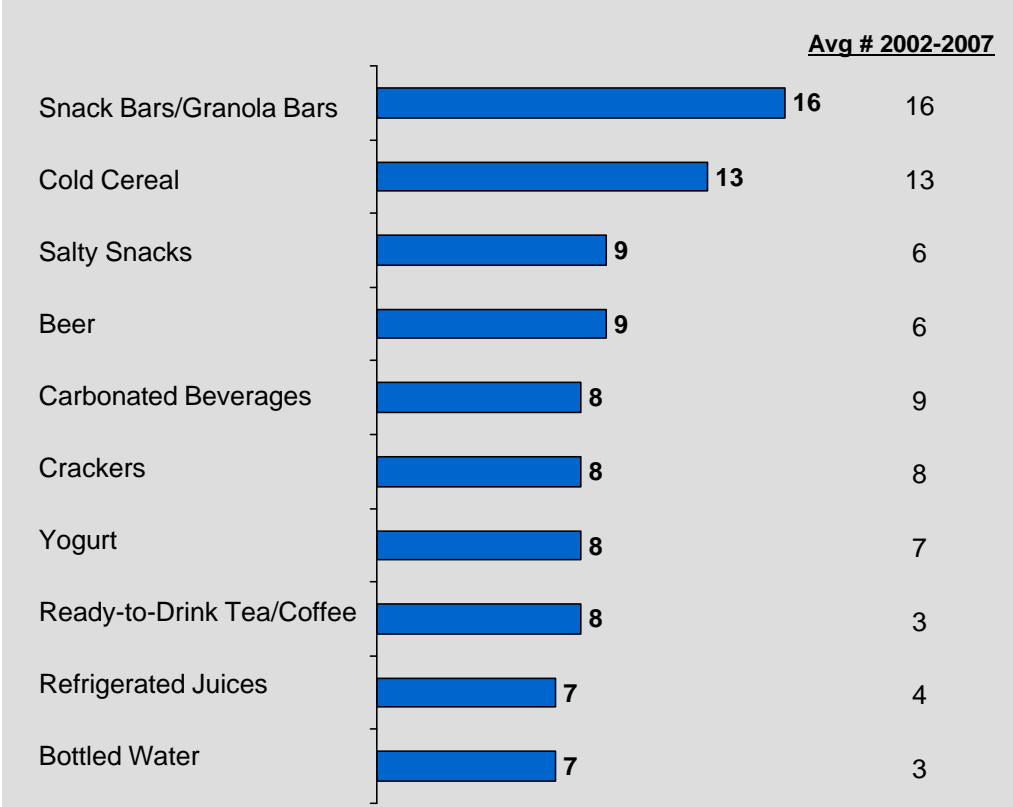
Categories with the highest number of Pacesetters are summarized below.

Snack/granola bar manufacturers continue to invest in innovation, extending the category through targeted offerings, such as Kellogg's Smart Start Healthy Heart. Cereal innovation delivers brand growth in a mature category, with new better-for-you options, such as Kashi Go Lean Honey Almond Crunch taking center stage.

Both salty snacks and beer stepped up the number of Pacesetters this year, offering new health-focused options and bold new flavors.

In other beverages, manufacturers continue to fuel exceptional growth in ready-to-drink teas and coffees with new varieties and premium offerings, including Starbucks and Godiva, and in bottled water through products enhanced with vitamins, such as SoBe Lifewater and Aquafina Alive.

2007 Food & Beverage New Product Pacesetters by Category Top 10 Most Active Categories (# of Pacesetters)



Sources: IRI New Product Profiler™; New Products Launched February 2006 – January 2007



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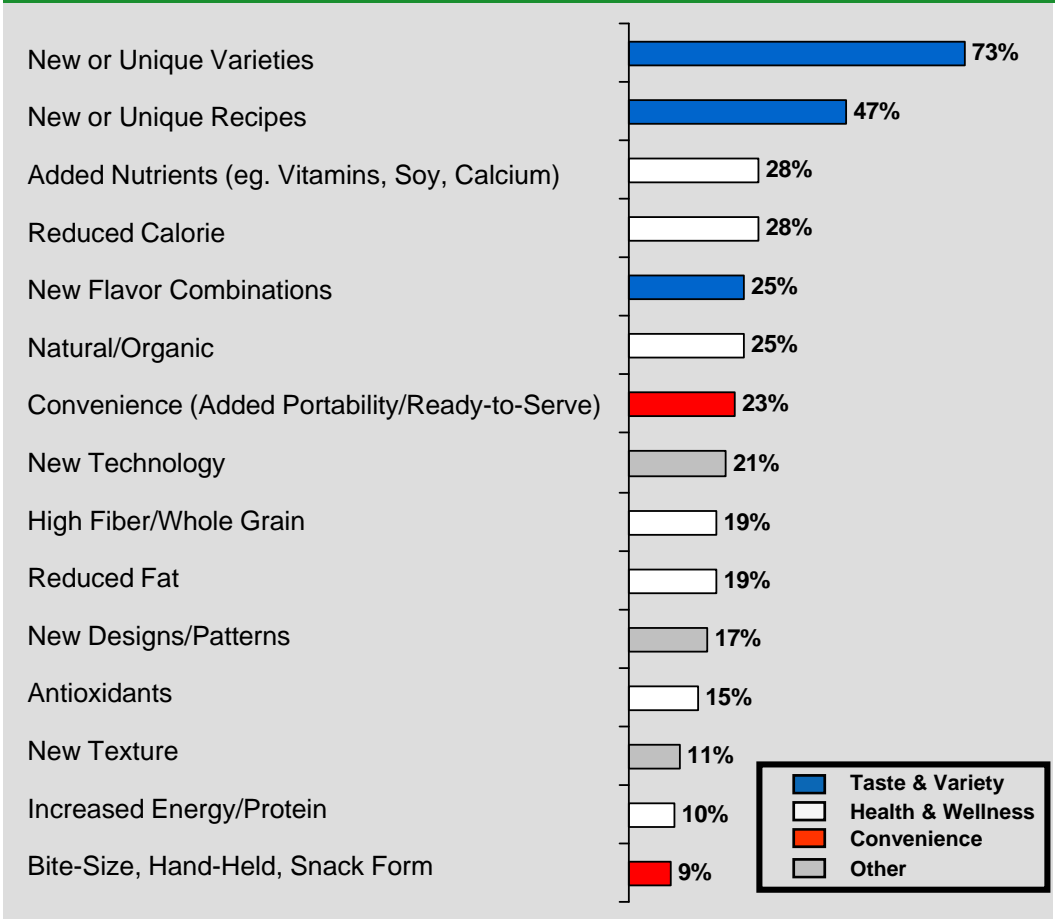
FOOD AND BEVERAGE CONSUMER BENEFIT TRENDS

Consumers are embracing greater variety – despite existing choice proliferation.

Despite the astronomical number of products on the shelves today, consumers continue to embrace new varieties. Over three-quarters of winning food and beverage brands delivered unique new varieties this year – placing added pressure on retailers and manufacturers to move forward in implementing relevant assortment strategies.

Health and wellness benefits also remain critically important and have evolved to include not only weight management and nutrition benefits but also “functional” benefits, such as disease prevention and management, as consumers look to food and beverages to do much more than satisfy hunger and thirst.

2006 – 2007 Food & Beverage New Product Pacesetters: Top 15 Benefits % of Total Pacesetters Offering Benefit



Sources: IRI New Product Profiler™, New Products Launched February 2006 – January 2007

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FOOD AND BEVERAGE CONSUMER BENEFITS - TASTE & VARIETY

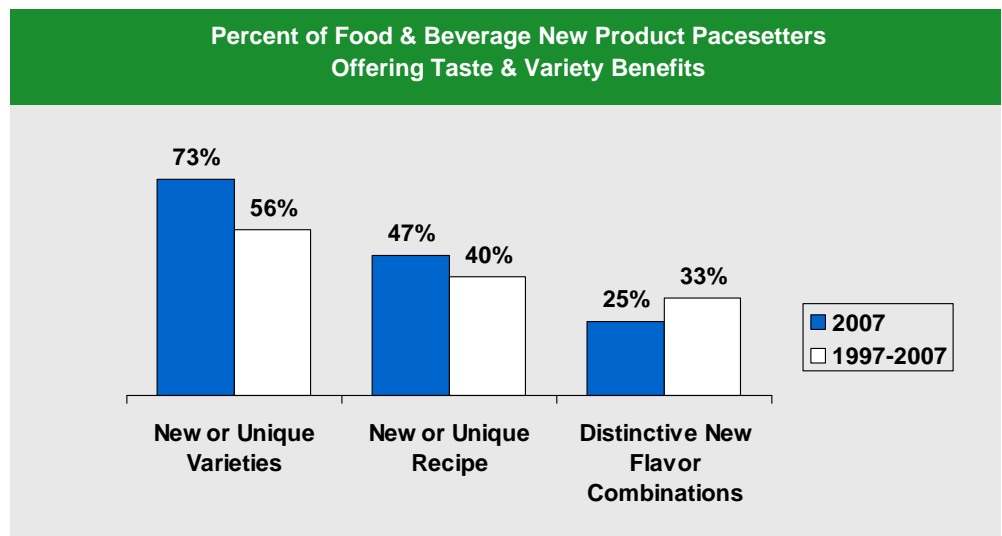
New tastes and varieties broaden market reach and bring excitement to consumer diets.

New varieties enable manufacturers to broaden their market reach by addressing the specific needs of different consumer segments, and bring excitement to consumer diets. In a significant jump from the historical average, three-quarters of food and beverage Pacesetters now offer new varieties.

Gatorade A.M., for instance, a top ten Pacesetter, opens up a new daypart for the brand. Other successful new brands target a very specific market. Folgers Simply Smooth appeals to consumers who had to limit coffee consumption due to upset stomachs. And, there are a host of successful new brands appealing to the children's market, including General Mills Dora the Explorer cereal, which delivers fiber and whole grain, with relatively low sugar.

Nearly half of Pacesetters offer new recipes that set them apart from competitive products. Smart Balance now offers spreads with Omega-3 via a unique blend of flax and fish oil. Kashi TLC cookies are made with healthy ingredients, such as whole grains, sunflower seeds and flax seeds, while still delivering indulgent taste.

And while Pacesetters delivering new flavor combinations are down slightly, consumers remain very receptive to unique combinations and bold tastes, as evidenced by the success of products such as Quaker Life Chocolate Oat Crunch cereal, Stride Sugarless Gum Sweet Peppermint flavor and Szechuan Barbeque Pringles Select chips.



Sources: IRI New Product Profiler™, New Products Launched February 2006 – January 2007



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FOOD AND BEVERAGE CONSUMER BENEFITS – HEALTH & WELLNESS

This year's Pacesetters address a broad range of health and wellness needs.

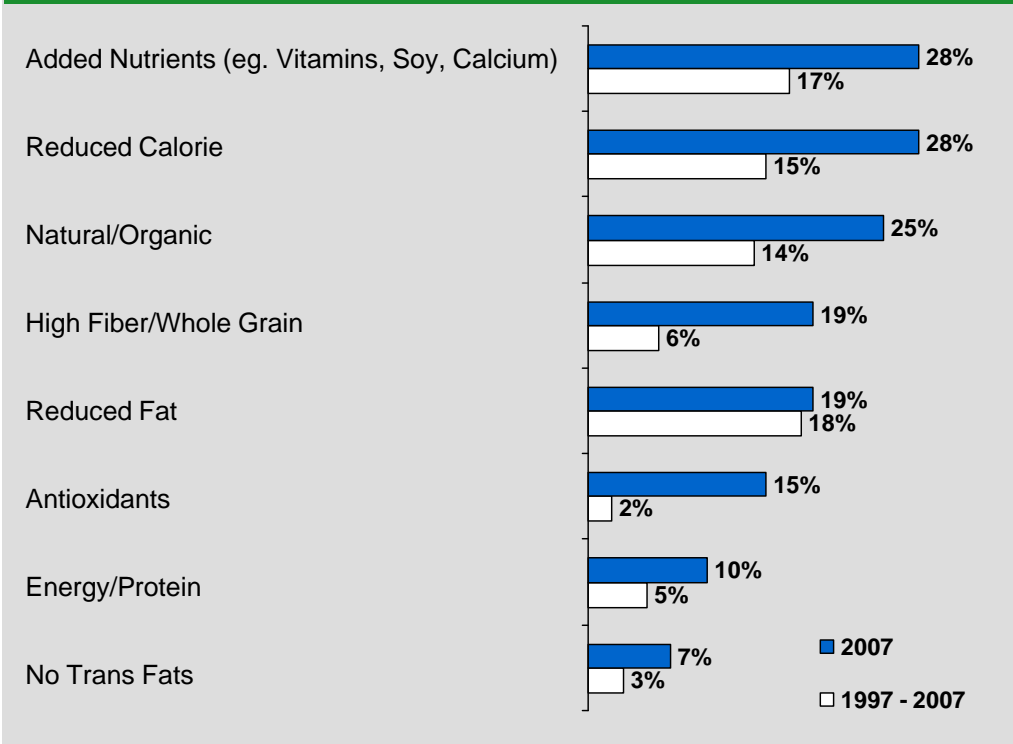
Consumers are looking for food and beverages to address multiple health and wellness needs – weight management, nutrition, disease prevention and management, and natural/organic benefits. Manufacturers are responding.

Flat Earth fruit and vegetable chips, Nature Valley fruit crisps and Del Monte fruit chillers offer servings of real fruit and/or vegetables in tasty shelf-stable snacks. Numerous new whole grain products, including Tostitos Multigrain and Quaker Oatmeal Crunch provide consumers with greater opportunity to step up whole grain consumption.

And a growing number of new brands deliver antioxidants for disease prevention. Every major beverage category, for instance, has or is launching pomegranate options, including beer, sport and energy drinks, bottled water and juices.

Reduced calorie benefits were also far more prevalent this year. Portion control remains in high demand, with Pacesetters Frito Lay Mini Bites, Hershey's 100 calorie candy and Quaker Chewy 90 calorie granola bars proving that this trend is still strong.

2007 Food & Beverage New Product Pacesetters % Offering Health & Wellness Benefits vs Historical Trend



Sources: IRI New Product Profiler™, New Products Launched February 2006– January 2007



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FOOD AND BEVERAGE CONSUMER BENEFITS – CONVENIENCE

Once a primary differentiator, convenience is now an important secondary benefit.

Consumers want and expect convenience, but this benefit must be paired with other high-demand benefits, such as health and wellness or a unique flavor to win in the marketplace.

Consistent with historical trends, one-quarter of new food and beverage brands offer extra convenience.

Major successes this year include Birds Eye Steamfresh frozen vegetables, which make cooking vegetables easier than ever before through a new steam-in-the-package microwave technology that preserves taste, texture and nutrients and cooks in minutes. This technology is truly transformational and will quickly spread throughout the frozen food aisle.

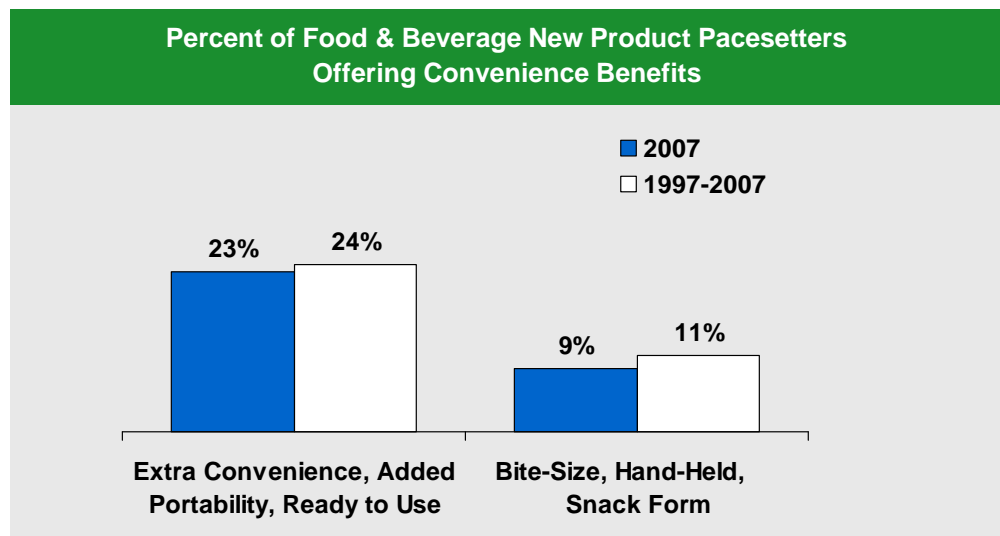
Also within the frozen aisle, Kraft South Beach handheld breakfast entrees enable consumers to stick to their eating plan while on-the-go.

Jimmy Dean frozen breakfast bowls offer a quick, hearty meal to start the day.

Shelf-stable meal solutions, such as Hamburger Helper microwaveable packaged dinners, also met with success this year.

Other Pacesetters offer single-serve and take-it-with-me convenience, such as Kool Aid Singles, Green Giant Just-for-One frozen corn and Pop-Tart Go Tarts.

An additional form of convenience is the offering of favorite products in bite-sized forms more conducive to portion control, such as Nabisco Mini Nilla cookies and Quaker Granola Bites.



Sources: IRI New Product Profiler™, New Products Launched February 2006 – January 2007



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FOOD AND BEVERAGE RISING STARS

The 2008 “Rising Stars” are a mix of healthy and indulgent products.

Next year’s Rising Stars (shown to the right, in alphabetical order) are a mix of healthier and more indulgent products, sharing a common theme of offering multiple benefits.

Healthy Choice Café Steamers deliver the convenience of microwave steaming with tasty low cal restaurant-inspired recipes such as Grilled Whiskey Steak. Progresso Light offers not only weight management benefits at only 60 calories per serving but also high fiber and a full serving of vegetables.

New light beverages are also offering much more than a low cal alternative. Miller Chill is a light beer with a unique flavor of lime and salt. Diet Pepsi Max packs an extra punch with ginseng in addition to caffeine. Coke Zero Cherry offers a sweet, indulgent taste.

And, while health and wellness attributes continue to be vitally important, we are also seeing several more indulgent products on next year’s list. These product are distinguished by added benefits: 90-second cooking for shelf-stable Hormel Compleat meals, premium ingredients in DiGiorno Ultimate frozen pizza, take-it-with-me convenience with Oreo Cakesters and Hostess 100-Calorie packs, which also offer portion control benefits. Dreyer’s Edy’s Loaded ice cream delivers extra indulgence through “mix-ins” such as cookie dough and brownies, creating an ice cream shop experience.

It is important to note that while consumers are indeed trying to eat

2007 – 2008 New Product Pacesetters Rising Stars Projected Top 10 Food & Beverage Brands (Alphabetical Order)

Coke Zero Cherry
Diet Soft Drink

DiGiorno Ultimate
Frozen Pizza

Diet Pepsi Max
Diet Soft Drink

Dreyer’s Edy’s Loaded
Ice Cream

Healthy Choice Café Steamers
Single-Serve Frozen Dinners

Hormel Compleats
Shelf-Stable Microwaveable Dinners

Hostess 100-Calorie Packs
Cupcakes/Brownies

Miller Chill
Beer

Nabisco Oreo Cakesters
Cookies

Progresso Light
Soup

Source: IRI New Product Profiler™
New Products Launched February 2007– December 2007

healthier, change has been slow and gradual. IRI’s 2008 Consumer Snacking Study found that consumers still allocate two-thirds of their snack spending to indulgent products – evidence that there is still room for innovation in indulgent products as well as healthier.



FOOD AND BEVERAGE TRENDS TO WATCH

The February issue of *Times & Trends, Consumer Trend Watch 2008* detailed several emerging consumer trends that will offer new growth potential in the coming year. Below is a summary of key trends to watch in food and beverages:

Food as Health Solution

The appearance of several “functional” food and beverages on this year’s Pacesetters list points to a very powerful underlying trend that will gain significant momentum in the coming year: consumers are increasingly viewing food and beverages as health solutions. Products delivering disease management and prevention benefits will be far more prevalent over the next few years, and increased availability will further fuel changes in consumer attitudes and approach to diet. Antioxidants, immunity-boosting ingredients, cholesterol-lowering ingredients and digestive aids will be in high demand.

Experiential Consumption

Consumers are increasingly seeking exceptional experiences – both sensory and premium. Demand is on fire for new tastes and flavors, fueled by demographic shifts, including population aging (as we lose our sense of taste when we age) and growth in ethnic markets. In addition, despite an unfavorable economy, consumers are gravitating towards premium products across select product categories, including chocolate, coffee and beer. This quest for unique, satisfying experiences will not likely wane if we officially head into recession, as small indulgences become even more important when times get tough.

Sustainable Packaging

With one-fifth of consumers “sustainability-driven” in their brand choice (see the December 2007 *Times & Trends* for more detail), there is a major opportunity to differentiate food and beverage brands through packaging that is reduced, biodegradable or made from recycled materials. Yet, few food and beverage manufacturers have made significant packaging changes to date, and fewer still have communicated sustainability improvements in packaging or other areas directly to consumers – opening up a whole new source of competitive advantage for early market leaders in this space.

New Technologies

The enormous success of Birds Eye Steamfresh, which leverages steam-cooking technology, will pave the way for a major new focus on new cooking methodologies that deliver added convenience as well as other technologies to preserve food freshness and flavor.



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Non-food Pacesetters enhance everyday product experiences.

NON-FOODS TOP TEN NEW PRODUCT PACESETTERS

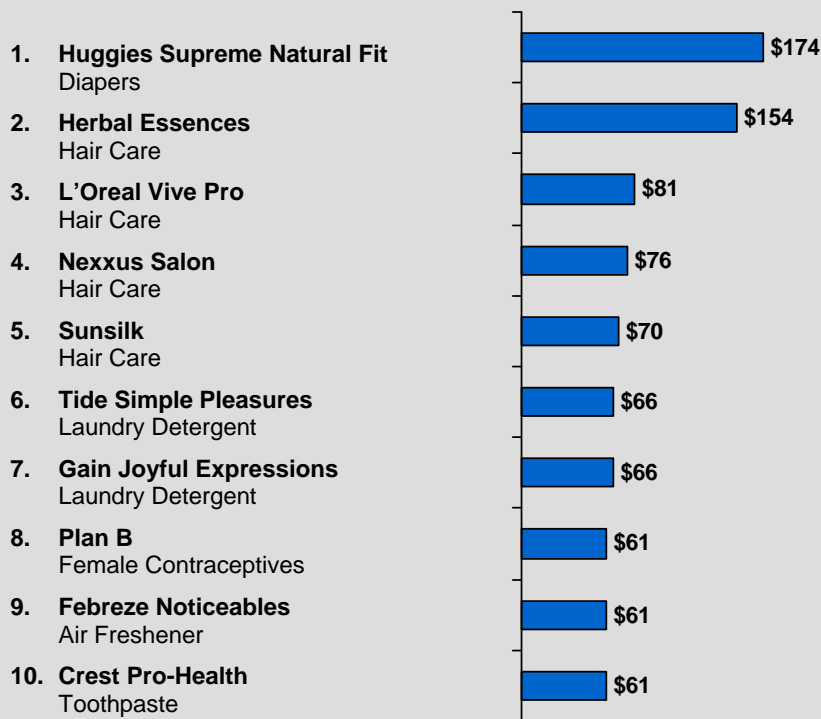
This year's top ten Pacesetters reflect consumers' quest for enhanced experiences in their everyday lives.

Consumers embraced products that raised the bar on performance, from Huggies Supreme Natural Fit diapers, which are 30% less bulky, to "professional quality" products including Crest Pro-Health toothpaste and Nexxus hair care, which transitioned from salons to mainstream retail. L'Oreal Vive Pro and Sunsilk deliver targeted hair care solutions.

Products that enhance the sensory experience in everyday tasks met huge success: Herbal Essences hair care with a wide selection of unique scents, Tide Simple Pleasures laundry detergent with scents inspired from nature, Gain Joyful Expressions, with fruit and floral scents and Febreze Noticeables air fresheners, with alternating complementary scents.

Finally, Plan B offers unprecedented access to emergency contraception and provides an early success story for behind-the-counter non-prescription drugs.

**2006 – 2007 New Product Pacesetters: Top 10 Non-Food Brands
Year One Dollar Sales (Mil\$) Across Food, Drug, Mass (Excluding Wal-Mart)**



Sources: IRI New Product Profiler™, New Products Launched February 2006– January 2007



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Beauty/personal care and pet care continue to be the most active Pacesetter categories.

NON-FOODS CATEGORY TRENDS

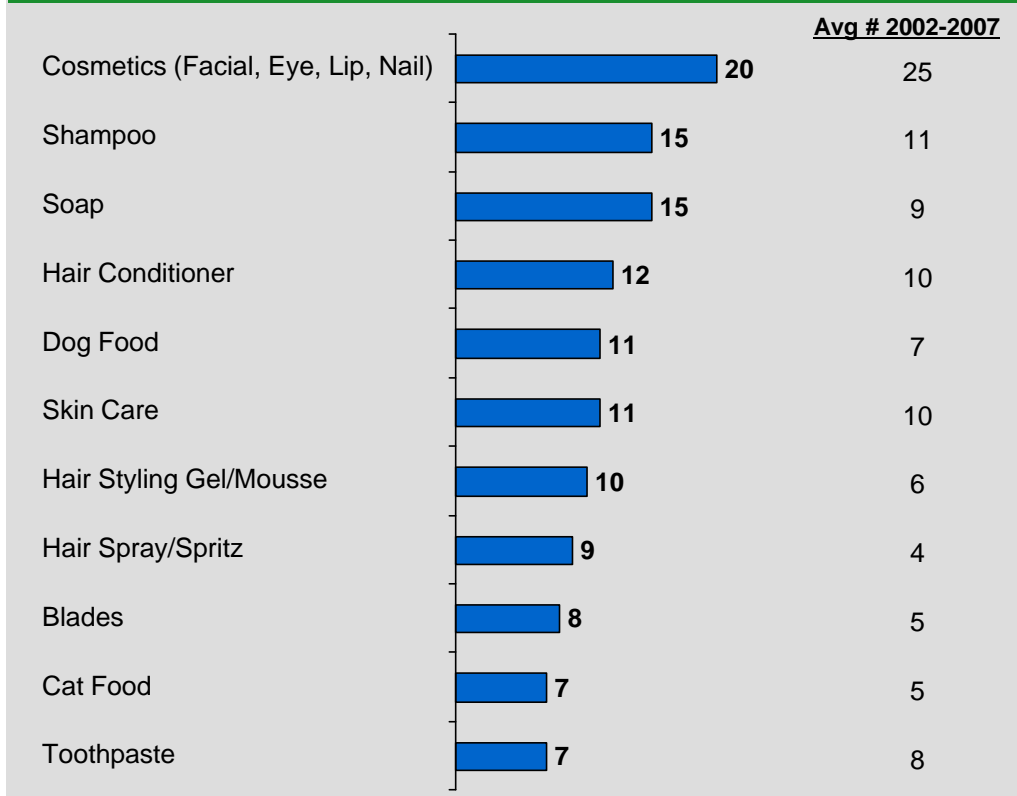
Manufacturers continue to invest heavily in innovation within beauty/personal care and pet care, and consumers continue to demonstrate a willingness to try the latest, greatest options.

While the number of major new cosmetics brands was down slightly from the average, there were several significant introductions, including L'Oreal Bare Naturales and Neutrogena

Mineral Sheers, which tap into the natural beauty trend. Natural was a big trend in pet care, as well, with all-natural The Goodlife Recipe from Mars leading the pack.

Every hair care category stepped up introductions, with four hair care products gracing the top ten new product list – suggesting that consumers were able to handle a significant amount of change just fine.

2007 Non-Food New Product Pacesetters by Category Most Active Categories (# of Pacesetters)



Sources: IRI New Product Profiler™, New Products Launched February 2006– January 2007



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NON-FOODS CONSUMER BENEFIT TRENDS

Non-food Pacesetters are changing the game through new technologies and new spins on everyday tasks.

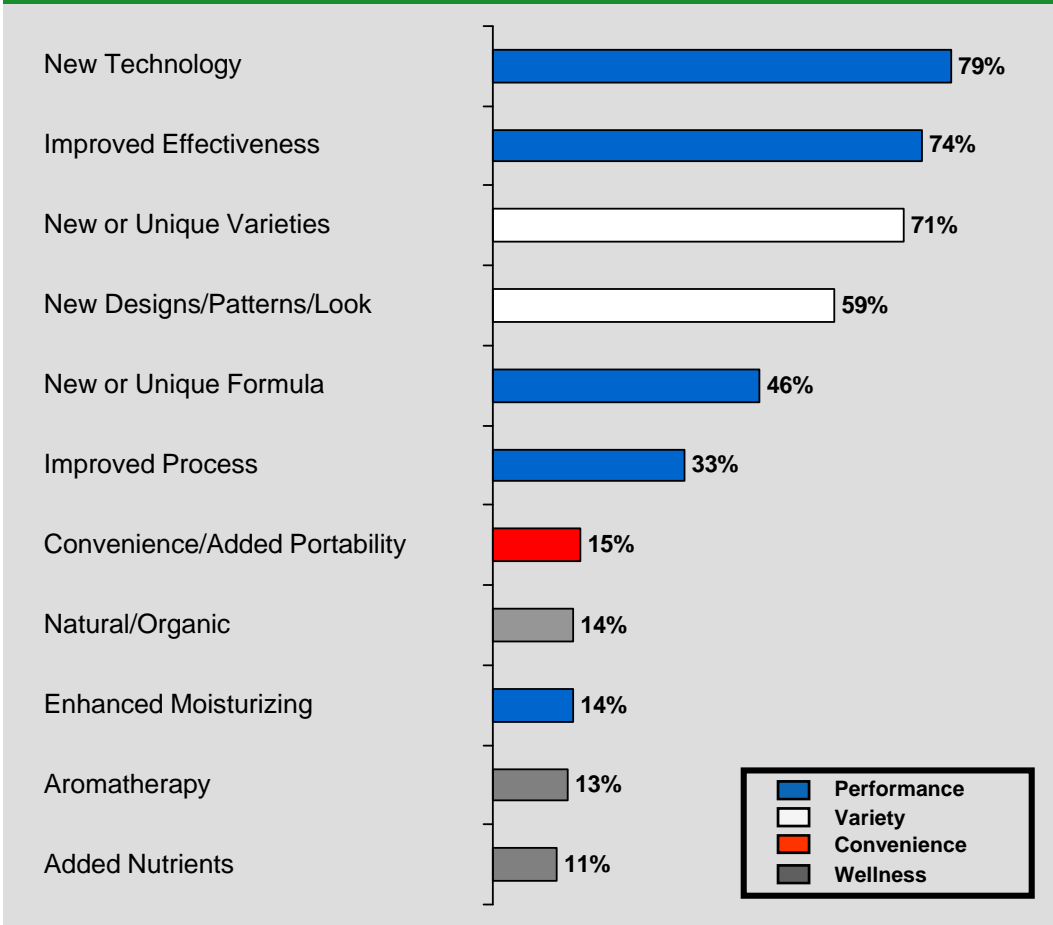
This year's non-food Pacesetters exemplify the new innovation requirements to win over consumers and win at the shelf: game-changing benefits and positioning.

A record number of Pacesetters offer new technologies that deliver a truly unique experience – and one that is more difficult to replicate than a simple change in form or functionality.

Others have in essence created new market segments by putting a new spin on everyday tasks, such as aromatherapy in laundry care and hair care.

While not all Pacesetters today deliver transformational change, it will likely soon become a requirement.

2006 – 2007 Non-Food New Product Pacesetters: Top Benefits % of Total Pacesetters Offering Benefit



Sources: IRI New Product Profiler™, New Products Launched February 2006– January 2007

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NON-FOODS

CONSUMER BENEFITS - PERFORMANCE

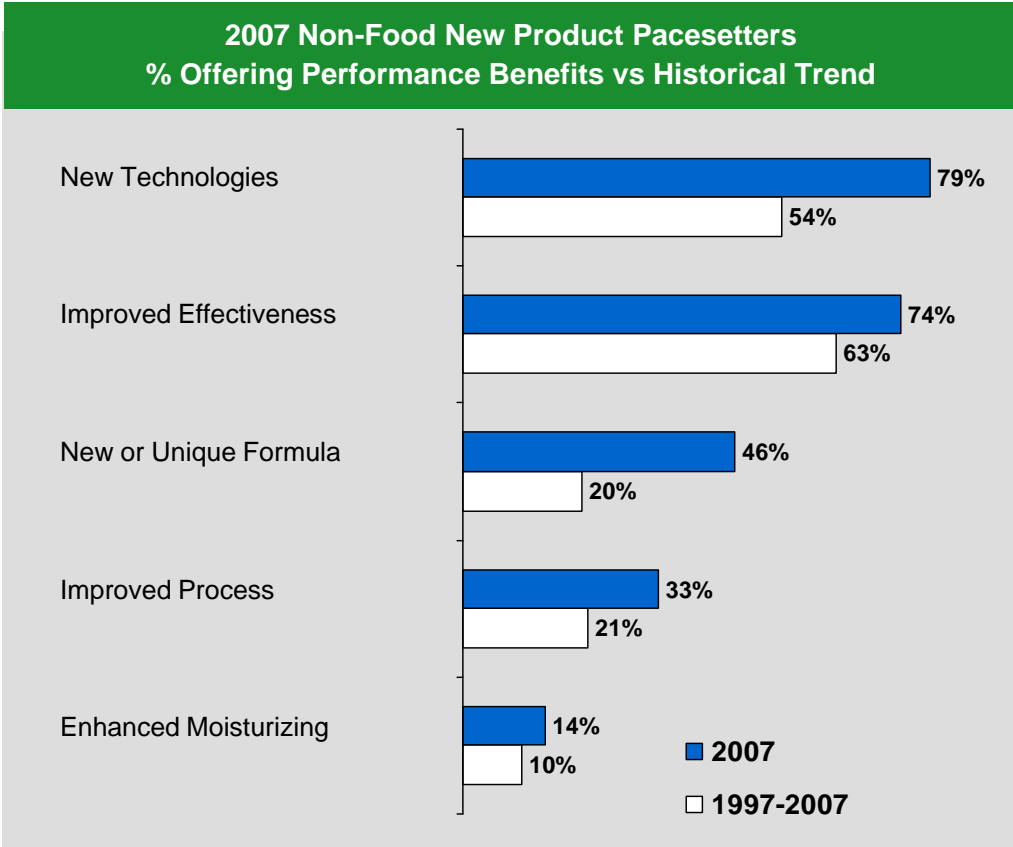
Manufacturers are leveraging new technologies, formulas and processes to achieve differentiation.

Non-food manufacturers are seeking marketplace differentiation through new technologies, processes and formulas. These strategies appear to be working, given the high proportion of successful new brands offering these benefits.

New air fresheners, for instance, leverage technology to create a unique experience. Febreze Noticeables automatically alternate scents throughout the day; Glade Plug-Ins Scented Oil Light Show delivers colorful lights in addition to scents, with a speed that can be adjusted.

Half of Pacesetters are distinguished by new formulas. For instance, Olay Definity's distinct formulas fight multiple effects of aging, including skin discolorations and uneven tone, in addition to wrinkles. New Dove Advanced Colour Care shampoo is specially formulated for hair that is colored its natural shade or darker.

New processes are also becoming increasingly prevalent. Within facial makeup, for example, Almay Smart Shade is colorless foundation that transforms into the right shade for each woman when applied.



Sources: IRI New Product Profiler™, New Products Launched February 2006– January 2007



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NON-FOODS CONSUMER BENEFITS - VARIETY

Manufacturers are offering more targeted varieties but also a growing number of products that “do-it-all.”

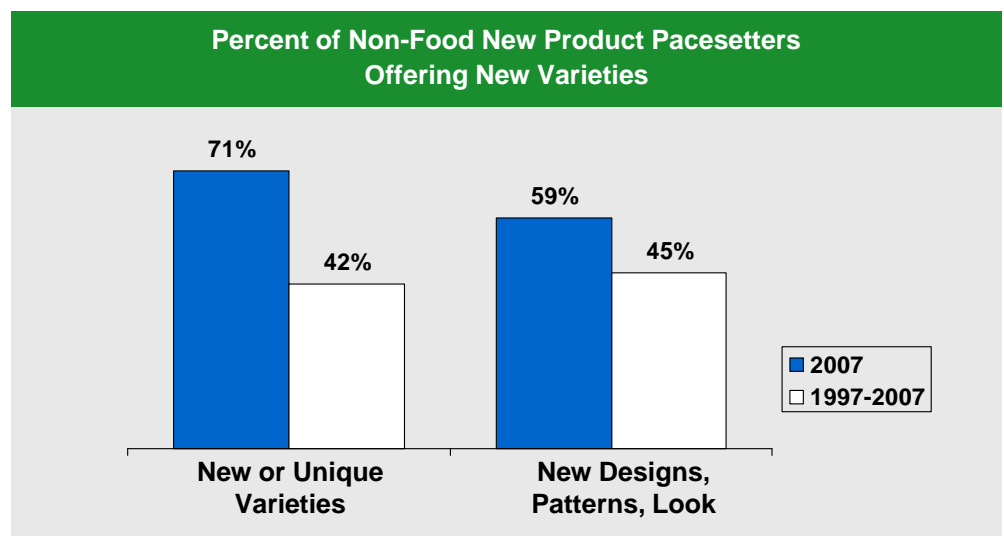
As the number of Pacesetters offering new varieties continues to rise, there is an interesting dichotomy emerging: a high proportion of products are highly targeted, delivering specific solutions for specific consumer segments or occasions, but a growing number offer “do-it-all” solutions that simplify choice.

Among more targeted solutions, successful new brands include top ten Pacesetters L’Oreal Vive Pro and Sunsilk, which address specific hair care issues. Others target specific consumer segments: Dial for Men is a body wash that offers a masculine scent, and L’Oreal Age Perfect foundation brightens the complexion of aging consumers without “settling into wrinkles.”

Several Pacesetters target specific dayparts, including Advil PM and Dove Calming Night body wash.

On the opposite end of the spectrum, we are seeing a number of products that “do-it-all” – streamlining choice for consumers and potentially reducing the number of products in their cabinets. Maalox Multi-Action, for instance, relieves several gastrointestinal symptoms. Clorox Anywhere is a multi-purpose cleaner that is safe to use anywhere in the home, even on food preparation surfaces. Almay Smart Shade, as highlighted previously, eliminates the need to select the right shade, as it will work for all skin tones.

Over half of this year’s Pacesetters stand out on the shelves in part due to new designs. Dixie disposable plates, for instance, are now equipped with a Soak Proof Shield®, which “makes the heaviest, messiest meals no problem.”



Sources: IRI New Product Profiler™, New Products Launched February 2006 – January 2007



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NON-FOODS CONSUMER BENEFITS - CONVENIENCE

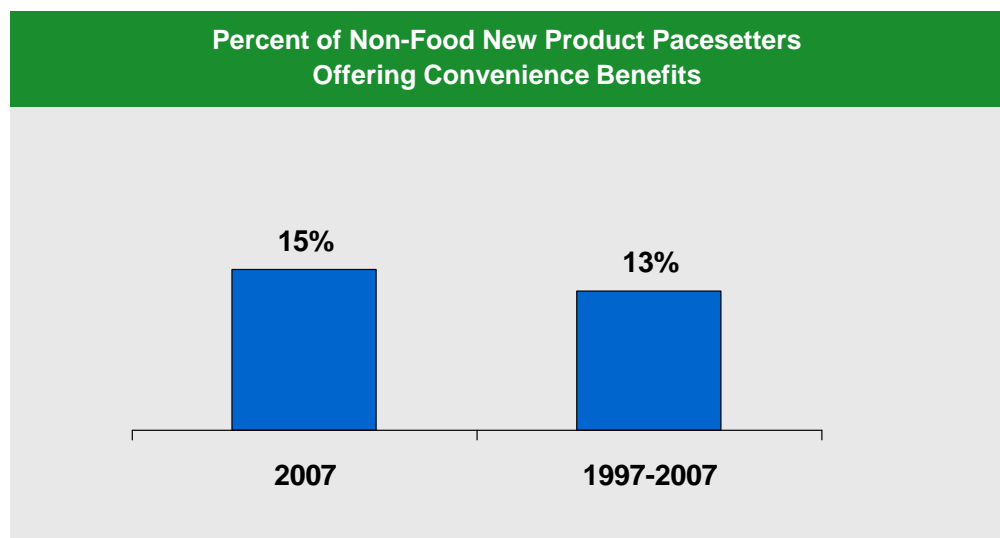
Convenience benefits bolstered the appeal of new home care and healthcare products.

Following an above-average year for convenience benefits last year, in which one-in-five non-food products offered added convenience, this year's Pacesetters are in line with historical averages.

Within home care, convenience was a major benefit among new cleaning and kitchen storage products. Scrubbing Bubbles Automatic Shower Cleaner saves time and hassle by efficiently spraying the entire shower with cleaner with the touch of one button.

New food storage products from Rubbermaid help keep foods fresh while offering enhanced convenience benefits. Rubbermaid Premier has lids that can be snapped onto the bottom of the container and to each other and are easy to keep clean. Rubbermaid Flex and Seal container lids are easy to take on and off.

In healthcare, convenient solutions help chronic sufferers manage their conditions. The new Ascensia Contour Blood Glucose Meter is "designed to automatically code and recode itself with every new strip used" – a major improvement over current systems that require re-calibration. The new system is expected to improve the accuracy of blood glucose screening significantly while making life easier for the growing number of consumers suffering from diabetes.



Sources: IRI New Product Profiler™, New Products Launched February 2006 – January 2007



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NON-FOODS CONSUMER BENEFITS - WELLNESS

Consumers are broadening their definition of wellness.

Over the past few years, consumers have been gradually broadening their definition of wellness to encompass not only what goes into their bodies but also experiences impacting mood and products that come into contact with skin. And, they have broadened the consideration set of those in the household requiring wellness benefits to increasingly include pets.

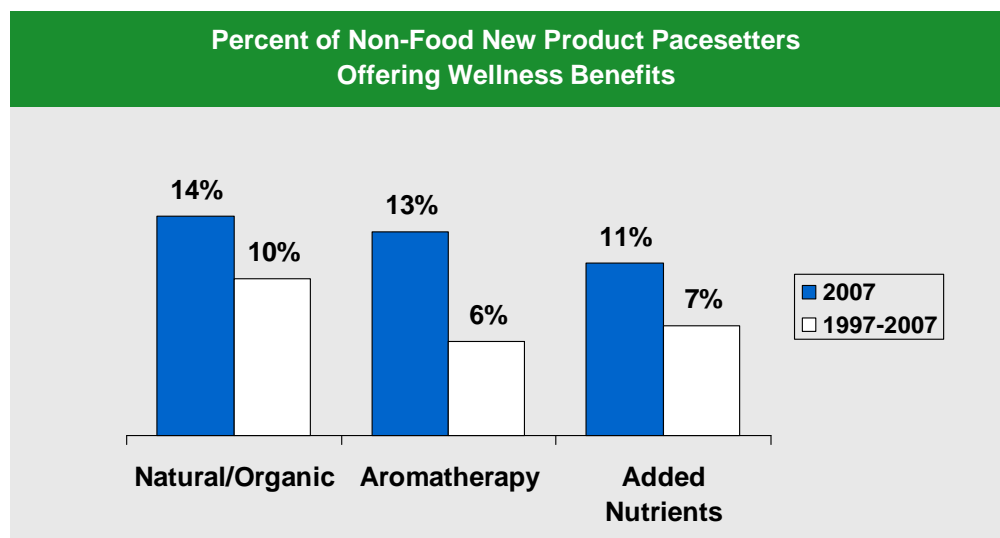
From personal care to laundry care, manufacturers are tapping into this growing sentiment and are opening doors for further development through innovative, breakthrough products.

Within both pet care and beauty/personal care products, for instance, natural/organic benefits are on the rise. The Goodlife Recipe dog and cat food is made “without any artificial flavors, fillers, additives or preservatives.” A number of new products from Purina also offer

natural ingredients, including Purina One Natural Blends, Purina Dog Chow Naturally Complete and Purina Cat Chow Naturals.

In cosmetics, mineral makeup, which harnesses the power of nature, is beginning to make inroads in mainstream channels, led by new products including L’Oreal Bare Naturales and Neutrogena Mineral Sheers. Aveeno Active Naturals delivers the benefits of soy and oatmeal in skin care.

Aromatherapy in both personal care and home care is a trend that is on the verge of major growth. The phenomenal success of Herbal Essences and Sunsilk hair care products and Tide Simple Pleasures and Gain Joyful Expressions in laundry care with scents that set a whole new mood are a testament to consumers’ desire to extract wellness benefits from everyday experiences.



Sources: IRI New Product Profiler™, New Products Launched February 2006 – January 2007



TIMES & TRENDS

A Snapshot of Trends Shaping the CPG Industry

Next year's Rising Stars offer professional strength performance, convenience and a series of "firsts."

NON-FOODS RISING STARS

Next year's non-food Rising Stars (shown to the right in alphabetical order) offer professional strength performance, convenience and healthcare "firsts".

The blockbuster weight loss drug Alli is the first FDA-approved over-the-counter (OTC) weight loss remedy and has been effectively marketed as part of a total lifestyle solution. MiraLAX is the first prescription laxative to be made available OTC in thirty years. Increasingly interested in self-care, consumers are rallying around these newly-available solutions.

Rug Doctor Oxy-Steam carpet cleaner, Secret Clinical Strength deodorant and Colgate Total Advanced Clean toothpaste, which delivers a clean comparable to a polish at the dentist office, tap into the emerging "professional strength" trend.

Enhanced performance landed others on the Rising Stars list, as well. Maybelline Define-A-Lash mascara eliminates clumps through a new flexible application wand.

In other beauty and personal care products, the Dove Pro Age line of skin, face and hair care products hit the mark with aging consumers through a highly positive, "beauty at any age" message.

Personal care manufacturers are also raising the bar on convenience. Listerine Whitening strips dissolve automatically, and Gillette Venus Breeze razors have built-in shaving gel.

2007 – 2008 New Product Pacesetters Rising Stars Projected Top 10 Non-Food Brands (Alphabetical Order)

Alli Weight Control Tablets
Colgate Total Advanced Clean Toothpaste
Dove Pro Age Multi-Category Personal Care
Gillette Venus Breeze Razors/Cartridges
Listerine Whitening Dissolving Tooth Whitening Strips
Marlboro Smooth Menthol Cigarettes
Maybelline Define-A-Lash Mascara
MiraLAX Laxatives
Rug Doctor Oxy-Steam Carpet Cleaner
Secret Clinical Strength Deodorant

Source: IRI New Product Profiler™
New Products Launched February 2007– December 2007

And, in a break from historical trends, a new cigarette brand has emerged as a strong contender for top ten Pacesetter status next year. Marlboro Smooth is a new menthol cigarette offering a distinct flavor experience.



NON-FOODS TRENDS TO WATCH

The February issue of *Times & Trends, Consumer Trend Watch 2008* detailed several emerging consumer trends that will offer new growth potential in the coming year. Below is a summary of key trends to watch in non-foods.

Sustainability

As reported in the December 2007 issue of *Times & Trends*, one of the most significant trends in recent history is the emergence of a viable “sustainability-driven” consumer market. To date, while major manufacturers have a host of sustainability initiatives in place, few are consumer-facing. Laundry care is an exception, with concentrated detergents comprising a growing share of the market. And, among cleaning products, Clorox has broken new ground with Clorox Green Works, an eco-friendly line available in mainstream channels. This market is in its infancy today but has the potential to explode. Early movers will likely secure a strong advantage.

Multi-Tasking Products

As detailed throughout this report, overall, consumers are embracing variety, and a number of new targeted solutions have been highly successful. However, there is a growing market for products that “do-it-all” – streamlining the shopping experience and reducing clutter in consumer cabinets. Manufacturers have begun to respond to this trend with multi-purpose cleaners and personal care products, but we will likely see stepped-up focus in the coming years.

Wellness

From nutritional ingredients such as soy, vitamins and minerals in skin care to natural/organic personal and pet care products to aromatherapy in laundry care, wellness is making its way into the non-food arena. This trend offers significant room to expand within and across categories.

Extended Performance

The sharp rise in the proportion of Pacesetters offering enhanced performance and new technologies highlights a fundamental shift in new product development that is not likely to reverse. Real, noticeable performance improvements have simply become a cost of entry. Manufacturers will continue to invest in identifying and implementing transformational new technologies, processes and formulas, driving an increase in patentable new ideas and extending periods of competitive advantage.



CONCLUSIONS CPG MANUFACTURERS

Manufacturers seeking to improve the new product development and launch process should consider the following action items:

- ▶ Planning
 - Continually assess emerging consumer trends and underlying trend drivers (ie demographic, economic and social shifts)
 - Identify high-potential consumer markets (niche and high-growth segments)
 - Leverage consumer research and advanced analytics to understand drivers of consumer choice and unmet and emerging needs
 - Learn from best practice launches; benchmark new product concepts, marketing, media plans and forecasts versus historical new product successes and failures
 - Conduct in-market tests prior to full roll-out

- ▶ Execution
 - Support product launches with an integrated marketing campaign that clearly identifies the role of the brand in delivering a lifestyle solution
 - Highlight multiple product benefits in marketing messages
 - Work with retail partners to identify optimal store mix, based upon the presence of the brand's target market
 - Develop a fully-integrated merchandising strategy, including multi-location displays and cross-merchandising tie-ins with other products and categories that have high purchase indices within the target consumer segment
 - Seek tie-ins with existing store marketing platforms, such as health and wellness and with solutions marketing initiatives, such as "back-to-school" or "cough-cold", etc as appropriate

- ▶ Measure and Monitor
 - Continually monitor actual and projected sales growth in the aggregate, across consumer segments and by store
 - Identify and implement course correction opportunities (ie marketing mix, distribution, merchandising) within the first several weeks of launch and at multiple checkpoints throughout the first and second years



CONCLUSIONS RETAILERS

Retailers seeking to more effectively leverage new products as a source of growth within their stores should consider the following action items:

- ▶ Planning
 - Continually assess emerging consumer trends and underlying trend drivers (ie demographic, economic and social shifts)
 - Identify high-potential consumer markets (niche and high-growth segments) and shopping experiences (ie trip missions)
 - Evaluate fit between new products and your targeted consumer segments or targeted shopping experiences and heavily support those that are best aligned
 - Benchmark new private label product concepts versus historical new product successes and failures
 - Identify unique sourcing opportunities to bring in new products that will truly differentiate your stores

- ▶ Execution
 - Implement localized, relevant assortment strategies to accommodate consumer demand for variety without further complicating the shopping experience
 - Work with new brand manufacturers to identify optimal store mix, based upon target consumer segments
 - Support with store signage clearly highlighting new product availability; cross merchandise with other high-purchase products within the target consumer segment; consider multiple displays and sampling
 - Tie new brands into existing total store marketing platforms, such as health and wellness

- ▶ Measure and Monitor
 - Monitor current and projected sales by store, across target consumer segments and across target consumer shopping experiences
 - Measure brand impact on total category sales
 - Evaluate optimal shelf and display allocation based upon demonstrated and expected contribution



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RESOURCES

To gain insight into new product development opportunities, contact your IRI client service representative regarding leveraging the following resources:

IRI New Product Profiler™

An interactive solution drawing upon an historical database of new product introductions that empowers CPG marketers to analyze the critical success factors for new product launches. This solution integrates sales, consumer and media metrics with automated analytics and scenario planning to help marketers set realistic goals and determine optimal marketing support.

IRI BehaviorScan®

Industry-recognized in-market testing that determines if your new product and its launch strategy are on target. In-market testing helps you manage new product risk by quantifying consumer response to your new products under real world conditions.

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.



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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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