

# Times & Trends

A Snapshot of Trends Shaping  
the CPG and Retail Industries



## March 2009

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## 2008 New Product Pacesetters: The Role of Innovation in a Down Economy

### Catering to the Downturn Generation

Even in the best of times, approximately 75 percent of new products fail to earn more than \$7.5 million during the first year of availability. Last year was less kind than most, with 78 percent of food products and 84 percent of non-food products failing to break that revenue threshold. Among food & beverage and non-food introductions, less than one-half of one percent of products earned more than \$100 million.

One would assume that given today's economy characterized by Americans eating out less and dining at home more, shoppers would snap up new products in an attempt to add variety to their home menus. Instead, shoppers are staying with familiar brands that provide "comfort" and diversifying their menus through brand extensions, such as chicken breasts with new flavor offerings, or ice cream with new, indulgent "mix-ins".

Interestingly, for the first time in many years, non-food new product introductions outpaced food product introductions by roughly 80 products, or more than 10 percent, reflecting the trend of shoppers taking their personal care into their own hands; e.g., moving away from spa treatments to home health and beauty care, and replacing visits to the doctor with home remedies. The number of food new product introductions has declined now for the past four years.

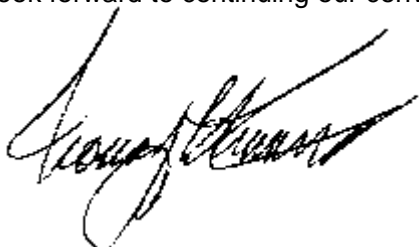
Shoppers today are continuously changing attitudes and behaviors, impacted by more than just their personal situations. Who could have predicted that the two heavy hitters in the non-food segment of this year's New Product Pacesetters report would be Zyrtec®, an allergy medication and alli®, a weight loss program?

To an unprecedented degree, changes in shoppers' personal lives and a constant barrage of negative economic news- home foreclosures, news about bank and auto company bailouts, etc.- are dramatically altering the shopper landscape.

To address the changes in shoppers attitudes and behaviors, CPG manufacturers and retailers must continuously reanalyze and rethink the markets they are serving, incorporating shoppers' personal situations and the effect of today's news into emerging marketing strategies. IRI has documented strategies CPG companies must pursue to uncover and leverage opportunities to maintain and enhance revenue, income and shopper loyalty in today's economy through its "Competing in a Transforming Economy" series of research reports.

But CPG companies need to go a step further. Innovative CPG leaders should build in to their modeling a new generation of predictive solutions that incorporate the ongoing effect of macroeconomic trends. IRI believes that similar to Depression-era shoppers, the new Downturn Generation will continue with their modified shopping behaviors long after the U.S. economy has improved. New, predictive solutions that incorporate macroeconomic information will give CPG companies important new insights with which to adjust new product introduction strategies.

I look forward to continuing our conversation and hearing your points of view.



Thom Blischok  
President, Consulting & Innovation



## EXECUTIVE SUMMARY: TURNING INSIGHTS INTO ACTION

### INSIGHT

- » Despite the fact that the vast majority of Pacesetters are brand extensions, net-new brands have a proven ability to shine, as evidenced by several of this year's Pacesetters, including alli and Zyrtec
- » Several economically-driven ritual changes, including stepped-up at-home dining and self-care, played a major role in defining 2008 New Product Pacesetters
- » From new flavor combinations to olfactory cleaning solutions and beyond, innovation around improving the customer experience through sensory stimulation is quite strong
- » Both food and beverage and non-food Pacesetters continue to offer new varieties, including products targeting specific demographic segments, health conditions and day parts
- » Sustainability has established a strong and growing presence in the world of CPG; consumer appetite for earth-friendly products and production processes is growing quickly

### ACTION

- » Monitor existing and emerging consumer trends at a granular level to identify unique and powerful new product opportunities
- » Frequent shopper insight and market analyses will reveal innovative product development and marketing opportunities aimed at driving purchase behavior in a recessionary environment
- » Invest to understand existing and emerging sensory-related technologies; assess risk/reward equation of integrating these features into key products and/or brands
- » Frequently reevaluate assortment and messaging strategies to ensure maximal relevance among key consumer segments
- » Re-examine all aspects of product manufacturing, packaging and marketing to identify high-visibility opportunities to integrate sustainable business practices; clearly communicate initiatives across all marketing programs



## INTRODUCTION

***IRI's New Product Pacesetters report showcases the year's most successful new product launches.***

The year 2008 will go down in history as the year the United States entered the most significant recession since World War II.

Even in good times, launching a successful new consumer packaged goods product is a daunting task. In a recessionary economy, new product successes are even harder to achieve.

IRI's 14<sup>th</sup> Annual New Product Pacesetters report showcases the most successful new CPG brands for 2008.

These brands are truly remarkable for, to achieve Pacesetter status, new launches must exceed \$7.5 million in year-one sales. Less than one-quarter of products actually achieve this benchmark. The products that follow overcame significant challenges in order to attain \$7.5 million (or more) in year-one sales.

As a result of a difficult economy, consumers are seeking comfort. They are showing an increased affinity for "tried and true" products and brands and shying away from experimenting with "the unknown".

The vast majority of new products in 2008, and in historical trends, are extensions of existing brands. But, several net-new brands made major waves in 2008.

The new weight loss product, alli, is among these high-achievers. A new brand with a powerful concept, alli is a true success in a difficult environment.

Across food and beverage and non-food segments, Pacesetter products have raised the bar on CPG innovation.

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 across food, drug and mass channels (excluding Walmart)
- ❖ 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)

# [ Times & Trends ]

A Snapshot of Trends Shaping the CPG and Retail Industries



**Innovation has played a key role in supporting the CPG industry in a recessionary economy.**

## OVERVIEW NEW PRODUCT ACTIVITY

Despite a recessionary economy, innovation continued to play a key role in supporting the CPG industry in 2008.

For the year, food and beverage new product introductions dropped to 859. But non-food introductions jumped to 936, marking the first time in several years that non-food innovation outpaced food and beverage.

As successful as the products highlighted in this report are, the fact of the matter remains that the majority of new product launches fail to deliver significant sales.

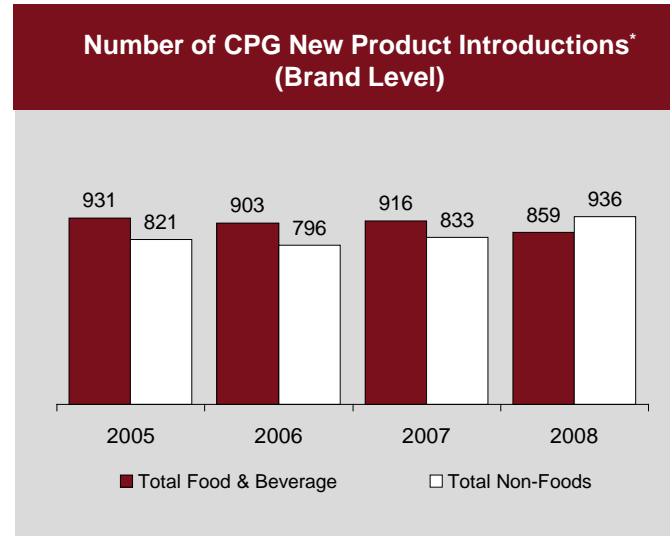
Highlighted in the bottom chart on the right-hand side of this page, 78% of new food and beverage introductions delivered less than \$7.5 million in year one sales.

For non-foods, the picture is similar, with 84% capturing year-one sales of less than \$7.5 million.

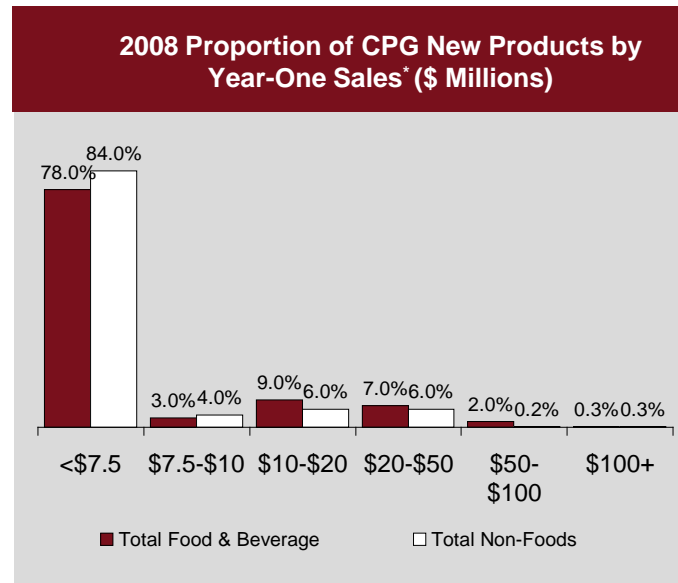
Performance among top food and beverage introductions has remained steady over the past decade, with about 9% earning more than \$20 million.

Among non-foods, though, performance has slipped, from 16% of new products breaking the \$20 million barrier in 1998 to just 7% in 2008.

Among these top performers, the burden is high. For it is these products that not only drive profits, but also shoulder the



Source: IRI New Product Profiler™  
\*Across Food, Drug & Mass Channels (excluding Walmart)



Source: IRI New Product Profiler™  
\*Across Food, Drug & Mass Channels (excluding Walmart)

burden of cost for research and development behind the less successful product introductions.

Across the CPG industry, the need to drive more successful new product innovation is high.



**Though most New Product Pacesetters are extensions of existing brands, net-new brands have a stepped-up presence in the non-food arena.**

## GROWTH OPPORTUNITIES NEW BRANDS VS EXTENSIONS

Brand extensions continue to account for the lion's share of new product introductions.

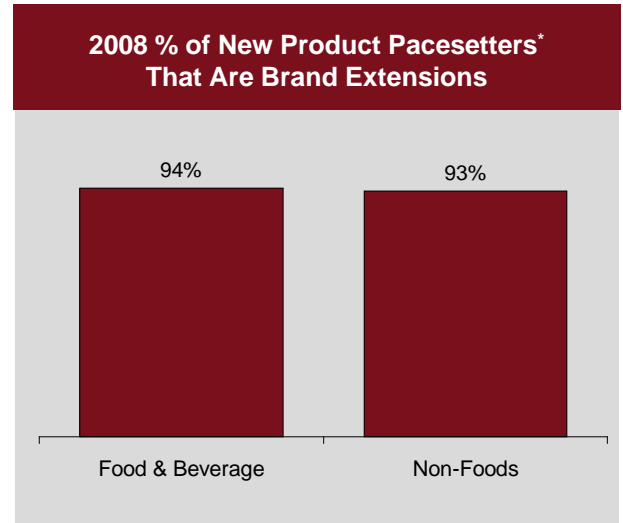
Net- new brands though, have a stepped up presence among non-foods, climbing from 3% of introductions in 2007, to 7% in 2008.

Performance among these newcomers is strong. As illustrated in the bottom chart on the right-hand side of this page, new brands clearly outpace brand extensions in average year-one sales, particularly among non-food categories.

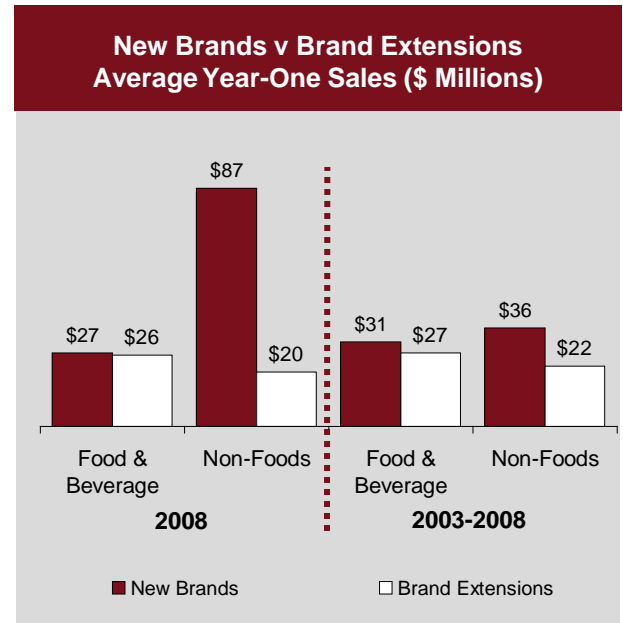
For non-foods, this past year was particularly strong. In 2008, noteworthy newcomers include Zyrtec allergy, alli weight control, and Ped Egg foot care products. With year-one sales well above "the norm", these products reinforce the notion that, with a powerful story, launching a new brand can be big CPG news.

Historically, new food brands have also out-performed brand extensions. However, this trend slipped over the past two years, and this year brand extensions and new brands demonstrated nearly identical average year-one sales.

The downward slide across food and beverage new products is partly attributable to the prevalence of brand extensions made with niche-market focus, such as organic products or those targeting specific health concerns. But, it also reinforces the importance of innovation offering authentic and enticing product features.



Source: IRI New Product Profiler™  
\*Across Food, Drug & Mass Channels (excluding Walmart)



Source: IRI New Product Profiler™  
\*Across Food, Drug & Mass Channels (excluding Walmart)



**Successful new food and beverage offerings brought the dine-out experience into the home in 2008.**

## FOOD AND BEVERAGE TOP TEN NEW PRODUCT PACESETTERS

In the face of mounting financial pressures, away-from-home dining activity saw sharp declines in 2008. To save money, consumers turned to at-home cooking with renewed fervor.

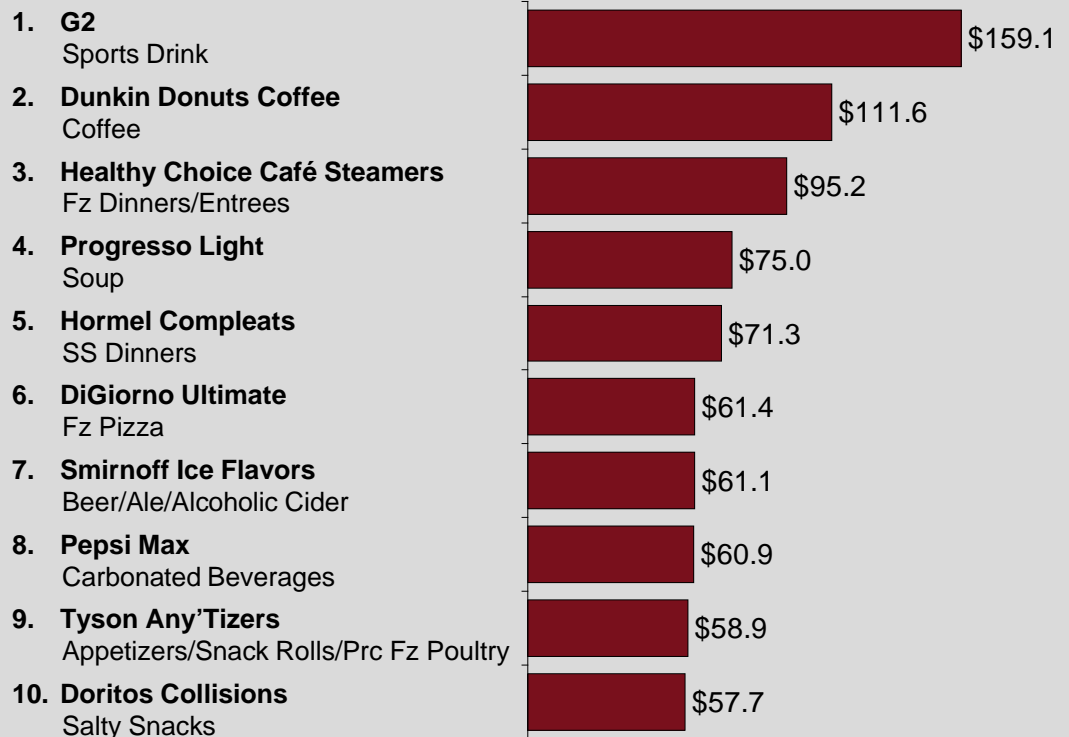
For example, Tyson Any'Tizers and DiGiorno Ultimate demonstrate an ongoing need for quick and convenient meal-time solutions.

Other offerings marry convenience with nutritional needs. Healthy Choice Café Steamers and Progresso Light soups are quick and easy, yet still enable consumers to strive toward achieving daily nutritional goals.

Two new beverages boast a new experience without added calories. G2 provides all of the electrolytes of regular Gatorade, but has only 25 calories. And Pepsi Max gives a calorie-free energy boost with ginseng and added caffeine.

Despite hardships, consumers are not willing to give up all indulgences. Dunkin Donuts coffee and Smirnoff Ice flavors bring some of the indulgences of restaurant dining into the home. With distinctive flavors, products such as these allowed consumers to enjoy a treat without breaking the budget.

### 2008 New Product Pacesetters: Top 10 Food & Beverage Brands Year-One Dollar Sales (\$ Mil) Across Food, Drug and Mass (Excluding Walmart)



Sources: IRI New Product Profiler™, New Products Launched February 2007- January 2008



**Bold flavors, health-focused and on-the-go varieties continue to fuel food and beverage product innovation.**

## FOOD AND BEVERAGE CATEGORY TRENDS

The chart at the bottom of this page highlights the categories with the highest number of 2008 Pacesetter introductions. Consumers' back-to-basics mantra is evidenced in these rankings.

A whopping 13 new cereal introductions vaulted into the ranks of New Product Pacesetters this past year. Several of these offerings, such as General Mills' Fiber One Raisin Bran Clusters, Post's Live Active line and Kellogg's All Bran Strawberry Medley, are targeted to the health-conscious at-home breakfast diner.

But, cereal innovation casts a broad net, also targeting younger households with offerings such as Kellogg Kid Cereal Straws and several other on-the-go varieties.

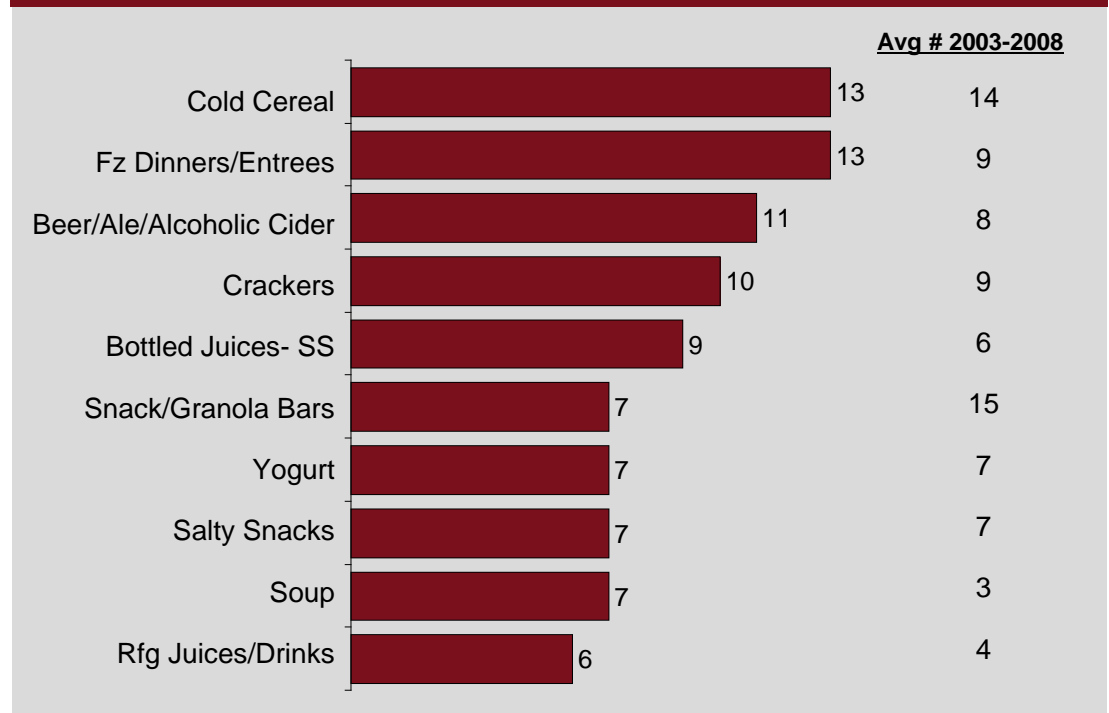
Frozen meals are offering highly targeted new meal options for targeting at-home and on-the-go dinners.

For example, Bertolli's Mediterranean Style Multi-Serve line and Healthy Choice Café Steamers bring the feel of restaurant dining into the home- *conveniently*.

Stouffer's Lean Cuisine Flatbread Melts and Healthy Choice Café Steamers handheld products found success with on-the-go diners seeking nutritious meal options.

Even beyond the most active categories, bold flavors, health-focus and on-the-go offerings continue to fuel CPG innovation efforts.

**2008 Food & Beverage New Product Pacesetters by Category  
Most Active Categories (# of Pacesetters)**



Sources: IRI New Product Profiler™, New Products Launched February 2007- January 2008

# [ Times & Trends ]

A Snapshot of Trends Shaping the CPG and Retail Industries



**[ Household pantries are rapidly becoming less diverse; CPG manufacturers and retailers must crack the code on assortment. ]**

## FOOD AND BEVERAGE CONSUMER BENEFIT TRENDS

Since 2004, the number of unique UPCs per shopper per year has declined 9% to 361. In a transforming economy, this number is expected to continue to fall in 2009, landing below the 350 mark.

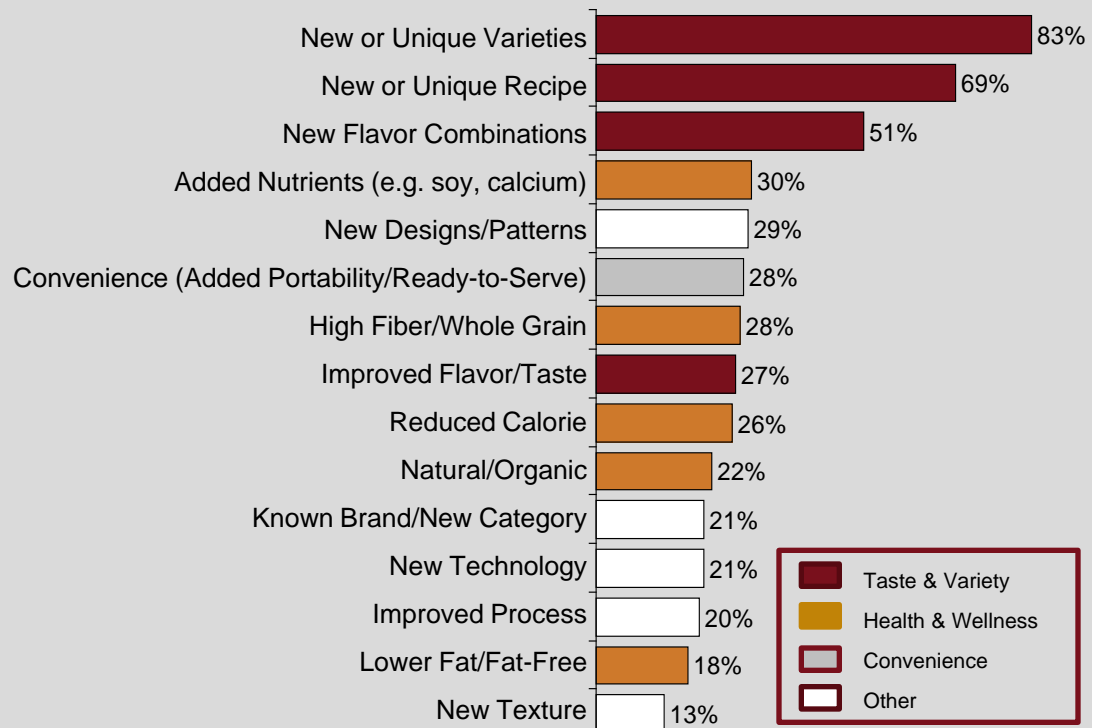
Nonetheless, variety continues to be a driving force behind new product innovation. In 2008, 83% of new food and beverage products touted new and unique varieties.

For CPG marketers, the message is clear and *critical*. Cracking the code on assortment is more important than ever before.

With new functional ingredients rising to the surface almost daily, and natural and organic products gaining steam, health and wellness is also a major focus of food and beverage product innovation today.

Promise Active Supershots, Minute Maid Enhanced juices, and Arnold's Natural breads are just a few Pacesetter products feeding off the nation's drive for improved health.

### 2008 Food & Beverage New Product Pacesetters: Top 15 Benefits % of Total Pacesetters Offering Benefit



Sources: IRI New Product Profiler™, New Products Launched February 2007- January 2008



**Taste and variety innovation cuts across a broad spectrum of food and beverage categories.**

## FOOD AND BEVERAGE

### CONSUMER BENEFITS- TASTE & VARIETY

Shown in the chart at the bottom of this page, taste and variety-based product introductions gained momentum in 2008. After jumping significantly versus historical average in 2007, taste and variety innovation spiked again in 2008.

Innovation in this area cuts across a broad spectrum of food and beverage categories, and addresses a wide variety of taste expectations.

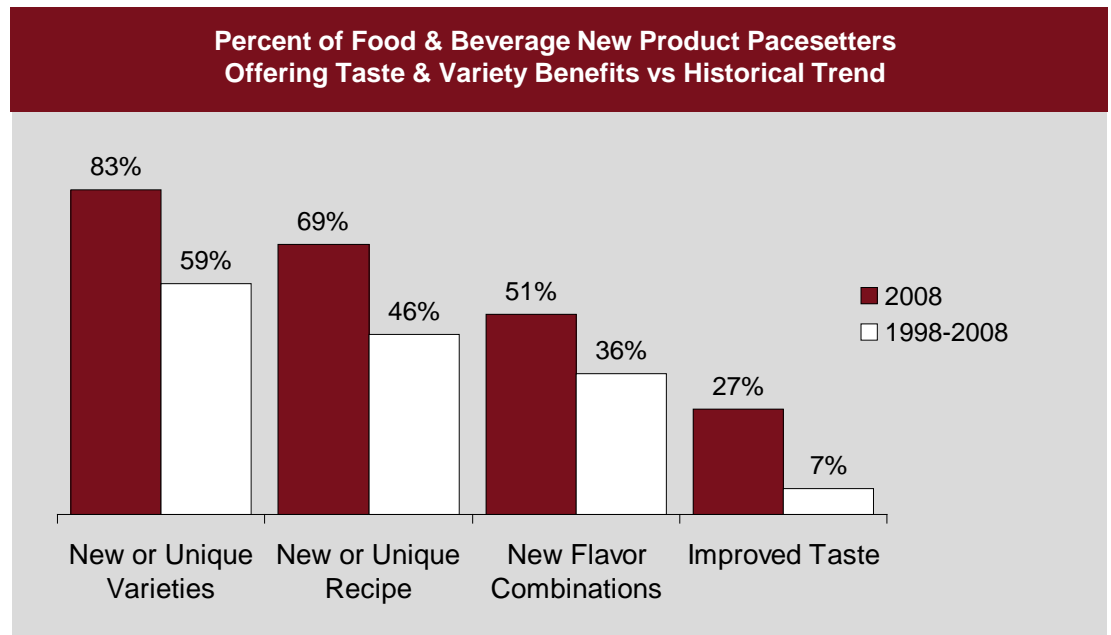
An array of alcoholic beverage products have raised the bar on indulgence with flavored offerings. Smirnoff Ice Flavors, and Blue Moon beers reach a fairly targeted market of alcoholic beverage consumers.

Meanwhile, the Miller Chill line casts a broader net with flavor indulgences at a lower price point.

The variety of available meal component and ingredients has increased exponentially over the past several years. Some new offerings, such as Bertolli Mediterranean Style pasta dishes, offer convenience as well as taste indulgences.

For snackers, Doritos Collisions and Keebler Townhouse Flip Sides offer a bit of the unexpected by combining two individual flavors into a single on-the-go snack option.

And DiGiorno Ultimate and Dryer's/Edy's have brought the long-standing indulgences of pizza and ice cream to the home in a more flavorful, and somewhat more healthful, way.



Sources: IRI New Product Profiler™, New Products Launched February 2007- January 2008



**The well-established “added fiber/whole grain” trend is permeating new, less expected CPG categories.**

## FOOD AND BEVERAGE CONSUMER BENEFITS- HEALTH & WELLNESS

By far, the largest jump in health and wellness innovation occurred in the area of whole grain and high fiber offerings. In 2008, 28% of food and beverage Pacesetters touted high fiber and/or whole grain attributes, well above the historic average of 9%.

Traditional categories such as pasta, bread and cereal are ripe with examples of added fiber and/or whole grains. But, the trend is making its way to some less expected categories as well.

For example, kid-targeted Kellogg’s Pop-Tarts are getting a nutritional boost by baking in whole grains.

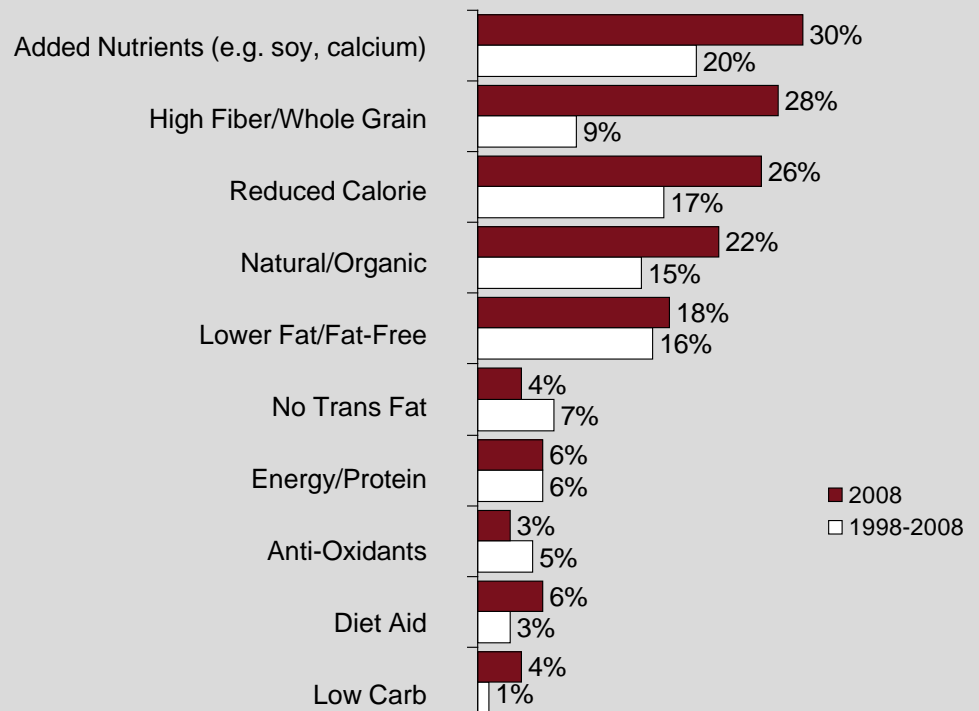
But, even products which already provide a respectable dose of fiber are

fortifying their products to provide a fiber boost. The introduction of V-8 High Fiber vegetable juice provides 20% of the recommended daily fiber intake in a single eight-ounce serving.

Fortifying food and beverage offerings has long been a practice. But, today it is more common than ever before. Calcium, vitamin D, soy, and ginseng are just a few examples of widely leveraged supplemental ingredients aimed at boosting the nutritional value of food.

As technology advances and new ingredients emerge, this trend is expected to continue in the foreseeable future.

**Percent of Food & Beverage New Product Pacesetters Offering Health & Wellness Benefits vs Historical Trend**



Sources: IRI New Product Profiler™, New Products Launched February 2007- January 2008



**After many years at the forefront of CPG innovation, convenience has become an expected, but secondary feature of CPG food and beverage introductions.**

## FOOD AND BEVERAGE CONSUMER BENEFITS- CONVENIENCE

After many years at the forefront of CPG innovation, convenience has become something of an expected feature among U.S. consumers.

Reflected in the chart at the bottom of this page, 28% of food and beverage New Product Pacesetters tout convenience benefits. In nearly all instances, these benefits are secondary to more in-demand product features.

Steam preparation technology has definitely gained momentum this year, making an appearance in a variety of frozen dinner and vegetable offerings, including Healthy Choice Café Steamers.

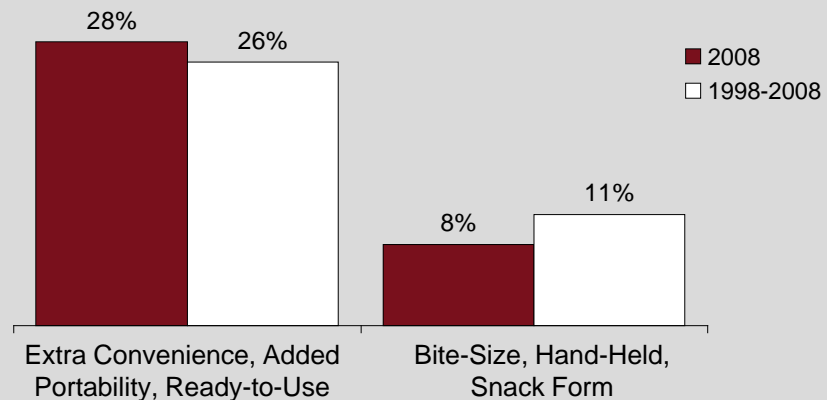
On-the-go consumers looking for

portion control have embraced Bryer's YoCrunch 100 Calorie packs, an on-the-go yogurt indulgence in a calorie-controlled package.

Infants are targeted with Gerber Graduates Lil Crunchies, offering appropriately sized hand-held snacks for parents looking to bring new flavors and textures into their infant's discerning palate. These products are made with 100% whole grain corn and 30% less sodium than other snacks, ensuring maximum nutrition in a quick and easy snack.

Tyson Any'Tizers and Hormel Completes are just two examples of quick and inexpensive family meal options making the list of New Product Pacesetters this year.

**Percent of Food & Beverage New Product Pacesetters Offering Convenience Benefits vs Historical Trend**



Sources: IRI New Product Profiler™, New Products Launched February 2007- January 2008



**CPG's "Rising Stars" offer a mix of indulgent and healthy product features.**

## FOOD AND BEVERAGE RISING STARS

Shown to the right, in alphabetical order, are the Rising Stars of the CPG world. These products span a diverse cross-section of categories, but most share a common denominator: multiple product benefits.

Four of the ten products featured in the box to the right offer convenient and nutritious meal options: Campbell's Select Harvest and V8 soups, Dole Fresh Makes, and Green Giant Valley Fresh Steamers.

Indulgent offerings also span categories, and these products feature new variety and flavor offerings such as Bud Light Lime and Dryer's Fun Flavors.

Advances in technology will continue to raise the bar in food and beverage innovation. New processes, new ingredients, and new consumer attitudes will continue to drive innovation to new heights.

Consumers are, indeed, more focused than ever on nutrition. A deeper, and increasing, understanding across a broad spectrum of core food ingredients is enabling CPG manufacturers to create meal components, ingredients, and all-around solutions which make healthy eating easier than ever before.

But, there is still plenty of room for indulgence. A recent IRI snack study reveals that two-thirds of Americans grab a snack "as needed" rather than planning the snack as part of an overall healthy

2008 New Product Pacesetters Rising Stars Projected Top 10 Food & Beverage Brands (Alphabetical Order)
<b>Bud Light Lime</b> Beer/Ale/Alcoholic Cider
<b>Bush's Best Grillin' Beans</b> Baked Beans/Canned Bread
<b>Campbell's Select Harvest</b> Soup
<b>Campbell's V8 Soup</b> Soup
<b>Dole Fresh Makes</b> Rfg Salad/Coleslaw
<b>Dryer's Fun Flavors</b> Ice Cream/Sherbet
<b>Gatorade Tiger</b> Sports Drinks
<b>Green Giant Valley Fresh Steamers</b> Fz Prepared Vegetables
<b>Mountain Dew Dewocracy</b> Carbonated Beverages
<b>Powerade Zero</b> Sports Drinks

Sources: IRI New Product Profiler™, New Products Launched February 2008- December 2008

eating plan. After all, Americans are simply not willing to give up all indulgences in the name of a healthy lifestyle.



## **FOOD AND BEVERAGE** TRENDS TO WATCH

The January issue of Times & Trends, “2008 CPG Year in Review,” highlights trends to watch over the coming year. A summary of key food and beverage- related trends that will impact industry growth in this and coming years is presented below.

### **Nutrition for Prevention**

Consumers are intently focused on nutrition as a preventative medicine, and CPG marketers are capitalizing on this trend with fervor. Look for new product innovation and marketing efforts to focus not only on what is in the product, but also what is *not* in the product. Innovation will continue to provide consumers easier access to nutritious snack and meal opportunities, ranging from reduced fat and calories to added vitamins and nutrients.

Better-for-you is not going to go away any time soon. In years to come, in fact, the trend is expected to gain steam regardless of economic conditions.

### **Organic And Natural Products Continue to Gain Steam**

The popularity of natural and organic products seems to increase every day. As detailed in the February 2009 issue of Times & Trends, “Sustainability: CPG Marketing in a Green World,” sales of natural and organic products continue to see strong growth despite a recessionary economy. Organics/natural products have permeated every department of the retail outlet: from healthcare to fresh/perishable, from center store to general merchandise. The number of options continues to grow, and consumer appetite is keeping step.

### **Sustainability as a Differentiator**

Sustainability goes beyond natural and organic products. An estimated 85% of CPG food and beverage manufacturers currently employ practices- from plant to packaging to promotion- which promote environmental sustainability.

In a recessionary economy, newcomers to eco-friendly CPG behavior are key drivers of segment growth. Look for food and beverage manufacturers to drive penetration through the ongoing development of products, packaging and promotional programs from within and from outside the traditional sub-set of sustainable products in order to address a growing call for earth-friendly CPG.



*To compete successfully in a transforming economy, it is essential to understand the consumer value equation- and deliver against it.*

## NON-FOODS

### TOP TEN NEW PRODUCT PACESETTERS

Top performers among non-food New Product Pacesetters share one of two powerful themes: self-care and improved performance.

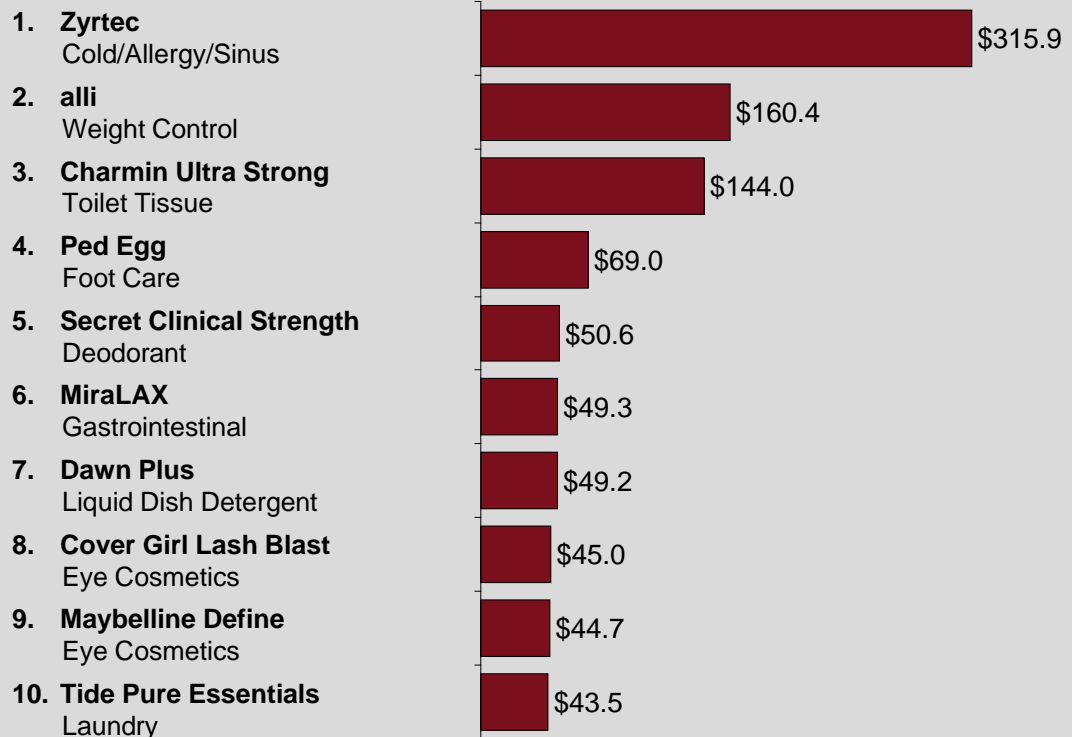
Self-reliance has intensified over the past year in the face of a slumping economy. As consumers struggle to against mounting financial pressures, they have stepped up efforts to reduce medical costs by leveraging over-the-counter treatment options such as Zyrtec allergy relief and alli weight control products. Consumers have also reduced or eliminated spa treatments in favor of “at-home spa” indulgences such as the Ped Egg foot

care system and high-end facial cosmetics such as Cover Girl Lash Blast or Maybelline Define eye cosmetics.

Across a range of non-food categories, innovation centers on improving the consumer experience. From Charmin Ultra toilet tissue to Secret Clinical Strength deodorant, CPG marketers understand that product satisfaction is a critical component in the consumer value equation.

And delivering value is essential to competing successfully in a transforming economy.

### 2008 New Product Pacesetters: Top 10 Non-Food Brands Year-One Dollar Sales (\$ Mil) Across Food, Drug and Mass (Excluding Walmart)



Sources: IRI New Product Profiler™, New Products Launched February 2007- January 2008

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**Investment in health and beauty care innovation remains high, reinforced by high levels of purchase activity across these categories.**

## NON-FOODS CATEGORY TRENDS

The five most active non-food Pacesetter categories in 2008 are also the most active categories over the 2003-2008 time period. This trend speaks volumes of CPG marketers' financial commitment to innovation in these areas, and of consumers' openness to new health and beauty care options within these categories.

Five of the top 25 non-food New Product Pacesetters belong in one or more of the first five categories below. Clearly, shoppers are receptive to innovation within these categories.

Activity within the deodorant and laundry detergent categories last year was well above five-year average levels.

The laundry detergent category is finding success in value and enhanced-performance offerings, such as The Sun Brand and Tide with Dawn, respectively.

For deodorant, new formulations brought about top sellers such as Secret Clinical Strength, Gillette 3X and Degree Clinical Protection.

### 2008 Non-Food New Product Pacesetters by Category Most Active Categories (# of Pacesetters)

Category	# of Pacesetters (2008)	Avg # 2003-2008
Shampoo	13	13
Hair Conditioner	11	12
Soap	10	10
Skin Care	9	11
Toothpaste	9	10
Deodorant	9	7
Blades	8	7
Eye Cosmetics	7	9
Dog Food	7	8
Cat Food	6	6
Laundry Detergent	6	3

Sources: IRI New Product Profiler™, New Products Launched February 2007- January 2008

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*From health and beauty care, to home and pet care, technical innovation is occurring at a rapid pace, and will define non-food CPG product development for years to come.*

## NON-FOODS CONSUMER BENEFIT TRENDS

The health and wellness theme has a solid position among non-food New Product Pacesetters, driven by Rx-to-OTC switch activity as well as new technology and new formulations.

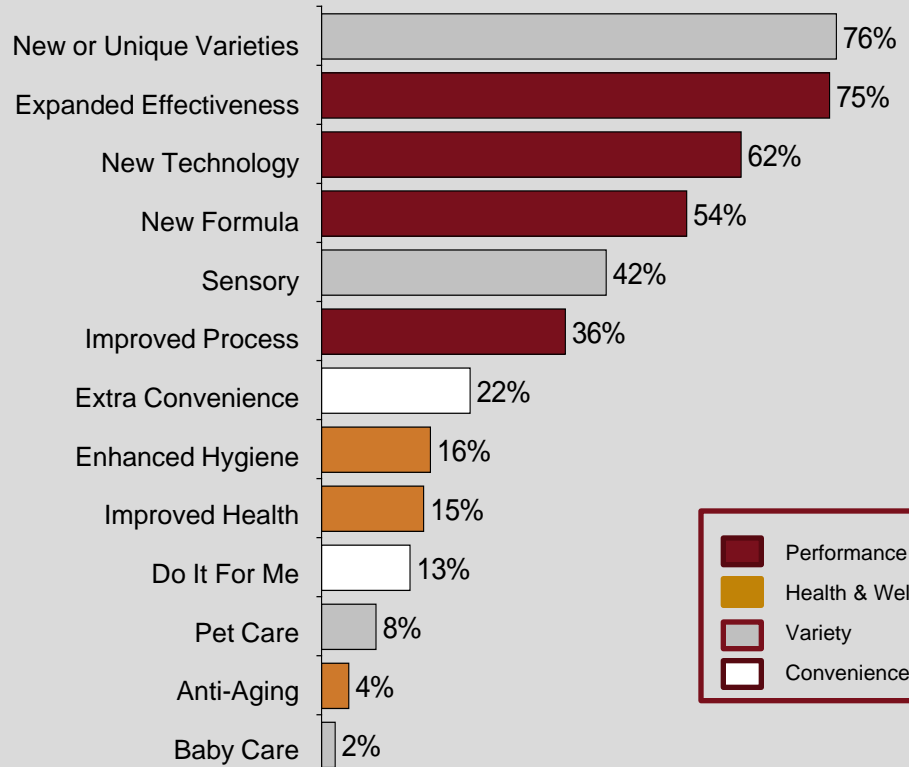
But, truly, it is technical innovation that has raised the bar on non-food CPG product innovation.

Shown below, three quarters of new non-food innovation offers

more variety and increased effectiveness, making everyday tasks easier, more fruitful and/or more enjoyable.

From health and beauty care, to home and pet care, technical innovation is occurring at a rapid pace, and will define non-food CPG product development for years to come.

**2008 Non-Food New Product Pacesetters: Top 15 Benefits**  
% of Total Pacesetters Offering Benefit



Sources: IRI New Product Profiler™, New Products Launched February 2007- January 2008



**Integration of natural, organic and holistic ingredients is opening a whole new world to possibilities for non-food CPG innovators.**

## NON-FOODS CONSUMER BENEFITS- VARIETY

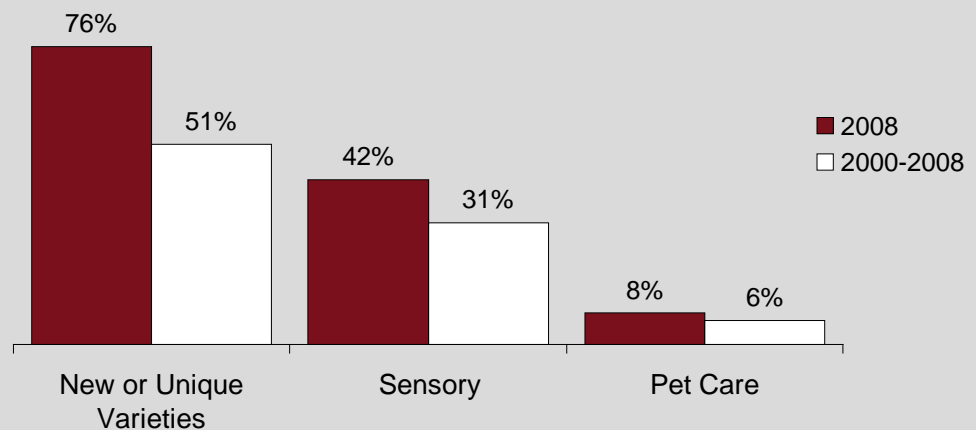
Variety benefits abound when it comes to non-food New Product Pacesetters. These new varieties impact everything from personal care to pet care to baby care, and more.

Products touting sensory-focused attributes, such as stress-relieving aroma, include skin care products such as Neutrogena Acne Stress Control, as well as household products such as Dawn Simple Pleasures dish detergent and Snuggle Exhilarations fabric softener.

Gourmet and natural food offerings dominate both dog and cat food new product introductions. Cesar Gourmet dog food and Sheba Premium Cuts cat food are at the top of the list for innovation in this area.

Integration of natural, organic and holistic ingredients is opening a new world to non-food CPG marketers. As technologies advance and new base materials come to light, look for a continuation of this trend over the next several years.

Percent of Non-Food New Product Pacesetters Offering Variety Benefits vs Historical Trend



Sources: IRI New Product Profiler™, New Products Launched February 2007- January 2008



**Wellness-oriented new non-food offerings were less prevalent, but very powerful in 2008.**

## FOOD AND BEVERAGE CONSUMER BENEFITS- WELLNESS

New products with wellness focus were less prevalent in 2008 versus historical trends. However, those products that were introduced packed a powerful punch.

Zyrtec allergy care made the OTC switch in 2008. As a treatment appropriate for children and adults, this product treats upper respiratory symptoms caused by indoor and outdoor allergens. Such a broad-usage product is well-suited to compete in an environment where consumers are working to minimize purchases in order to ease financial burdens.

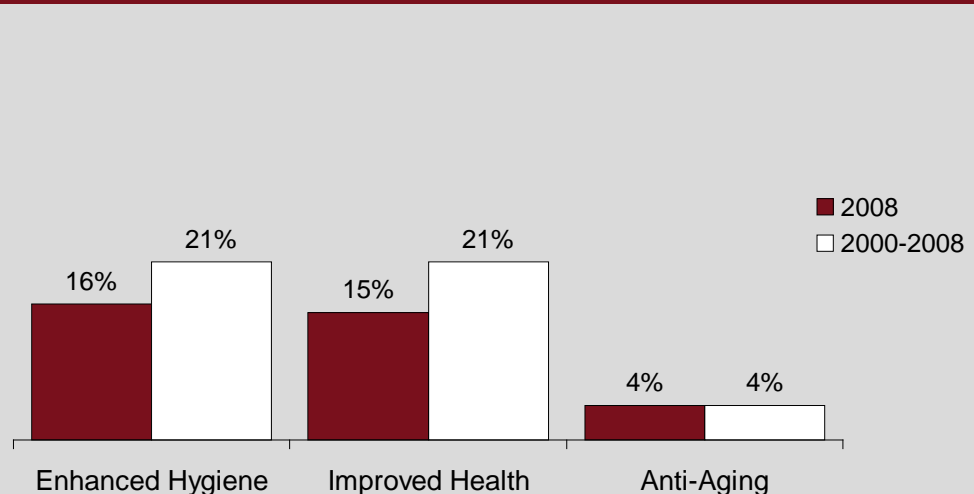
Ped Egg was another key entry into the non-foods CPG arena in 2008. Nicely timed in a transforming economy where consumers seek at-home alternatives to

pricey spa treatments, Ped Egg is an ergonomically-designed and self-contained pedicure system that removes calluses and dry skin from tired feet.

As the only FDA-approved over-the-counter weight loss product available today, alli made an astounding entry to the CPG arena in 2008. alli is a weight-loss pill packaged with a program designed to guide users through the difficult weight-loss journey.

A powerful story, with proper marketing support, makes quite an impression in the CPG industry.

**Percent of Non-Food New Product Pacesetters Offering Health & Wellness Benefits vs Historical Trend**



Sources: IRI New Product Profiler™, New Products Launched February 2007- January 2008



**Functional, sustainable and professional-grade ingredients are broadening innovation opportunities in the non-foods arena.**

## FOOD AND BEVERAGE CONSUMER BENEFITS- PERFORMANCE

Performance enhancements cut across a broad range of non-food New Product Pacesetters in 2008. Among three-quarters of non-food Pacesetters, enhancements resulted in overall improvements to product effectiveness.

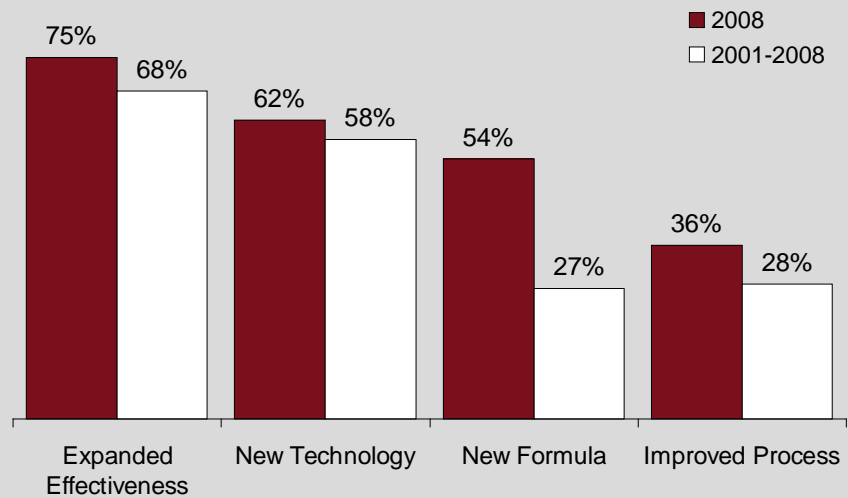
Charmin Ultra Strong leverages a diamond weave texture to provide strength plus extra cleaning power.

Dove Pro Age skin and hair care products are an extension of the existing Dove brand. The new line leverages functional ingredients to revive and renew skin and hair among “women in their best years”.

Sustainability is gaining traction in non-food CPG. Illustrated by Clorox Green Works, plant and mineral based household cleaning products, are answering a growing need for environmentally friendly alternatives to everyday tasks.

And, new technologies are bringing professional results into the home. For example, Colgate Total Advanced toothpaste leverages silica, the same ingredient used in the dentist office, to maximize clean and freshness on a daily basis.

**Percent of Non-Food New Product Pacesetters Offering Performance Benefits vs Historical Trend**



Sources: IRI New Product Profiler™, New Products Launched February 2007- January 2008



**Non-food Rising Stars are reflective of consumer demands for efficiency, effectiveness and sustainability.**

## NON-FOODS RISING STARS

Rising Stars in the non-food arena are all about providing efficiency. Shown on the right-hand side of this page in alphabetical order, this year's Rising Stars are illustrative of CPG manufacturer efforts to simplify life with new, more effective spins on everyday products.

Bounty Extra Soft and Quilted Northern Ultra Plush are bringing added thickness and performance to historically commodity paper towel and toilet tissue categories.

More effective personal care products include KY Yours & Mine Personal Lubricants, featuring customized applications for men and women.

And Gillette's Venus Embrace razor is the first women's razor to feature five blades, "hugging curves" providing a closer shave than traditional razor blades.

Sundown Natural vitamins and supplements and Kinoki natural foot care lines will receive a boost from an increasingly green marketplace in the year to come.

And, Sundown Naturals leverages effective messaging of quality vitamin and supplement ingredients at a low price point.

Non-food product development over the next year will continue to leverage many of the same strategies that brought success in 2008. Above all, efficiency and effectiveness will define next year's Pacesetter products.

2008 New Product Pacesetters Rising Stars Projected Top 10 Non-Foods Brands (Alphabetical Order)
<b>Bounty Extra Soft</b> Paper Towels
<b>Gillette Venus Embrace</b> Razors/Blades
<b>Hartz Ultraguard</b> Pet Supplies
<b>KY Yours &amp; Mine Personal Lubricants</b> Feminine Needs
<b>Kinoki</b> Foot Care Products
<b>Maybelline Colossal Volum' Express</b> Eye Cosmetics
<b>Quilted Northern Ultra Plush</b> Toilet Tissue
<b>Secret Flawless Touch</b> Deodorant
<b>Sundown Natural</b> Vitamins
<b>Tide Total Care</b> Laundry Detergent

Sources: IRI New Product Profiler™, New Products Launched February 2008- December 2008



## **NON-FOODS** TRENDS TO WATCH

The following trends will likely have a significant impact on non-food product development and focus over the next several years.

### **Sustainability**

As detailed in the February 2009 issue of *Times & Trends*, sustainability has established a strong and growing presence in the world of packaged goods. From packaging to product development, CPG marketers are endeavoring to make the world a greener place. Clorox Green Works has led the charge on wide-scale sustainable cleaning products. As consumers' eco-focus intensifies, the proliferation of earth-friendly home, health and pet care products is quite likely.

### **Neutraceuticals**

Market research is rapidly revealing promising new CPG ingredients. And, new benefits for already-used ingredients are uncovered on a seemingly daily basis. Plant and mineral-based ingredients abound, providing health and beauty benefits never before realized. As 2009 unfolds, this area of CPG will bound with activity.

Later in 2009, *Times & Trends* will delve further into some areas of non-food product innovation as we uncover new health and wellness trends in "Redefining Healthy Living."

### **Technologically-Enhanced Beauty**

A consumer quest for vitality is driving growth of beauty care products today. Research and development is uncovering a seemingly steady stream of new ingredients which promise to improve the way consumers look and feel.

With Baby Boomers leading the way, age-related beauty care products are positioned for exceptional growth over the next several years.



## CONCLUSIONS CPG MANUFACTURERS

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

### » Planning

- Continually monitor economic, demographic and social shifts in order to anticipate and rapidly react to emerging consumer trends
- Identify high-potential consumer markets, including niche and high-growth segments
- Leverage consumer research and advanced analytics to understand drivers of consumer attitudes and behaviors as well as unmet and emerging needs
- Benchmark new product concepts, marketing and forecast plans versus historical new product successes and failures; leverage benchmarks as a basis for identifying best practices
- Conduct in-market tests prior to full roll-out

### » Execution

- Develop a fully-integrated marketing strategy which clearly identifies relevant brand attributes and value proposition
- Highlight multiple product benefits in messaging across marketing vehicles
- Work with retail partners to develop optimal assortment at the store level, based on the brand's key target market at the regional and local level
- Seek tie-ins with existing store platforms such as "health and wellness" and "sustainability"

### » Monitoring

- Continually monitor actual versus projected sales growth in aggregate, across consumer segments and by store
- Identify and implement course correction in marketing, distribution and merchandising within the first several weeks of launch and at multiple checkpoints throughout the first year



## CONCLUSIONS CPG RETAILERS

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

### » Planning

- Continually monitor economic, demographic and social shifts in order to anticipate and rapidly react to emerging consumer trends
- Identify high-potential consumer markets (including niche and high-growth segments) and trip missions
- Evaluate fit between new products and key consumer segments and trip missions, and heavily support those that are best-aligned
- Benchmark new product concepts, marketing and forecast plans versus historical new product successes and failures; leverage benchmarks as a basis for identifying best practices
- Identify new sourcing opportunities to bring in new products that create true retail differentiation

### » Execute

- Work with manufacturers to identify optimal assortment at the store level
- Leverage localized assortment strategies that address the need for variety without creating an overly complicated shopping experience
- Support new products with cross-merchandising and cross-marketing programs, creating tie-ins and solutions-based programs, where appropriate

### » Monitor

- Continually monitor actual versus projected sales growth in aggregate, across consumer segments and trip missions
- Measure brand impact on total category sales



## RESOURCES

To gain insight into opportunities across specific categories, consumer segments, channels or retailers, contact your IRI client service representative regarding custom analyses 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 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 projects 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.

# [ Times & Trends ]

A Snapshot of Trends Shaping the CPG and Retail Industries



## >>> MORE INFORMATION

Please contact Susan Viamari at [susan.viamari@infores.com](mailto:susan.viamari@infores.com) with questions or comments about this report.

## About IRI

IRI is the world's leading provider of consumer, shopper, and retail market intelligence and insights supporting 95 percent of the FORTUNE Global 500 consumer packaged goods (CPG), retail and healthcare companies. Only IRI offers the unique combination of integrated market information, automated and predictive analytics, innovative enabling technologies, and domain expertise. With IRI, leading retailers and manufacturers are able to quickly discover breakthrough insights driving smarter decisions and actions across the enterprise for breakthrough results. Companies around the world depend on IRI for improved productivity, stronger brands, and dramatic revenue growth. For more information, visit <http://us.infores.com>

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