

Better-for-you is key growth driver in kid categories

Better-for-you foods and beverages for kids and their parents have explosive potential for both manufacturers and retailers, says Information Resources Inc. The Chicago-based company has for many years been providing the industry with highly reliable data on category, brand and individual-product sales in American supermarkets and other mass merchandisers, using information from scanning at the check-out. Its recently released “Healthy Kids Report” analyses performance in the better-for-you segment within each of its individual categories and finds the industry mainly fumbling in this area. It’s up to Sean Seitzinger to carry this message to IRI’s clients and motivate them to take advantage of the opportunities that he and his colleagues have identified. In fact, IRI recently created what it calls the Center for Retail Innovation and put the 37-year-old Seitzinger in charge of it in order to “elevate the level of dialogue that we’re having with manufacturers and retailers around critical issues like this,” as he puts it.

Seitzinger joined IRI a year ago,

after many years with Coca-Cola Co., in executive and management positions in retail marketing, North American channel marketing, and innovation for Coke’s North American operations. Here are excerpts of his conversation with Dale Buss of *Kids Nutrition Report*:

Q. You say in “Healthy Kids Report” that better-for-you innovation is driving volume growth more than any other factor within kid-driven categories, pointing out that better-for-you products have grown a total of 31% since 2002, compared with just 7% for mainstream products. Why is this happening?

A. More than 90% of category growth within the 16 kid-driven categories is driven by better-for-you products. That’s because consumers have gotten the message. With predictions saying that 50% of kids will be obese by 2010, the data is showing us that households are engaged. They’re driving real category growth by bringing better-for-you solutions home to their families.

Another part of this dynamic is that it’s [obesity is] becoming such a big issue for households with kids, that shoppers are making more and more decisions based on what’s better for them, rather than just what the kids want. We’re telling manufacturers that if they want to do product innovation around stuff for kids, they should do it in the health-and-wellness area – and not just do stuff from kids’ perspectives. Parents are high on this education curve, and they’re using their knowledge to go back and educate their kids.

Q. But you found that many manufacturers simply haven’t embraced this opportunity yet?

A. Not everyone in the industry is at the same place in terms of delivering on better-for-you. They’re at different stages of evolution in terms of how developed their better-for-you solutions are for kids.

Q. What categories, on average, are doing best, and what are some that are doing poorly?

A. Two that are doing well are ready-to-eat cereals and lunch combos and lunch meat. They’ve made great strides in delivering better-for-you solutions since 2002. Also, yoghurt and yoghurt drinks; they’ve found ways to bring more attributes to better-for-you solutions, and so they have higher household penetration than they did.

Laggard areas include bread, and shelf-stable juices and juice drinks. There hasn’t been a tremendous amount of innovation in those areas in terms of better-for-you for kids. Same thing with crackers.

Q. What reasons have you uncovered that the categories perform so differently?

A. Better communications is one reason that some categories are better penetrated by better-for-you. If you were to pull over 10 grocery buggies, you’d find most of them would have some better-for-you products in them. What you’d also find is that how well



How they stack up: IRI’s “Healthy Kids Report” is food for thought for manufacturers and retailers.

the consumers understand better-for-you solutions from category to category in that cart varies a lot.

There just aren't a lot of universal threads that tie products together across categories. No one is offering those kinds of solutions.

Q. What kinds of "ties" should be explained?

A. Consumers might be doing a good job in one type of snacking or in meal development, but not in others. For example, they might have worked real hard to take advantage of the latest offerings in terms of portion control, but that practice is only catching on in a handful of product categories against a handful of consumption occasions. We talked with one big manufacturer who lives in the better-for-you space, but none of their new products in the pipeline had factored in portion control. Yet we're going to see a lot more solutions offering portion control in the next 6 to 18 months.

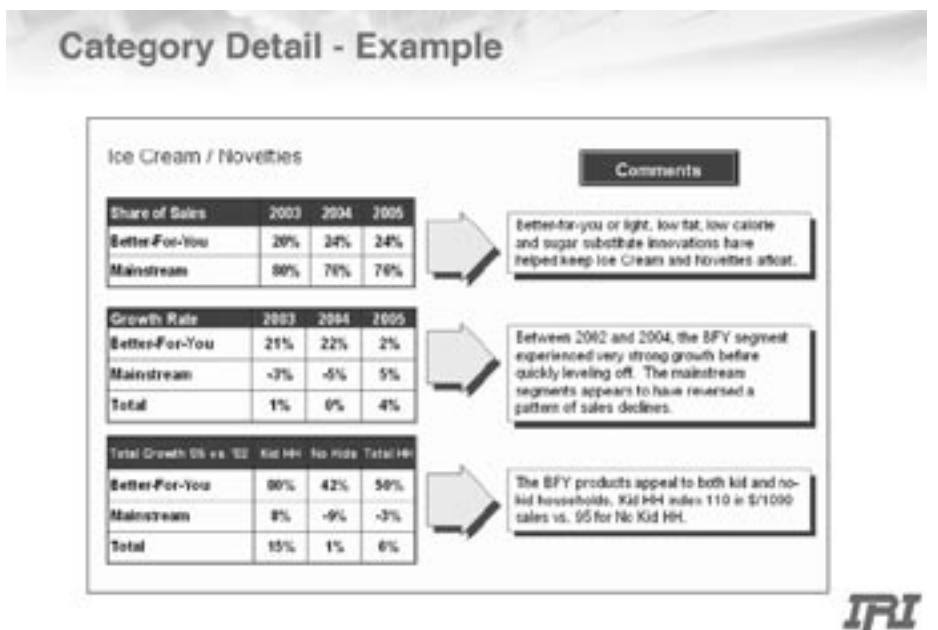
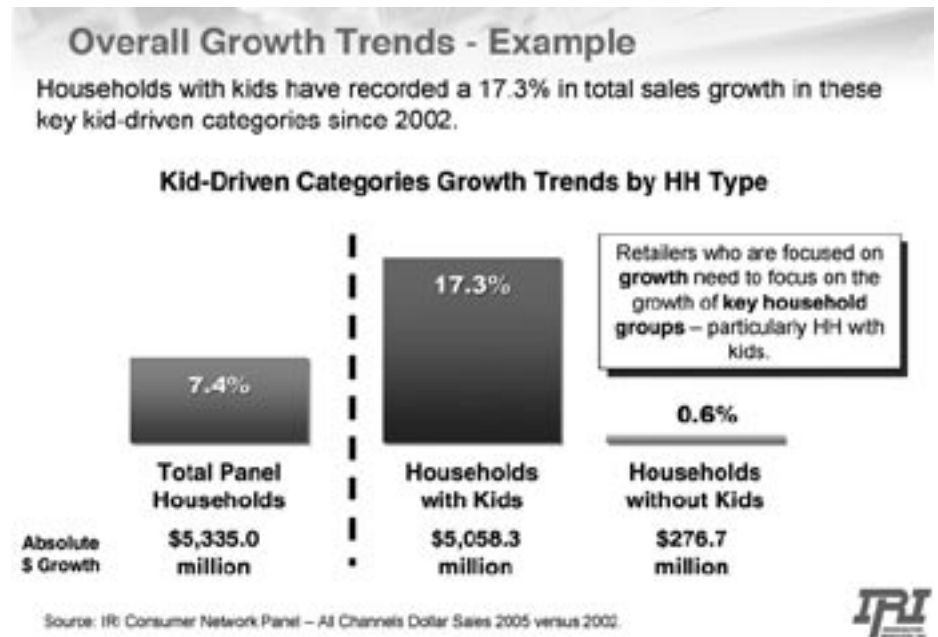
Q. Why is portion control a winning concept?

A. Because shoppers are faced with so many choices, and the ability to bring out a better-for-you around a message that's easy to understand is critical. At the end of the trip, the average purchasing decision in the supermarket takes eight seconds. So you have a short amount of time with a consumer to make a proposition, and have them understand it and think about how it fits into their lifestyle.

Q. Where do retailers come into this equation?

A. They're a big part of the story. We've seen tremendous changes in terms of their developing their own brands, of course, and better-for-you has been one opportunity for that. Look at Whole Foods. Like Whole Foods, other retailers have the opportunity to help consumers make better-for-you decisions in a time-compressed environment.

At a bare minimum, retailers should be answering for themselves what they're doing to make sure they've got the right products in the right categories delivering better-for-you solutions. They can go down



their list right now and make sure they've got solutions that consumers already are beginning to gravitate to. If better-for-you isn't on their screen, they need to amp it up.

The second thing is that, through adjacencies or promotions inside their stores, retailers have the opportunity to help consumers try new better-for-you solutions and get more of them inside their carts. You could have a standalone display based on one attribute, for example, such as portion control or better-for-you snacking.

And we think the highest level of opportunity for retailers is to leapfrog manufacturers by giving consumers what they want in terms of better-for-you

products for kids. Despite growth in the category, not every manufacturer is there with what they should be. So why wait? Retailers should create their own private-label solutions.

How to get the Healthy Kids Report

Information Resources Inc. (IRI)'s Healthy Kids Report is available by contacting:

E-mail: Sean.seitzinger@infores.com

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The report is deliverable as a powerpoint presentation with 100+ slides