

Times & Trends

A Snapshot of Trends Shaping the CPG and Retail Industries



March 2010

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2009 New Product Pacesetters: Innovating Growth in Recessionary Times

Peeling the Onion on This Year's New Product Pacesetters™

To state that 2009 was a difficult year in the CPG manufacturing and retail business would be a tremendous understatement. Perhaps the most challenging segment of the CPG business was new product introductions. With a very low success rate in the best of time, a year of recession and nascent recovery did not bode well for launching new products.

But, as with most trends within the CPG industry, there are many layers behind new CPG product successes.

Among food and beverage products, there were few surprises at first glance. Well over 90 percent of new products were brand extensions, often just “tweaks” to existing offerings, reflecting consumers’ general disinterest in trying something new. Foods and beverages with wellness qualities, such as waters infused with vitamins and light beers, dominated the ranks of 2009’s most successful new product launches.

For the second year in a row, non-food product introductions were more numerous than food and beverage launches. With consumers spending more time at home and practicing “do it yourself” health and beauty strategies, this isn’t a surprise. Nor is it a surprise that among non-foods, as with the food and beverage category, the vast majority of new product introductions were brand extensions.

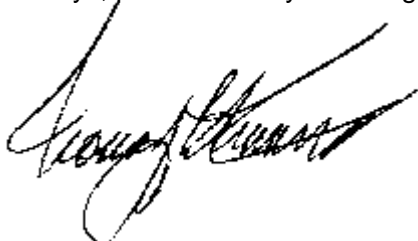
Behind the scenes, however, are more nuanced trends. Until a few years ago, a “successful” launch was typically one that earned more than \$50 million in first year revenue. As CPG manufacturers and retailers become increasingly sophisticated in segmenting and targeting consumers, down to literally the household level, they are also executing much more focused product launches. In the future, it is very possible a successful launch may be one that earns significantly below the historic \$50 million first year revenue benchmark. As a result of successful targeting, though, there may be many more of these successes.

Also behind the scenes is a challenging but exciting evolution of how CPG manufacturers and retailers communicate with consumers. It’s well known that consumers conduct more research at home, more of that research is now done online, and shoppers are using their smart phones to an increasing degree to learn about and purchase new products. Savvy manufacturers and retailers are tapping into these trends with increasing precision, targeting messages through both traditional and online media, testing the effects of offline marketing on online activity, and vice versa, as well as building mobile marketing into the mix.

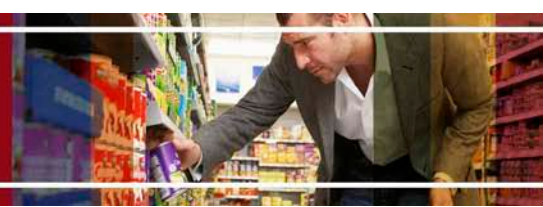
One sports apparel manufacturer is testing a service through which shoppers can opt in to receive text messages when they are close to a store, informing them of sales, new products and promotions taking place. IRI believes it won’t be long before that level of innovation is taking place with CPG manufacturers and retailers.

For those of you who missed an action-packed Summit 2010 conference, I hope you’ve had a chance to review our press releases, blog posts, and Live@Summit! Webcasts to see what you missed!

As always, please share your thoughts and viewpoints.



Thom Blischok
President, Global Innovation and Strategy



EXECUTIVE SUMMARY: TURNING INSIGHTS INTO ACTION

INSIGHT

- » Across 2009's non-foods Pacesetters, new brands continued a long-standing pattern of out-performing brand extensions; food and beverage extensions, on the other hand, demonstrated exceptional year-one revenue performance in 2009
- » The year's most successful food and beverage innovations deftly capitalized on consumers' drive for at-home and from-home meal and snack solutions that provide a mixture of nutrition, convenience, and indulgence
- » The upper ranks of non-food Pacesetters are dominated by products that parlayed advances in technology into new and more effective ways to tackle everyday tasks
- » Targeted innovation is becoming increasingly commonplace in CPG today; across food and beverage and non-foods segments of the industry, 80% of 2009 New Product Pacesetters bring added variety into the marketplace
- » Top selling new products in the convenience channel are representative of marketer efforts to drive purchase behavior across discretionary categories by adding unique and indulgent "spins" to existing CPG products

ACTION

- » Balance innovation efforts to bring to market a mix of smaller, more consistent launches as well as groundbreaking new brands, as warranted by opportunity and corporate growth strategies
- » Continually monitor existing and emerging consumer/ market trends to identify new product development and marketing opportunities
- » Look across CPG departments and categories for new technologies, and continually assess feasibility of integrating these features into key products and/or brands
- » Leverage a granular understanding of consumer attitudes and behaviors to develop highly-targeted innovation and marketing strategies against high-potential categories and segments
- » Stimulate purchase behavior across discretionary categories with value-oriented programs touting cost-effective ways to enjoy indulgences without "breaking the budget"



INTRODUCTION

IRI's New Product Pacesetters are playing an integral role in helping consumers survive recessionary economic conditions.

This year marks IRI's 15th annual publication of New Product Pacesetters, a report which showcases the most successful CPG launches of the past year.

The year 2009 will not be quickly forgotten. It was a year of recession and a year of change. Change for consumers and change for CPG marketers. After all, this recession has been broad and deep. It has impacted many aspects of day to day living.

Despite the challenges, the CPG industry continues to innovate. A handful of new brands were introduced in 2009. For the most part, though, new technologies and new ingredients were wrapped into existing brands, breathing new life into product lines across CPG categories.

The products highlighted throughout this report are IRI New Product Pacesetters. Despite adverse economic conditions and extremely conservative consumer purchase and consumption patterns, these products have thrived.

To achieve Pacesetter status, new launches must exceed \$7.5 million in year-one sales. Even in good times, less than one-quarter of products actually achieve this benchmark.

Themes for 2009 are wellness, potency, and efficacy. But, today's consumer is driven by value. Consumers are planning carefully to

get the most from their money. Home-based food rituals are pervasive. Establishing and maintaining wellness is key to consumers' money-saving strategies. Self-care cuts across health, beauty and personal care departments.

This report illustrates how the most successful new CPG brands are addressing these critical consumer trends. These products are IRI's 2009 New Product Pacesetters- 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)

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New product introductions across non-foods were more numerous versus food & beverage, but food & beverage introductions achieved higher year-one sales.

OVERVIEW NEW PRODUCT ACTIVITY

In good times and bad, new product innovation is a key driver of CPG industry growth. Nonetheless, very few new products really hit it big. As detailed in IRI's recent "15 Years of New Product Pacesetters," less than 3% of new products achieve "mega hit" status, or over \$50 million in year-one sales.

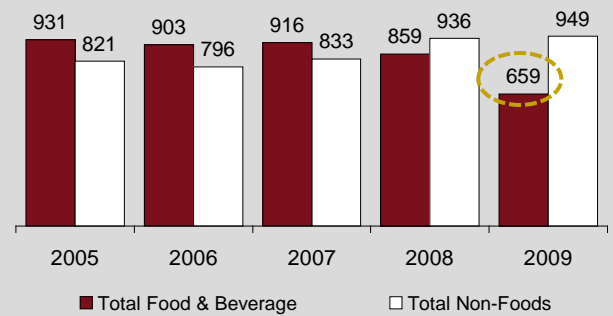
But, 2009 was a particularly challenging year for CPG marketers attempting to hit it big with a new concept. IRI's 2009 Economic Update survey revealed that 46% of consumers are trying fewer new products these days. In such a delicate economic environment, consumers simply cannot afford to spend money on a product they do not like or do not know how to use.

Despite consumers' conservative attitudes, year-one sales trends for 2009 New Product Pacesetters were quite similar to those spanning the last decade. For the year, about 80% of new product launches achieved less than \$7.5 million in year one sales.

From a dollar sales perspective, 2009 food and beverage introductions outperformed non-food rollouts, driven by the success of the top five new food and beverage brands for the year, which each achieved more than \$80 million in year-one sales.

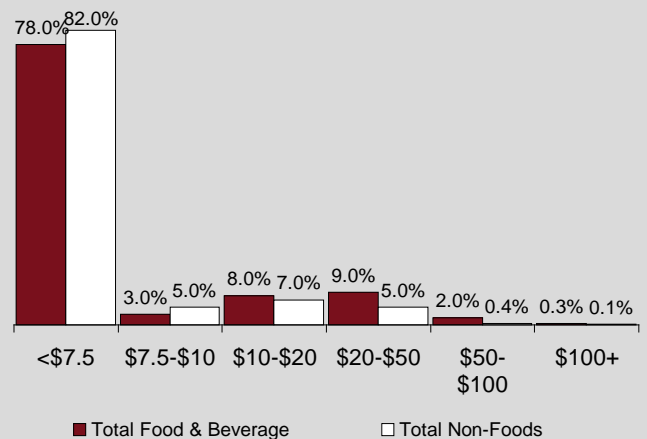
Non-food introductions were more numerous versus food and beverage in 2009 for the second straight year. And, these launches are becoming more targeted in nature, likely accounting for the downward trend in year-one sales. As targeted launches become more prevalent, a re-definition of "successful" introductions is likely. Tomorrow's "successful" new launches may well be below \$50 million in year-one sales.

Number of CPG New Product Introductions* (Brand Level)



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

2009 Proportion of CPG New Products by Year-One Sales* (\$ Millions)



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

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Though net-new brands have historically out-performed brand extensions, food and beverage extensions demonstrated exceptional strength in 2009.

GROWTH OPPORTUNITIES NEW BRANDS VS EXTENSIONS

Detailed in IRI's January Special Report edition of Times & Trends, which highlights trends from the new *15 Years of New Product Pacesetters* report, history shows that innovators frequently choose brand extension as a means of bringing new products to market. After all, brand extensions bring fresh news and vitality to core brands with less investment and shorter lead times versus new brand innovation.

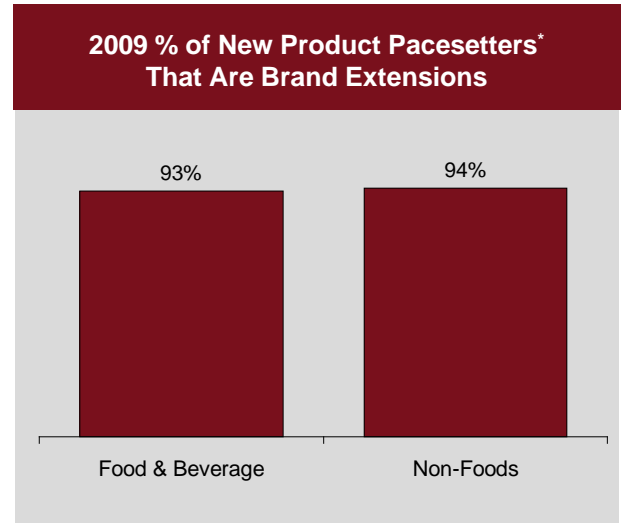
In 2009, this trend continued. Across food and beverage and non-foods segments of the CPG arena, more than 90% of New Product Pacesetters were extensions of existing product lines.

Historically, new food brands have out-performed brand extensions. This remains true across non-foods. But, in 2009, food and beverage extensions garnered substantially higher year one sales, on average, versus new brand introductions.

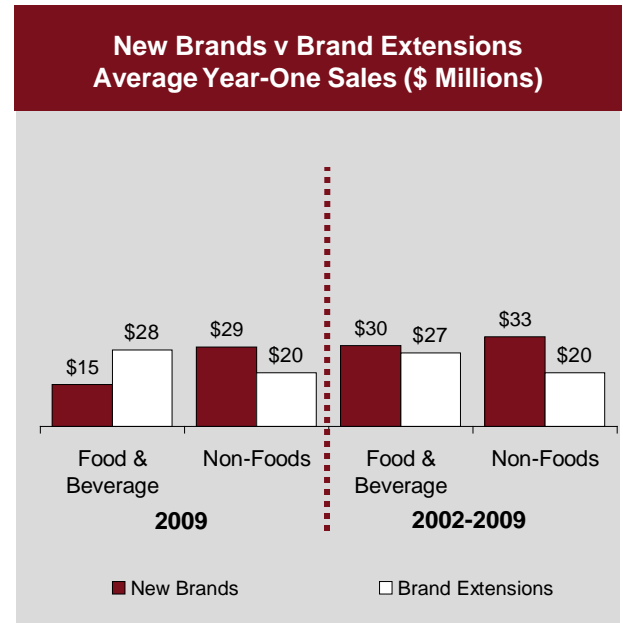
This shift is likely the result of several powerful trends. First, new product introductions are becoming increasingly targeted. Bud Light Lime, for instance, is a successful new launch with niche-market focus to those who like the added taste of lime to their beer.

Secondly, marketers that have established a strong brand equity are working to maintain relevance by "tweaking" existing lines. Campbell's Select Harvest, the largest new food and beverage introduction in 2009, is an example of this type of product evolution.

And, finally, 46% of consumers are trying fewer new products these days. In difficult economic times, the advantage of coming to market with an established brand equity is substantial.



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



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



The ranks of the top food and beverage New Product Pacesetters for 2009 are illustrative of key trends which will drive industry growth in the coming year.

FOOD AND BEVERAGE TOP TEN NEW PRODUCT PACESETTERS

The ranks of the top food and beverage New Product Pacesetters for 2009 are illustrative of key trends that will drive industry growth in the coming year.

For instance, food and beverages play an instrumental role in helping consumers achieve their wellness goals. Kellogg's FiberPlus bars make eating healthy enjoyable. A high-fiber snack with antioxidants, vitamin E and zinc, this snack helps consumers achieve their wellness goals without sacrificing indulgence.

At-home cooking and eating is quite prevalent today. In fact, 60% of consumers are creating and serving

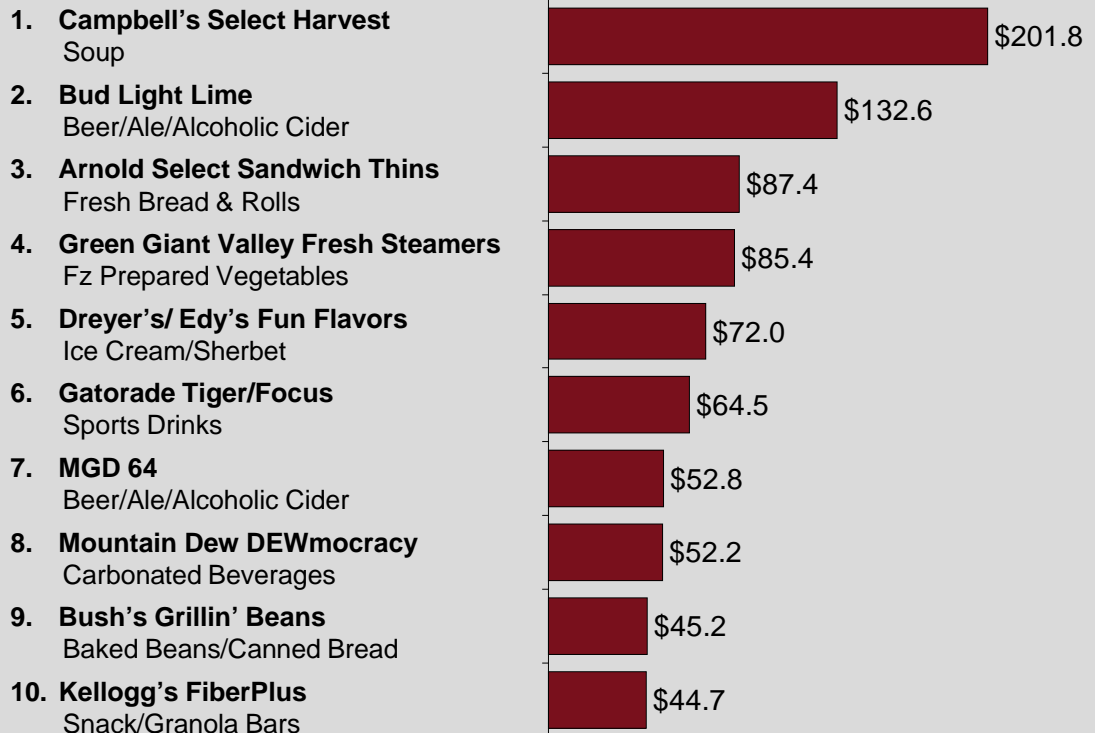
simple meals at home with increased frequency today. Nearly all will continue to do so throughout 2010.

Consumers do not want to compromise, though. Products such as Campbell's Select Harvest soup and Arnold Select Sandwich Thins make creating high-quality and health-wise meals quick and easy.

Meanwhile, lines such as Bush's Best Grillin' Beans and Dreyer's Edy's Fun Flavors ensure that day-to-day dining is anything but boring.

These trends will be explored further throughout this report.

2009 New Product Pacesetters: Top 10 Food & Beverage Brands Year-One Dollar Sales (\$ Mil) Across Food, Drug and Mass (Excluding Walmart)



Source: IRI New Product Profiler™, New Products Launched February 2008- January 2009

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A Snapshot of Trends Shaping the CPG and Retail Industries



Food and beverage innovation is lighter than normal, but finding success in products which cater to at-home and from-home meal rituals.

FOOD AND BEVERAGE CATEGORY TRENDS

Food and beverage innovation may be a bit lighter this year versus the past few years, but a majority of the most active categories have maintained a fairly consistent pace over the past year.

A notable decline, however, is seen in two categories: snack/granola bars and cold cereal. Each year since 2002, these categories have come to market with more than ten New Product Pacesetter products. This year, numbers are down sharply.

The economy is playing a major role in this decline. It has negatively impacted the industry's innovation budget, and, detailed earlier in this report, dampened consumers' willingness to try new products.

At the other end of the spectrum is categories hitting it big with more new

products versus historical trends. Frozen dinners/entrees and crackers are among these categories, key categories in consumers' at-home and from home food rituals.

From quick and easy meal solutions (eg, Stouffer's Easy Express and Banquet's Select Recipes), to fun lunch-box treats (Pringle's Stix and Kraft Handi Snacks Dunk'ems) consumers are increasingly turning to CPG marketers to make mealtime simpler and more enjoyable.

Throughout 2010 and beyond, indications are that a majority of consumers will hold tight to recession-driven ritual changes, including at-home and from-home behaviors. Innovation in key categories will provide opportunity for growth despite economic uncertainty.

**2009 Food & Beverage New Product Pacesetters by Category
Most Active Categories (# of Pacesetters)**

Category	2009 Pacesetters	Avg # 2002-2009
Fz Dinners/Entrees	13	10
Crackers	12	9
Snack/Granola Bars	9	14
Salty Snacks	8	7
Beer/Ale/Alcoholic Cider	7	7
Yogurt	6	7
Fz Novelties	6	5
Gum	5	3
Cold Cereal	5	12
Carbonated Beverages	5	8
Sports Drinks	5	3

Source: IRI New Product Profiler™, New Products Launched February 2008- January 2009

[Times & Trends]

A Snapshot of Trends Shaping the CPG and Retail Industries



CPG marketers have successfully embraced technology and bringing to market a range of new food and beverage benefits.

FOOD AND BEVERAGE CONSUMER BENEFIT TRENDS

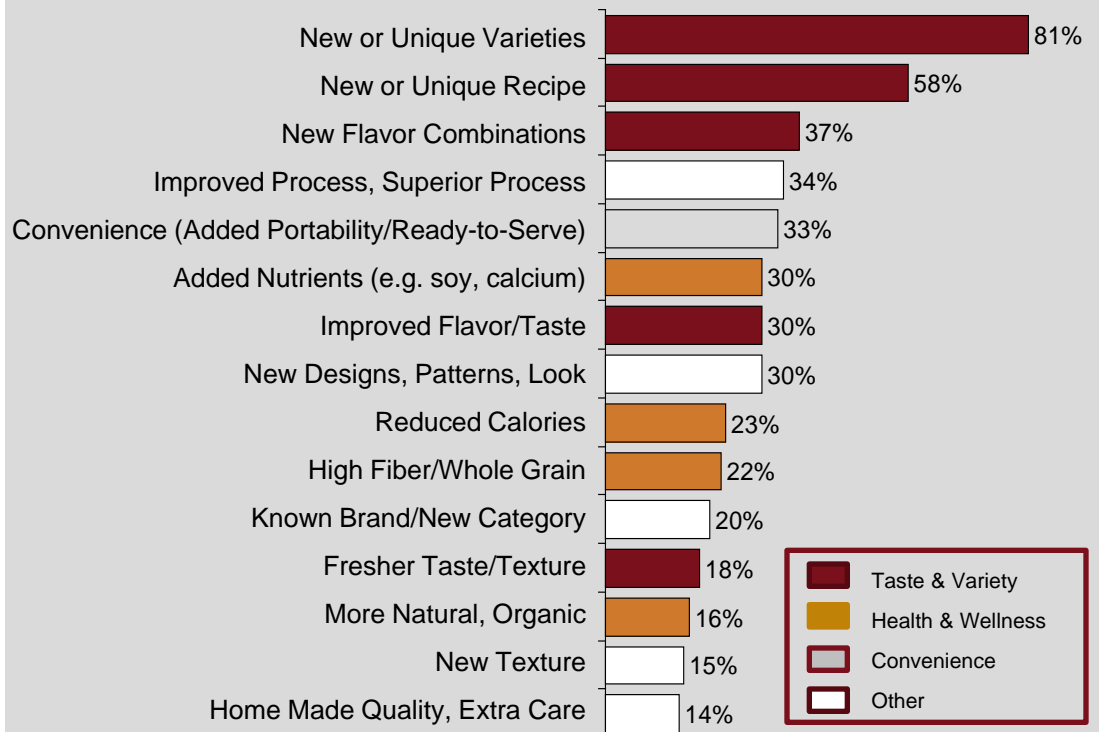
More than 80% of successful new food and beverage products over the past year bring added variety to the marketplace. In an industry that serves consumers with shrinking pantries, this is a startling trend. As detailed in last year's New Product Pacesetters report, the average U.S. pantry has been shrinking since 2004.

This trend is not expected to change in the near future. It speaks volumes to the need for consumer-centric marketing- from new product innovation, to package design, to distribution/assortment, to communication across marketing platforms.

Other key benefits center around health and wellness, convenience, and excitement. As technology evolves, CPG marketers have successfully brought these benefits to market across a variety of products.

Key benefits are explored in greater detail on the next several pages of this report.

**2009 Food & Beverage New Product Pacesetters: Top 15 Benefits
% of Total Pacesetters Offering Benefit**



Source: IRI New Product Profiler™, New Products Launched February 2008- January 2009



[Taste and variety innovation is bringing excitement and wellness to a range of food and beverage categories.]

FOOD AND BEVERAGE

CONSUMER BENEFITS- TASTE & VARIETY

New ingredients and new technologies are paving the way for new products that address long-standing consumer needs with a new fervor. As a result, taste and variety-based innovation continues to see strong growth.

The snack/granola bar category is a big beneficiary efforts to bring excitement to health-conscious consumers. Top-ten performer Kellogg's FiberPlus, mentioned earlier in this report, is one example of healthy-but-fun. Atkins Day Break is another 2009 success story, providing a protein-packed start to the day for consumers focused on losing weight.

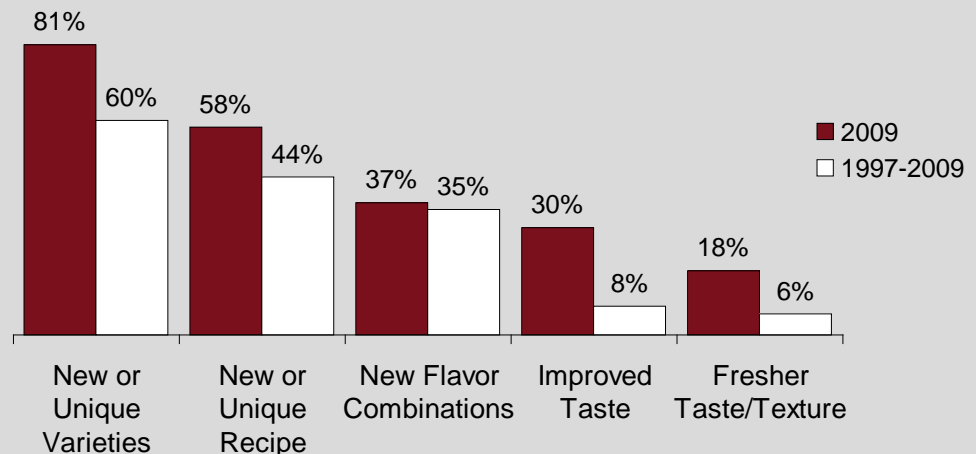
Juices categories are also getting a variety boost thanks to new ingredients and technologies. For example, refrigerated Tropicana Pure Valencia is 100% juice with unique flavor combinations,

including Raspberry Acai and Pomegranate Blueberry. And Capri Sun Sunrise aseptic juices come in three flavors of juice, each boasting 100% of daily Vitamin C and "a good source of calcium" in a convenient pouch.

Taste is also important, across indulgent and healthier products. M&M Premiums, for example, come in "five fabulous flavors" including triple chocolate, raspberry almond and mint chocolate. Meanwhile, Pepperidge Farms Baked Naturals offer indulgence for the health-conscious, with a savory treat that is "real taste, real crunch, real goodness."

And flavor combinations are also making eating more fun. Wrigley's Extra Fruit Sensations, for example, is a sugarless gum that comes in a variety of exciting fruit flavors, including island cooler and mango smoothie.

Percent of Food & Beverage New Product Pacesetters Offering Taste & Variety Benefits vs Historical Trend



Source: IRI New Product Profiler™, New Products Launched February 2008- January 2009



Technology is paving the way for more powerful food and beverage solutions, and wellness benefits are escalating.

FOOD AND BEVERAGE CONSUMER BENEFITS- HEALTH & WELLNESS

High fiber and whole grain product attributes continue to be in high demand, and CPG marketers are feverishly working to capitalize on this opportunity. In 2009, products touting grain claims accounted for 4% of CPG sales. Though this number is low, it is growing quickly. Unit sales of products with grain claims climbed 3.4% for the year, and 22% of 2009 New Product Pacesetters tout high fiber or whole grain claims.

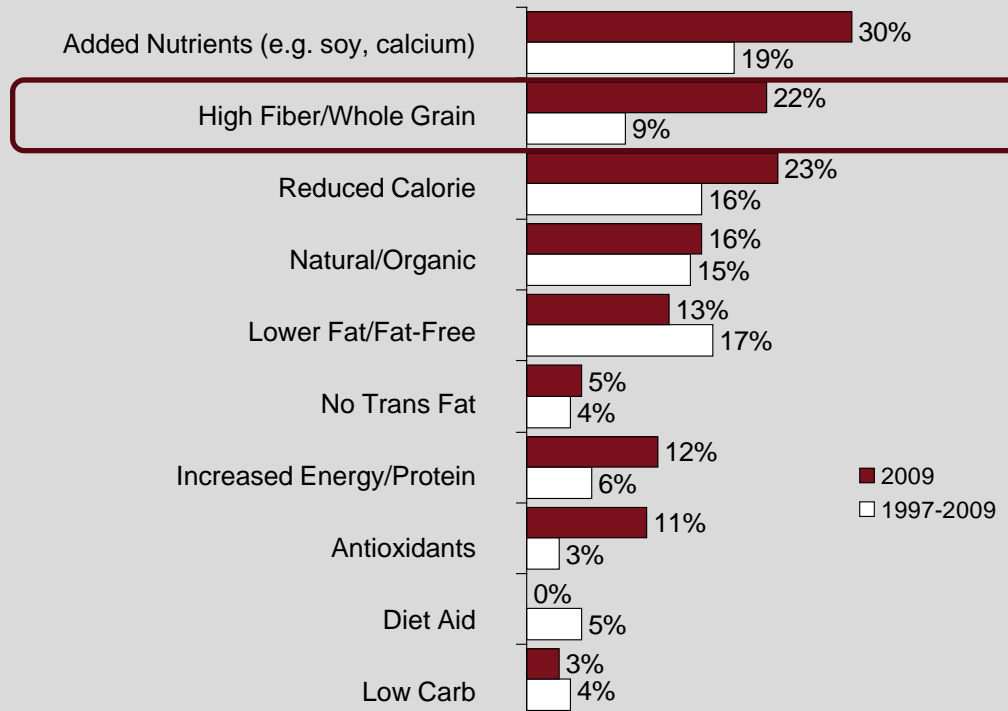
Yoplait Fiber One yogurt is one example of a CPG product that finds success in answering consumers' calls for healthier food and beverage options. In its first year, this product garnered \$26.6 million in sales despite a difficult economy.

Across nearly one-third of 2009 Pacesetter products, CPG marketers have added nutrients to enhance the wellness profile of their products. For example, Ocean Spray CranEnergy is a juice drink enhanced with green tea extract and B vitamins, providing a healthful and natural energy boost to "help get through a busy day."

And, Beechnut Let's Grow line targets the youngest consumers with added nutrients to support healthy growth and development.

Technology is paving the way for more powerful food and beverage solutions. CPG marketers are effectively harnessing these technologies and raising the bar on wellness.

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



Source: IRI New Product Profiler™, New Products Launched February 2008- January 2009



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

Convenience has been at the forefront of CPG new product development for many years. In 2009, 33% of New Product Pacesetters touted convenience-related features.

Ore-Ida Steam n Mash is making a splash in an already-established category: frozen side dishes. This product is a quick and easy solution to meal-time dilemmas.

To a large degree, though, convenience has become an expected yet secondary attribute across food and beverage products.

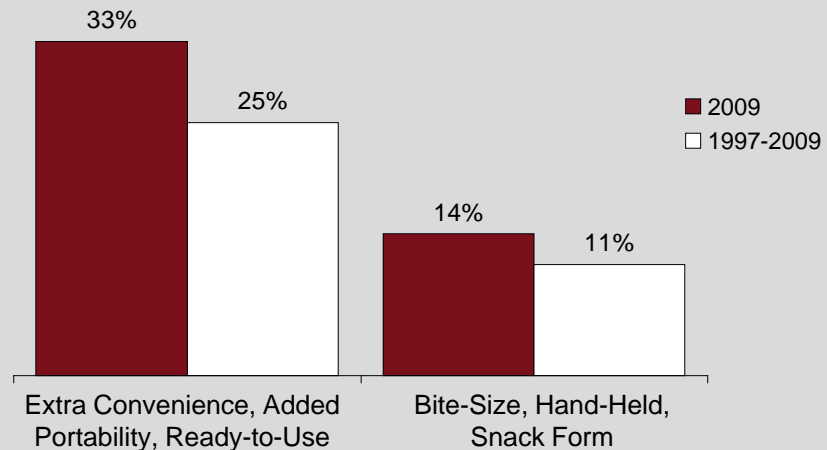
“Perfectly portable and definitely delicious,” Nabisco Munch Packs make from-home and on-the-go eating a breeze. And, at 100 calories

per pack, they are indulgence that doesn't completely derail the diet.

Health-conscious eaters need not compromise convenience any more. An array of products, including Weight Watchers Smart Ones Morning Express and Birds Eye Steamfresh Meals provide a well-balanced meal in a very short time.

Healthy comes in bite-size, too. Nabisco Newton Fruit Crisps are a 100 calorie snack made with real fruit. Gerber Graduate Yogurt Melts get toddlers off to a good start with 99% real yogurt and fruit combination with live and active cultures that is easy to chew and swallow.

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



Source: IRI New Product Profiler™, New Products Launched February 2008- January 2009



This year's Rising Stars serve to underscore the power that consumers' drive for wellness is having on the packaged goods industry.

FOOD AND BEVERAGE RISING STARS

IRI's Rising Stars provide a sneak peak at the packaged goods arena of tomorrow. Listed to the right, in alphabetical order, this year's rising stars serve to reinforce the power that wellness is having on the packaged goods industry.

While wellness has been on consumers' radar screen for several years, this past year saw wellness goals escalate to a new level.

Nearly three-quarters of shoppers embark on shopping endeavors seeking components to make a nutritious meal. Products across categories are hitting the mark: Thomas' Better Start english muffins are a low calorie, high fiber breakfast option. Healthy Choice All Natural frozen entrees provide consumers with a "healthy in a hurry" lunch or dinner. And Nature's Pride bread crosses dayparts with a 100% natural snack/sandwich appeal.

IRI's 2010 Snacking Survey reveals that thirty-two percent of consumers view snacks as an important part of a healthy eating plan. Dannon's Danimals Crush Cups are an on-the-go yogurt option targeting the youth markets. And Yoplait Delights provide a sweet treat in a calorie controlled portion.

The drive for wellness is not expected to wane. CPG marketers displaying an intimate understanding of the wellness goals of their key consumer and target markets will play an integral role in driving the growth of this important industry segment.

2009 New Product Pacesetters Rising Stars Projected Top 11 Food & Beverage Brands (Alphabetical Order)
Dannon Danimals Crush Cups Yogurt
Glaceau VitaminWater10 Bottled Water
Healthy Choice All Natural Entrees Frozen Dinners/Entrees
Marie Callender's Pasta Al Dente Frozen Dinners/Entrees
Nature's Pride Fresh Bread & Rolls
Orbit Mist Gum
Thomas' Better Start English Muffins
Trident Layers Gum
Trop50 Refrigerated Juices/Drinks
Yoplait Delights Refrigerated Desserts
Wonderful Pistachios Snack Nuts/Seeds/ Corn Nuts

Source: IRI New Product Profiler™, New Products Launched February 2008- January 2009



FOOD AND BEVERAGE TRENDS TO WATCH

This *Trends to Watch* section is an excerpt from IRI's January 2010 Special Report edition of Times & Trends, "15 Years of New Product Pacesetters: Excellence in Innovation Drives CPG to the Next Level."

Food and beverage innovation will continue to run broad and deep, with convenience remaining an expected, yet secondary, attribute of most successful new products. Other key influencers of food and beverage innovation include:

Sensory

Food and beverages are more than just nourishment. Consumers today seek an eating experience. CPG marketers are answering the call with "jazzed up" versions of yesterday's products and new flavors and/or flavor combinations that bring excitement to everyday eating occasions. Technology is "feeding" this craze, facilitating the task of preserving food freshness and locking in flavor.

With restaurant eating down from historical trends, consumers are looking to packaged goods to bring the dine-out experience into the home (and within budget). Premium quality CPG food and beverage options, such as Freschetta PizzAmoré (2008) or Folgers Gourmet Selections (2007) have gained significant traction over the past several years, and are likely to continue to enjoy popularity even as the economy eases as consumers hold tight to more conservative spending patterns.

Sustainability

The sustainability movement has permeated every facet of the packaged goods industry. From natural/organic/fair trade food and beverages to concentrated cleaners, to natural health and beauty products, the CPG universe is becoming increasingly green. Manufacturing and transportation is also impacted by this trend. CPG companies are redesigning packaging to leverage more earth-friendly materials, and reducing packaging where possible.

Manufacturing and retail facilities are being made more energy-efficient. Manufacturing processes are being reevaluated to identify more eco-friendly options. Transportation fleets are being upgraded to low-emitting and fuel efficient vehicles.

The end goal is the same across the industry: to minimize environmental impacts and maximize the use of sustainable business practices.



FOOD AND BEVERAGE TRENDS TO WATCH

Self-Care

One of the major impacts of the country's current recession is a growing trend of self-sufficiency. To save money, Americans have stepped up self-driven health and wellness efforts. Food and beverages have taken a spotlight role in improving overall health and warding off/managing disease.

As detailed in the November issue of Times & Trends, "Health & Wellness: Redefining Healthy Living," CPG marketers are playing a vital role in creating a healthier America. Today, nearly three-quarters of consumers rate nutritious/ wholesome meals as a key consideration when planning food and beverage shopping trips, and two-thirds of shoppers eat to manage special health conditions. CPG innovation is deftly feeding this trend.

Consumers are looking to fortified foods, such as Smart Balance Omega-3 fortified products, to play a significant role in their wellness strategies. But, what is *not* in foods (i.e. less fat, less sodium) is just as important. Progresso Light ready-to-serve soups (2007) and Dryer's/Edy's Slow Churned ice cream (2006) exemplify the power of wellness-attributes to drive purchase behavior.

Even as the recession shows signs of easing, Americans are expected to hold tight to their more self-reliant ways. The demand for better-for-you and fortified food and beverage offerings will proliferate over the next several years.



The top-ranking non-food products evidence the fact that consumers are quite receptive to the new and better way of tackling day-to-day tasks.

NON-FOODS

TOP TEN NEW PRODUCT PACESETTERS

Technology is paving the way for better results and more pleasant experiences. The top-ranking non-food 2009 New Product Pacesetters evidence the fact that consumers are quite receptive to the new and better way of tackling day-to-day tasks.

Grooming rituals have been made easier and more effective with products such as Gillette Venus Embrace Razor and Secret Flawless deodorant. Pets are seeing the benefit, too, with PediPaws nail care system.

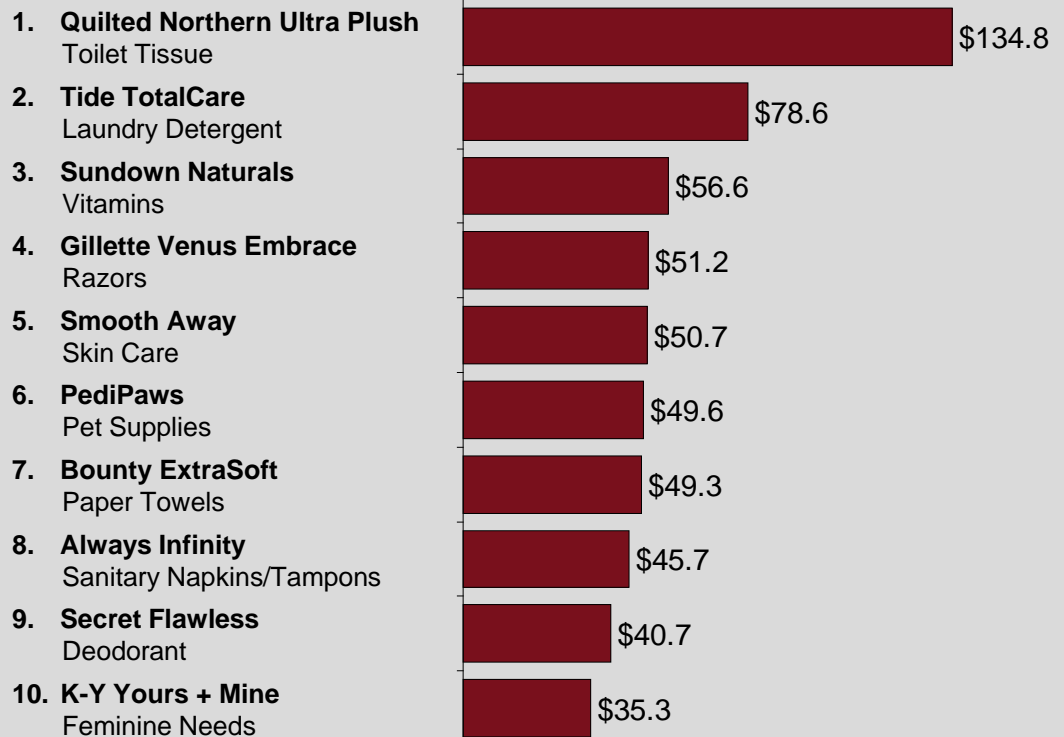
Home and personal care are also reaping the benefits of technological advances. Tide TotalCare saves

consumers money by helping to keep clothes looking new for longer. And consumers are finding comfort and strength in Bounty ExtraSoft paper towels and Quilted Northern Ultra Plush toilet tissue.

With the recession now in its second full year and uncertainty on the horizon, consumers are looking for performance and value. They simply cannot afford to spend money on products that don't deliver.

CPG marketers that deftly deliver against consumers' most critical needs will find success today that lasts into tomorrow.

2009 New Product Pacesetters: Top 10 Non-Food Brands Year-One Dollar Sales (\$ Mil) Across Food, Drug and Mass (Excluding Walmart)



Source: IRI New Product Profiler™, New Products Launched February 2008- January 2009



Analysis of successful launches across non-foods categories illustrates the power of targeted innovation, even in recessionary times.

NON-FOODS CATEGORY TRENDS

The increasing prevalence of targeted innovation was discussed earlier in this report. Innovation across non-foods provides numerous illustrations of the power of this type of innovation. Targeted products drove innovation across several non-food categories.

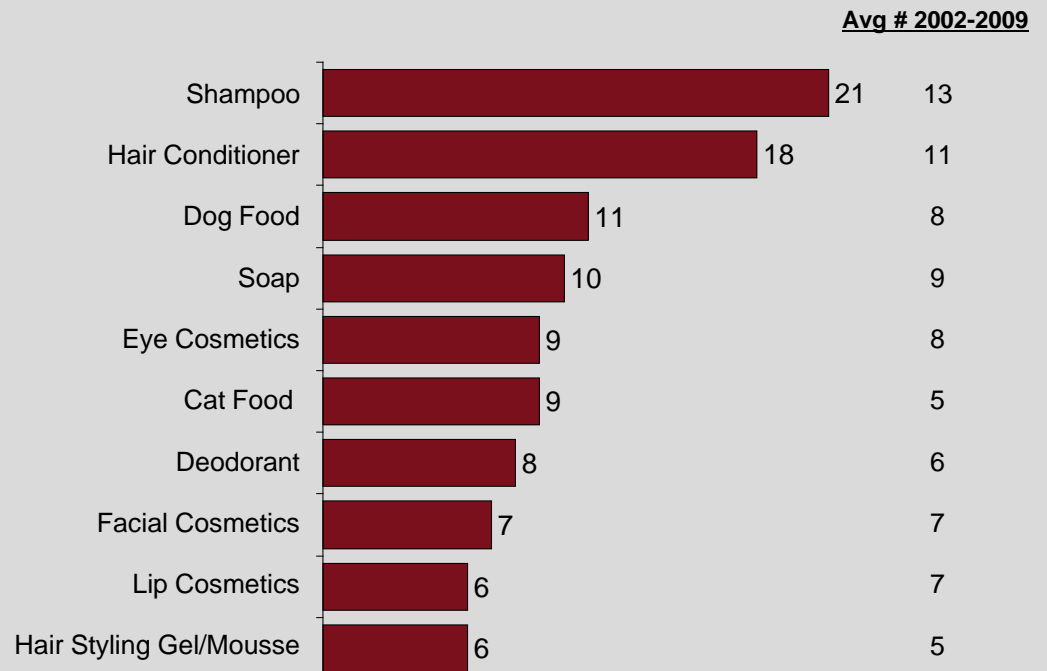
Shampoo is one of those categories. Gillette has introduced a line of shampoo for men. Targeting goes beyond gender, as formulations address specific hair needs, from moisturizing to dandruff control.

Other shampoo brands, including Dove, Garnier and L'Oreal, also extended their lines, bringing consumers added body, deeper moisture and brilliant shine.

Pets are also benefitting from more targeted innovation. Pedigree's Good Bites line provides a range of health-boosting formulas, including oral care, hip and joint maintenance and senior treats. And Iams Healthy Naturals cat food has no additives, preservatives or fillers, and is enhanced with prebiotics to boost digestion and immune defenses.

This trend is also pervasive in other non-food categories, such as hair conditioner and deodorant. As technology advances and new ingredients are discovered, targeted innovation is likely to become even more commonplace.

2009 Non-Food New Product Pacesetters by Category
Most Active Categories (# of Pacesetters)



Source: IRI New Product Profiler™, New Products Launched February 2008- January 2009



2009's most successful non-food innovations successfully leverage new technologies and new ingredients to put more powerful products into the hands of the consumer.

NON-FOODS CONSUMER BENEFIT TRENDS

Innovation in the non-foods arena is all about technology and performance. Just over 80% of 2009 non-food New Product Pacesetters are bringing new technology and/or improved results into the packaged goods marketplace.

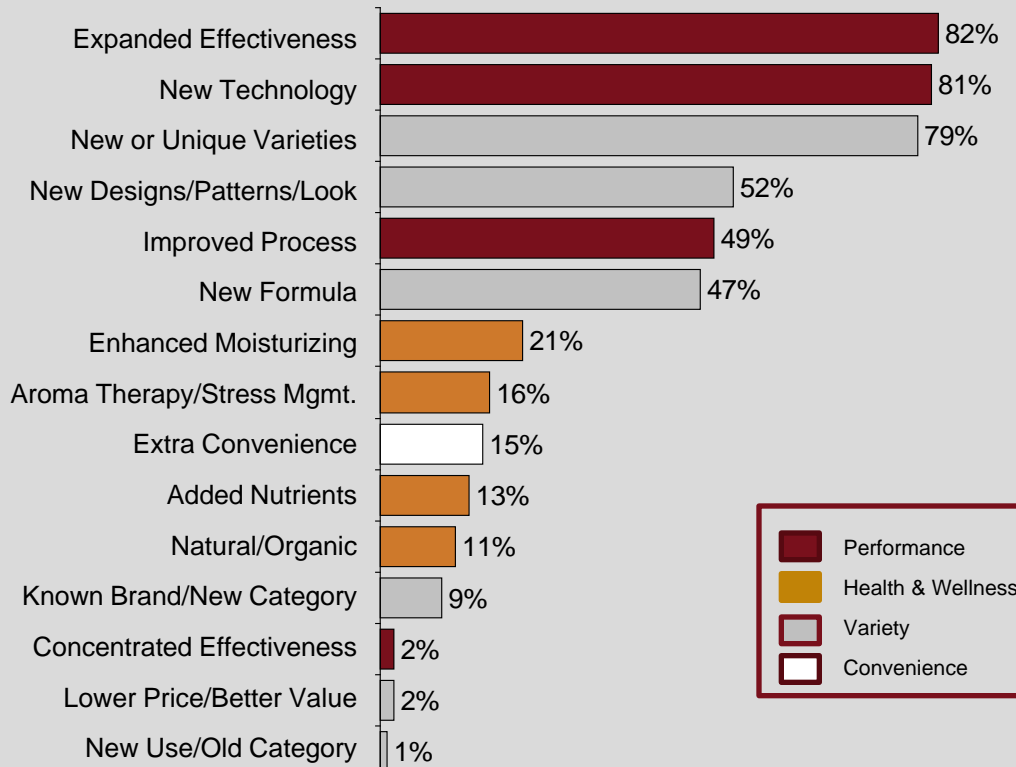
Cosmetics categories are quite prevalent in 2009 rankings, delivering natural, age-defying and/or professional looking results at a price point well below that seen across department store brands.

Beauty and personal care is also getting quite a boost from new

technologies and new ingredients which combine to deliver better results. The bar has been raised, and today's consumers are enjoying cleaner teeth; stronger, healthier hair, and younger, moisture-rich skin as a result.

New technologies are effectively stimulating interest in mature categories and brands. Secret Flawless, for example, touts "the more you move, the more it works." This brand is the first movement activated odor protection technology in the category.

2009 Non-Food New Product Pacesetters: Top 15 Benefits
% of Total Pacesetters Offering Benefit



Source: IRI New Product Profiler™, New Products Launched February 2008- January 2009



Variety grew as CPG marketers brought more powerful, more natural and more targeted products to consumers in 2009.

NON-FOODS CONSUMER BENEFITS- VARIETY

New varieties are being introduced into the non-food arena at an amazing rate these days. In 2009, these types of product introductions brought more powerful, more natural and more targeted products to consumers.

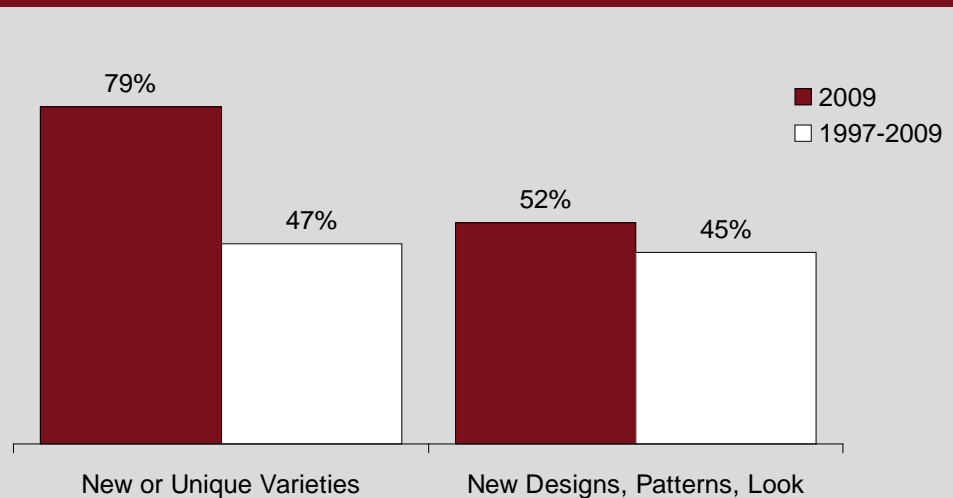
Energizer is breathing new life into the recession-weary battery category. At up to seven hours of usage, the Energizer Ultimate line touts the world's longest lasting AA and AAA batteries, specially designed for use in high-tech devices.

Several categories are responding to consumer demands for more natural CPG solutions. Physicians' Formula

Organic wear offers all natural beauty through its 100% natural facial cosmetics. Palmolive Pure and Clear cleans dishes with no unnecessary chemicals and no heavy fragrances. And Huggies Gentle Care Sensitive line pampers infants with sensitive skin with a range of hypoallergenic and fragrance free baby products.

Men are increasingly in the eye of the CPG marketer. Dial for Men 3-D and Vaseline MEN lotions are just two examples of line extensions that are broadening the reach of existing CPG brands.

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



Source: IRI New Product Profiler™, New Products Launched February 2008- January 2009



Non-food offerings with wellness benefits brought more powerful therapies, more natural ingredients and sensory-enhanced formulations to the hands of consumers.

NON-FOODS CONSUMER BENEFITS- WELLNESS

About 10% of this year's non-food Pacesetter products touted wellness benefits. These benefits included more powerful therapies, more natural ingredients, and sensory-enhanced formulations. With at-home and self-driven health and beauty care at a high, these products are well-timed additions to consumers health and beauty care arsenals.

Dial Yogurt Liquid body wash harnesses the natural power of yogurt protein to infuse the skin with moisture as it cleans. At the same time, aromatic properties from vanilla and honey, aloe vera and other plant-derived scents will stimulate the senses.

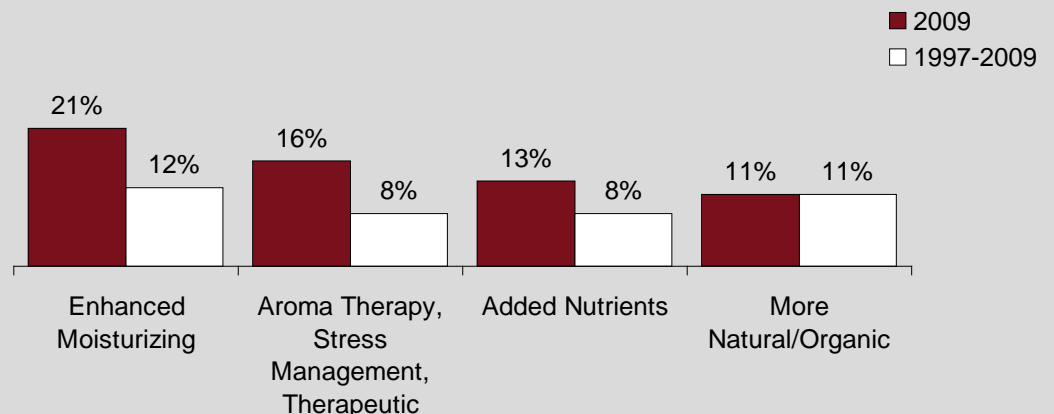
L'Oreal EverPure also invigorates while it works, with plant-derived scents

including rosemary, juniper and mint. This targeted shampoo/ conditioner line protects and conditions color-treated hair with a color-preserving formula that is free of sulfates, salts and surfactants.

Sundown Naturals go beyond natural ingredients. Many of the vitamins in this line are vegetarian, gluten free and without artificial colors or sweeteners. Packaging is 100% recyclable. And, the company 's mission is to "enhance your life" with products that "fit your budget."

As the drive for wellness continues to intensify, it is likely that health-related claims will become increasingly prevalent across a wide range of non-food categories.

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



Source: IRI New Product Profiler™, New Products Launched February 2008- January 2009



New ingredients and advanced technologies making self-care easier and more effective, while simultaneously bringing more enjoyment and better results to everyday tasks.

NON-FOODS

CONSUMER BENEFITS- PERFORMANCE

Technology is playing a key role in new product development across non-food categories. In 2009, 81% of non-food New Product Pacesetters, including nine of the year's top 10 non-food launches, parlayed technology into a competitive advantage. These success stories cut across a range of non-food categories.

For instance, the dirtiest job in cat-ownership just became more pleasant. Fresh Step Expressions is a cat litter that contains encapsulated fresheners that are activated when a cat scratches or steps releasing a fresh scent such as Lavender Valley or Mountain Forest.

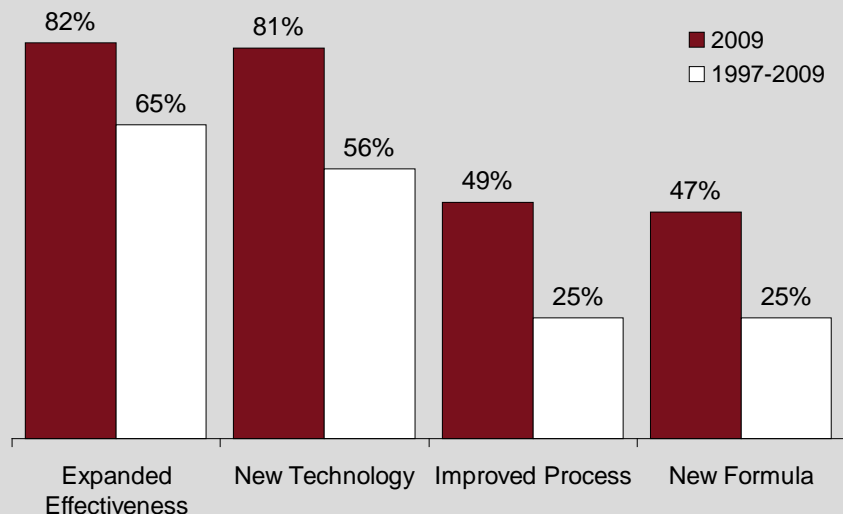
Cleaner, healthier and whiter teeth can now be achieved in the home with Colgate Total Advanced Whitening toothpaste. Dual silica technology removes stains discourages new

stains from forming, while 12 hour germ protection keeps teeth and gums healthier.

The bar on cold care has been raised by Vicks Formula 44 Custom Care. This line of cold remedies is highly targeted, providing symptom relief at any stage of a cold.

At-home beauty care is also improving rapidly, thanks to technological innovation. Timing couldn't be better. Consumers are saving money by eliminating costly spa treatments, and many are looking for less expensive alternatives to pricey department store brands. Products such as ALMAY bright eyes, with marine extract and white tea to brighten and illuminate eyes, are being well-received in today's cost-versus-results-oriented environment.

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



Source: IRI New Product Profiler™, New Products Launched February 2008- January 2009



The non-food arena of tomorrow will be marked by products that bring pleasure and performance to everyday tasks.

NON-FOODS RISING STARS

The Rising Stars of packaged goods' non-foods arena raise the bar on yesterday's products to a whole new level. From pet care to personal care, high-end innovation is making day-to-day experiences easier and more effective. In many instances, it is providing indulgence.

For example, Olay Professional ProX harnesses the expertise of a team of medical and research experts to improve the results of home-based facial treatments. It is the highest price-point facial system ever to hit the mass retail market. Offering consumers results equal to the leading prescription treatment at a fraction of the cost, this product is successfully driving growth despite recessionary conditions.

Dove NutriumMoisture makes daily personal care experiences more pleasant with added moisturizers that reduce pesky dry skin problems.

Marketers are harnessing the power of nature across a range of CPG categories quite successfully. Pantene Pro-V Nature Fusion uses cassia plant to lubricate and strengthen hair. Secret Scent Expressions, with scents derived from plants such as jasmine and lavender, allow for consumers to find their own personal scent. And Purex 3-in-1 offers "nature inspired" and "island inspired" detergent-plus fabric softener-plus static control.

And pets are enjoying mealtime even more, with healthier, gourmet-inspired formulas and flavors from Purina and Iams.

Technology is opening new doors for CPG innovators. Those that closely

2009 New Product Pacesetters Rising Stars Projected Top 10 Non-Foods Brands (Alphabetical Order)
Dove NutriumMoisture Soap
Iams ProActive Health MiniChunks Dog Food
Listerine Total Care Mouthwash
Olay Professional Pro-X Skin Care
Pantene Pro-V Nature Fusion Shampoo
Purex Complete 3-in-1 Laundry Detergent
Purina Cat Chow Complete Formula Cat Food
Purina Chef Michael's Dog Food
Secret Scent Expressions Deodorant
Ziploc Fresh Shield Food & Trash Bags

Source: IRI New Product Profiler™, New Products Launched February 2008- January 2009

monitor the pulse of innovation and continually assess opportunities to adopt new technologies will see sales and share thrive despite economic conditions.



NON-FOODS TRENDS TO WATCH

This *Trends to Watch* section is an excerpt from IRI's January 2010 Special Report edition of Times & Trends, "15 Years of New Product Pacesetters: Excellence in Innovation Drives CPG to the Next Level."

Innovation in the non-food arena will be influenced by a number of factors over the next several years. Some of those factors are the same as those seen in the food and beverage arena, and some are unique to non-foods.

Sensory

Innovation that incorporates sensory attributes seeks to enhance the customer experience. Technological advances are arming innovators with the means to create new processes and formulations necessary to bring new and improved experiences to market.

A big area of interest today is soothing or invigorating olfactory experiences. Household and personal care products such as Gain Joyful Expressions (2007) and Head and Shoulders Ocean Lift Collection (2006) are two examples of an ongoing trend toward improving experience by tantalizing the sense of smell.

Self-Care

While nutrition is being leveraged as a first line of defense, the fact remains that people can and do become ill at times. Over the past several years, consumers have increasingly purchased over-the-counter medicinal solutions in an effort to treat their ailments without incurring the expense of visiting the doctor's office. As detailed earlier in this report, Rx-to-OTC switch products have historically proven quite successful in garnering substantial year-one sales. This is not likely to change in the near future.

At-home beauty regimens have also gained traction in recent years. High-end cosmetics, such as Physician's Formula (2005) and L'Oreal Bare Naturale Spa (2006) have successfully targeted those looking for natural beauty at home.

Do-it-yourself spa treatments, such as 2008 Pacesetter Ped Egg, are also a huge hit on the market today. The same holds true for home-based anti-aging treatments and dental care. Consumers have scaled back, but still want the occasional indulgence. Even beyond the recession, these "sophisticated splurges" are likely to continue to be popular across consumer segments.



NON-FOODS TRENDS TO WATCH

Sustainability

Detailed earlier in this report, the drive toward more earth-friendly products and processes is prevalent in CPG today. The February 2009 issue of Times & Trends provides a detailed analysis of trends and opportunities with respect to sustainable packaged goods.

Efficacy

From home care to beauty care to health care, consumers are on the lookout for the opportunity to do things quicker and better. The trend toward more effective CPG solutions is building, once again bolstered by the technological advances that are making it all possible. Today's industry is marked by transformational technologies, processes and formulas. In the long run, many of these "firsts" are emulated by others. But, in many instances patent protection is providing a distinct competitive advantage to those that are first to market.

Value v Premium

Recessionary economic conditions have spawned dramatic changes in the way shoppers live and in how they purchase and consume packaged goods. Over the past several years, an interesting dichotomy has emerged.

For many, the recession has meant looking for new ways to save money. Trading down has become pervasive, and store brands now hold a seat at tables across the country. As detailed in IRI's recent "Private Label 2009 Report," private label (across the value spectrum) is playing a key role in helping consumers maintain very tight fiscal budgets. Private label momentum is expected to continue to build even as the economy shows signs of improvement.

At the other end of the spectrum is the growing market for premium packaged goods solutions. The home has once again become *the* central hub for daily living. To save money, consumers are dining at home, entertaining at home, preventing and treating ailments at home, and conducting beauty treatments at home with increased frequency.

This shift has created pockets of opportunity for CPG marketers. To replicate the medical and professional office or spa feel in the home and with a lower price tag, consumers are turning to high-end packaged goods offerings. For instance, premium teeth whitening systems have successfully penetrated consumers looking for dental professional quality whitening but at home and at a significant savings. Similarly, consumers are self-treating wrinkles and other aging skin issues with affordable solutions. Effective and far less expensive OTC options for common ailments such as allergy and heartburn are also winning favor among consumers looking to save on prescription medications.

No doubt, there is opportunity at both ends of the value spectrum. This dichotomy is not expected to wane as the recession fades.



Top-selling products within the convenience store channel cater to consumers' drive for easy-to-access excitement and indulgence.

CONVENIENCE STORES TOP TEN NEW PRODUCT PACESETTERS

The convenience channel is a known destination for spontaneous and optional CPG purchases. In 2009, top-selling new products in the channel underscore consumers' quest for exciting and semi-targeted indulgences across a range of CPG categories.

For example, Camel Crush contains a small capsule which, when crushed, releases a menthol

flavor into the cigarette filter. Smokers "customize" the product by crushing the capsule at will, and regulating the timing of the menthol release.

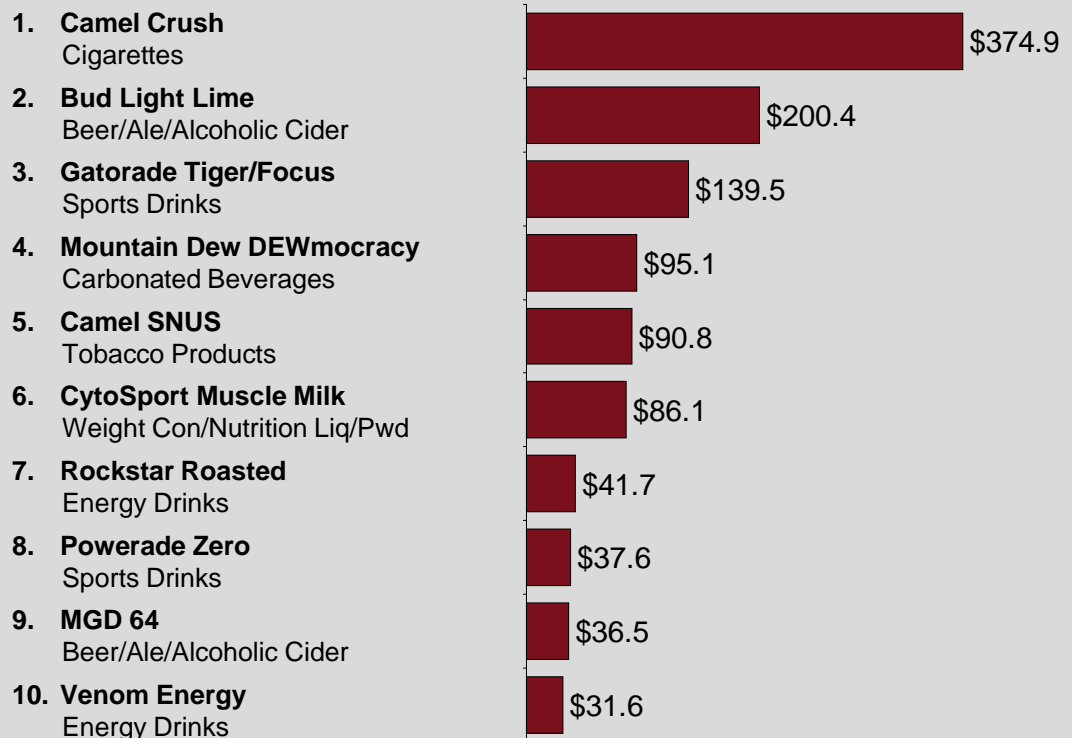
Consumers seeking a light and refreshing spin on beer have new

options in Bud Light Lime and MGD 64.

As detailed earlier in this report, consumers continue to seek out food and beverages that provide more than just basic nutrition. Functional beverages, such as CytoSport Muscle Milk, and energy drinks, such as Rockstar Roasted and Venom Energy are just a few examples of this trend.

Convenience store operators play a vital role in providing quick and easy CPG solutions to consumers. The key to competing successfully for recession-weary shoppers is to provide value-oriented programs targeted against consumers' most pressing needs and wants.

**2009 New Product Pacesetters: Top 10 Convenience Store Brands
Year-One Dollar Sales (\$ Mil)**



Source: IRI New Product Profiler™, New Products Launched February 2008- January 2009



CONCLUSIONS CPG MANUFACTURERS

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

- » Enhance the new product planning process
 - Establish a system to identify early indicators of emerging consumer trends, based on trend drivers (demographic, social, economic, lifestyle)
 - 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

- » Develop targeted distribution and marketing strategies
 - Identify stores with a consumer base that most closely aligns with the new product consumer target; reflect optimal store mix in distribution strategy
 - Leverage an integrated marketing strategy which clearly identifies relevant brand attributes and value proposition
 - Highlight multiple product benefits in messaging across marketing vehicles
 - 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 platforms such as “health and wellness” and “sustainability”

- » Identify course correction opportunities throughout the product launch
 - 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:

- » Enhance the new product selection and new private label product development process
 - Establish a system to identify early indicators of emerging consumer trends, based on trend drivers (demographic, social, economic, lifestyle)
 - 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

- » Develop customized in-store marketing and merchandising strategies for high-potential new products
 - 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
 - Tie new brands into existing total store marketing platforms, such as health and wellness

- » Measure and monitor new product success
 - 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



RESOURCES

Contact your IRI client service representative regarding custom analyses leveraging the following resources, or to get more information on these and other new product support products and services available from IRI:

AttitudeLink™ Trier- Repeater/ Non-Repeater Surveys

Survey-based service designed to provide an understanding of how consumer perceptions of a new product differ among known trier repeaters versus trier non-repeaters.

BehaviorScan® New Product Testing

Recognized as the industry gold standard for new product testing, this patented, in-market testing service not only determines if a new product and its launch strategy are on target, but also yields valuable consumer insights to maximize success.

IntroCast™ Launch Forecasting

A model that provides accurate year-one and year-two forecasts using initial in-market results, providing performance insights and tools enabling informed decisions about alternative marketing strategies.

Launch Commander™

Launch management service that delivers an accurate year-one sales forecast based on as little as eight weeks of data and provides alerts as to whether or not the new brand is on track to meet its goals early in the launch process.

New Product Profiler™

New Product Profiler is an interactive tool which draws upon a new product database to help end users analyze critical success factors in the strongest new product introductions since January 2002, plan product launches, and set realistic goals for success.

New IRI Report Coming Early in Q2 2010:

Innovation Highlights from 15 Years of New Product Pacesetters

IRI's **Innovation Highlights from 15 Years of New Product Pacesetters** is a study of the most successful CPG product launches over the past 15 years. It is designed to capture the essence of successful innovation, providing insights into strategies that have led to true market success. Brands featured in the report are illustrative of best practices in how to create new markets leveraging advanced consumer insights and new technologies.

[Times & Trends]

A Snapshot of Trends Shaping the CPG and Retail Industries



>>> MORE INFORMATION

Please contact Susan Viamari at 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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