TIMES & TRENDS

A Snapshot of Trends Shaping the CPG Industry

CONSUMER TREND WATCH 2008

SHIFTING CONSUMER EXPECTATIONS ARE CHANGING THE GAME

February 2008

INFORMATION RESOURCES, INC.

EXECUTIVE SUMMARY

- Eight emerging consumer trends will deliver new growth potential for CPG manufacturers and retailers in 2008 and beyond; capitalizing on this potential will require early market entrance, a new level of consumer education, and close collaboration among industry partners
- Growing consumer knowledge and shifting attitudes are re-defining expectations in mature categories, opening entirely new growth avenues: food as health solution, everyday pleasures in mundane tasks, frozen foods as the "new fresh"
- Consumers want easier access to "specialty" products, including green, fair trade and natural, driving a transition from niche to mainstream, and forcing a re-evaluation of space allocation, optimal assortment and product development priorities
- CPG purchases are evolving from "low involvement" to "considered", requiring effective, efficient communication of benefits on packages, in-store and via word of mouth; manufacturers and retailers who do this right will enjoy sustainable differentiation
- Each of the trends individually deliver distinct growth potential, but the real "sweet spots" will be in the convergence of trends – addressing multiple consumer needs and extending appeal across consumer segments

INTRODUCTION

The rules of the game are continually in flux across CPG markets; winning requires being at least one step ahead of change.

The rules of the game are continually in flux across CPG markets as consumers shift expectations and reward retailers and manufacturers who best meet their evolving needs.

Winning in this environment requires being at least one step ahead – catching a trend as it is just emerging, and sometimes addressing a need that consumers did not even realize they had.

A key component of this process is tracking macro consumer trends and assessing what these trends mean for your business. To that end, this report identifies eight emerging trends that will deliver new growth potential for CPG manufacturers and retailers over the next year and beyond:

- Food as Health Solution: Consumers are viewing food and beverages in a new light: disease management and prevention solution.
- Energy 2.0: The quest for an energy boost is moving way beyond beverages.
- Re-Defining Fresh: The spectrum of “fresh” products is broadening on both ends, with growing demand for both local and frozen.
- Experiential Consumption: The pursuit of exceptional experiences is driving growth in products with sensory and premium benefits.
- Sustainability-Driven Consumers: A viable market for mainstream sustainable CPG products and packaging is emerging.
- Natural Beauty: There is growing interest in harnessing the power of nature to deliver beauty benefits.
- Multi-Tasking Products: As choice proliferates, consumers seek simplification through products that “do-it-all.”
- Informed Purchases: CPG purchases are evolving from low involvement to considered.

Each of these trends offers distinct product development, packaging, marketing and/or merchandising opportunities, which are highlighted throughout this report.

In many cases, the real “sweet spot” will be in the convergence of these trends, offering multiple benefits and reaching a broader consumer base; for example, foods with bold flavors that also deliver antioxidants, or energy foods in environmentally-friendly packaging.

Savvy marketers who effectively tap into these trends have the opportunity to create the new rules, not simply react to them.

FOOD AS HEALTH SOLUTION

Consumers are looking at food and beverages in a new light: health solution.

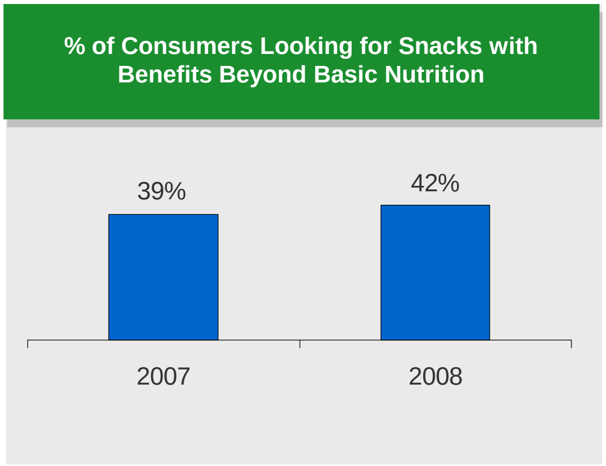
A growing awareness of the relationship between diet and health has driven consumers to look at food and beverages in a new light – not only as a source of enjoyment and satisfaction, but also as a health solution, offering both disease management and prevention benefits.

This trend has been steadily evolving over the past decade, as a wealth of new research is conducted, consumers become more educated, and retailers and manufacturers step up health and wellness marketing.

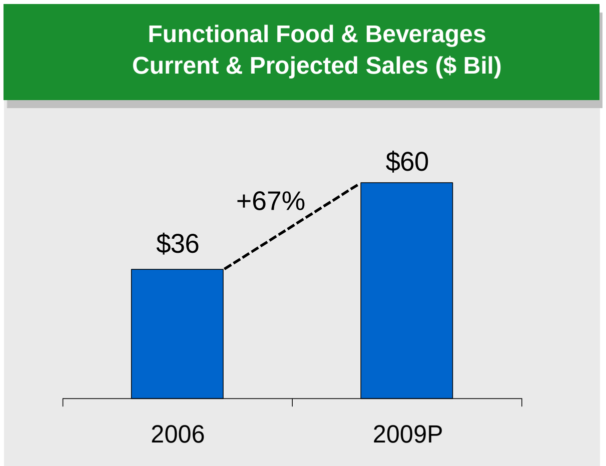
Over the past year, however, the market has seen somewhat of an explosion, as daring new products – most notably Dannon Activia yogurt – have demonstrated consumer readiness and substantial appetite for "functional" food and beverages, which contain specific ingredients delivering specific health benefits.

42% of consumers, for instance, are looking for snacks with functional benefits, and the total market for functional food and beverages is expected to reach $60 billion by next year.[1]

As outlined on the following page, product innovation and marketing opportunity cut across numerous categories and health conditions, offering a wide open field for development.



Source: IRI Consumer Snacking Study



Source: Institute of Food Technologists

1. Institute of Food Technologists

FOOD AS HEALTH SOLUTION

Increased demand for functional health benefits is driving exceptional growth across categories.

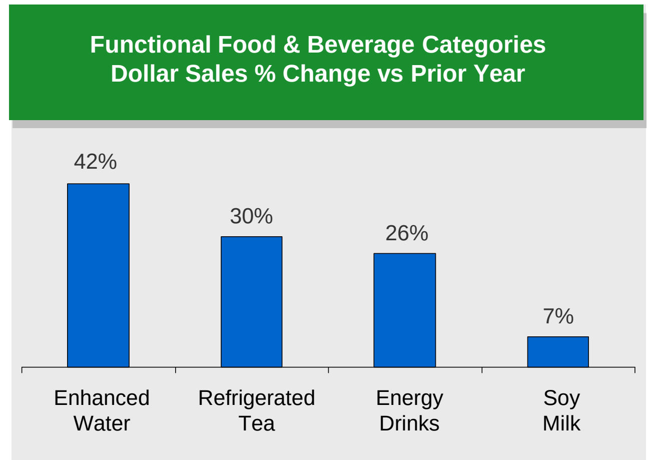
Across CPG categories, increased demand for functional foods is reflected in exceptional growth rates in categories such as energy drinks, soy milk, tea and enhanced water.

In addition to enhanced energy, which is so hot that we have devoted a whole trend to it (see following page), the following areas are ripe for new product development, marketing , and stepped-up merchandising:

Digestive health: A number of probiotic and prebiotic products that aid digestion, including yogurts and cheeses, have followed Dannon Activia's blockbuster introduction. The trend is so big that Whole Foods has an entire section of the store dedicated to probiotics. This market will continue to expand with new flavors, light versions and products targeting children.

Immunity: Immunity-boosting products and ingredients have landed on consumer radar screens. DanActive, for instance, is a dairy beverage that "helps strengthen your body's defenses." Dannon has another hit with this product, which was one of the most successful new brands introduced last year.

Retailers have also been innovators in this space. 7-Eleven, for instance, offers Fusion Defense coffee, which includes echinacea and ginseng to help defend against colds and the flu.



Sources: IRI MarketInsight™; IRI InfoScan®
Note: Enhanced water reflects food, drug, mass channels excluding Wal-Mart; all others include Wal-Mart

Antioxidants: Consumers have been aware of the power of antioxidants in cancer protection and anti-aging for some time, driving growth in sales of products such as dark chocolate, green tea and pomegranate juice. But, the market continues to expand daily as new ingredients with these benefits are identified. Ingredients likely to get increased focus in the coming year include more superfruits, such as acerola cherries, prunes, acai and black currant; spices, including oregano, rosemary and dill, and honey.

Consumer education is a vital part of functional food and beverage success, and requires a comprehensive campaign including packaging, advertising, in-store and website support.

ENERGY 2.0

Consumers' quest for an energy boost is moving way beyond beverages.

The quest for an energy pick-me-up is not new. Energy drink sales grew 30% last year, as the category continues its multi-year growth tear.

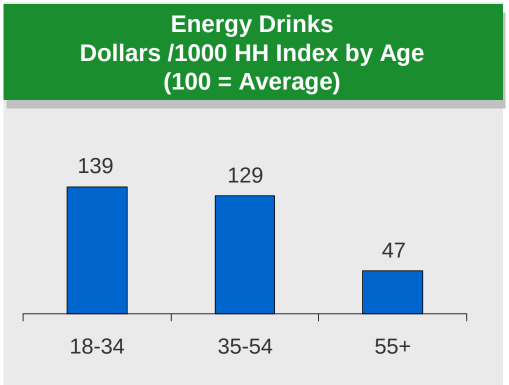
What is new is the extent to which this quest is now permeating nearly every aspect of consumers' lives: from beverages to snacks to personal care, consumers are gravitating to products that give them an added boost.

In beverages, for instance, energy is moving beyond the pure energy drink category into hybrids. Diet Pepsi Max, which contains ginseng, a natural stimulant, in addition to caffeine, was one of the most successful new products introduced last year.

Caffeine is now available in snack foods, as well. Sumseeds Sunflower seeds contain caffeine and other natural energy boosters. Golden Flakes Snack Foods has introduced a new line of energy potato chips, which offer the equivalent amount of caffeine as 3.5 cups of coffee in a 3.5 ounce bag.[1]

Energy can also be obtained in other new forms, including Dyna-Tabs, a dissolvable strip. Even personal care products now contain stimulants. Shower Shock soap bars offer "200 milligrams of caffeine per serving."

Who is buying energy-enhancing products? A look at the market for energy drinks suggests that the market is broad, with high purchase indices among consumers under age 55, as highlighted in the chart below.



Source: IRI Consumer Network™

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Energy is also increasingly used as a marketing platform for both manufacturers and retailers. Kellogg's new Frosted Flakes Gold cereal boasts longer lasting energy due to the delivery of complex carbohydrates.

Tedeshci Food Shops devote a section of their website to products that energize, featuring select energy drink and energy bar brands. 7-Eleven's Fusion Energy coffee uses natural herbs to deliver added energy, and now offers Full Throttle Fury Energy Slurpees.

Consumers appear to be very open to new energy delivery systems, opening up myriad new product and marketing opportunities.

1. CBR, 10/22/07

RE-DEFINING FRESH

Consumers are broadening their definition of "fresh."

Strongly associated with perceptions of healthfulness, fresh foods are in high demand. Within the grocery channel, for instance, fresh foods are growing at more than double the rate of total CPG sales.[1]

Yet, consumers are broadening their definition of fresh – at both ends of the spectrum. At one end, they are applying a stricter definition, demanding locally-grown produce that has not compromised freshness through travel. Local is also perceived as having sustainability benefits due to reduced fuel required to transport.

At the other end, consumers are loosening their definition of fresh to include frozen foods as educational initiatives by leading manufacturers and innovative new products, including new steam-cooked options, have an impact.

Local

Roughly half of consumers view frozen as comparable to fresh in taste and nutrition.

According to the USDA, the number of farmers' markets more than doubled over the past decade, and 25% of consumers now cite farmers' markets as their preferred location for fresh produce purchases.[2]

Major retailers, including Publix, Wegmans and Giant Eagle, are recognizing growing demand for local produce and are broadening assortments and clearly showcasing local produce with store signage. Whole Foods offers financial assistance to local farmers through low-interest loans.[3]

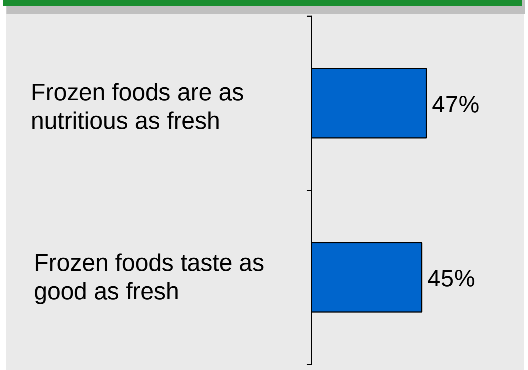
Frozen

Frozen foods have come a long way. Nearly half of consumers now view frozen foods as comparable to fresh in nutrition and taste.

These perceptions have been nurtured by highly successful new product introductions, such as Birds Eye Steamfresh,™ which preserves taste and nutrients through steam cooking.

Expect additional new steam-cooked frozen products positioned as fresh, as well as marketing directly challenging the "fresh is best" mentality that still lingers among half of consumers. If this trend continues to blossom, retailers who have successfully differentiated their stores through an expanded fresh product offering could face stepped up competition from discounters through frozen foods longer term.

Fresh vs Frozen
% of Consumers Agreeing with Statement



Source: IRI 2008 Consumer Snacking Study

1. FreshLook Marketing/IRI
2. Agribusiness Marketing Report
3. *Orlando Sentinel*, 8/29/07

EXPERIENTIAL CONSUMPTION

Consumers are seeking both sensory and premium product experiences.

Consumers are increasingly seeking exceptional experiences – both sensory and premium – offering new product and store differentiation opportunities, as outlined below.

Sensory: Taste

Demand is on fire for new tastes and flavors – fueled by demographic shifts, including population aging and growth in ethnic markets, and interest in international cultures.

Growth of U.S. ethnic populations has resulted in the introduction of ethnic foods, spices, and seasonings in mainstream retail channels and restaurants, expanding consumer palates. Last year, for instance, sales of companies such as El Guapo, offering Hispanic herbs and spices, rose sharply.

80% of the 2 million annual visitors to fiery-foods.com..are men 45 or older."

-Boston Globe, 10/7/07

Ethnic flavors not only are increasingly appealing to a broad consumer base, but they also offer an opportunity to reach new consumer segments for many brands. Expect to see new ethnic flavor introductions, including Mediterranean, Pan-Asian and Pan-Latin.[1]

The aging of the population is another major factor behind the quest for strong, bold flavors. According to scientists, consumers lose their sense of taste as they age and inherently seek stronger flavors – whether spicy or sweet. As 75 million+ Baby Boomers may experience this phenomenon, the market potential is extraordinary.[2]

McCormick® 2008 Flavor Forecast™
Top 10 Flavor Pairings

- Oregano & Heirloom Beans
- Vanilla Bean & Cardamom
- Chile & Cocoa
- Coriander & Coconut Water
- Lemon Grass & Lychee
- Red Curry & Masa
- Orange Peel & Natural Wood
- Allspice & Exotic Meats
- Poppy Seed & Rose
- Rubbed Sage & Rye Whiskey

Source: McCormick Press Release

As spices and superfruits are increasingly linked with health benefits, as highlighted in the "food as health solution" trend description, products that can deliver the double benefit of strong flavor and health benefits will win big. Spices with these benefits include curcumin (anti-inflammatory), rosemary (anti-aging and memory-enhancing) and oregano (loaded with antioxidants.)

Unique flavor combinations will also win over consumers. Top flavor pairings for 2008, according to McCormick, Inc., are summarized above.

1. Packaged Facts
2. *Boston Globe* 10/7/07

EXPERIENTIAL CONSUMPTION

Small indulgences help soothe everyday stress.

Sensory: Smell

Hectic schedules offer precious little time for stress relief, so the “little things” are mattering more.

From laundry detergent to hair care, consumers are welcoming new aromatherapy scents that transform mundane everyday tasks into something more pleasurable.

In laundry care, for instance, Tide Simple Pleasures laundry detergent, which was one of the most successful new products introduced last year – offers unique scents inspired by nature, such as vanilla & lavender and magnolia & orange blossom. The brand’s tagline, “Pull on a change of mood” captures the goal of new sensory-based products.

Another highly-successful brand introduced last year, Herbal Essence’s new hair care line offers numerous new unusual scent combinations, including berry tea and orange flower, and orchid & coconut milk, designed to create a memorable sensory experience.

Retailers are also recognizing the power of this phenomenon in driving sales. Target and P&G recently partnered on a “Touch of Scent in Every Room” campaign, which offered special promotions on a wide variety of P&G cleaning and laundry products that deliver mood-enhancing scents.[1]

“There is no reason why your bathroom cleaner fragrance can’t be as premium and high quality as the eau de toilette you wear everyday.”

– Adam Lowry, Method Co-Founder, Quoted on www.happi.com

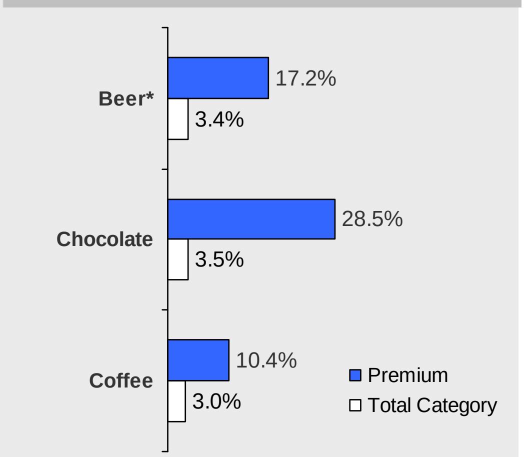
1. *Supermarket News*, 6/20/07

Premium

Despite a poor economy, premium products outpaced total category growth across a number of segments, including beer, chocolate and coffee, as outlined below. When budgets are tight, consumers often seek small indulgences.

Major manufacturers are tapping into this trend. In coffee, Folgers offers Gourmet Selections, and Maxwell House has relaunched with 100% Arabica beans. Hershey’s has increased their presence in the premium chocolate market through acquisitions, including Scharffen Berger Chocolate Maker.

Premium Product Growth by Category
Dollar Sales % Change: 2007 vs 2006



Source: IRI InfoScan® Reviews
**Note: Beer sales represent “super-premium.”*

SUSTAINABILITY-DRIVEN CONSUMERS

A viable "sustainability-driven" consumer market is emerging.

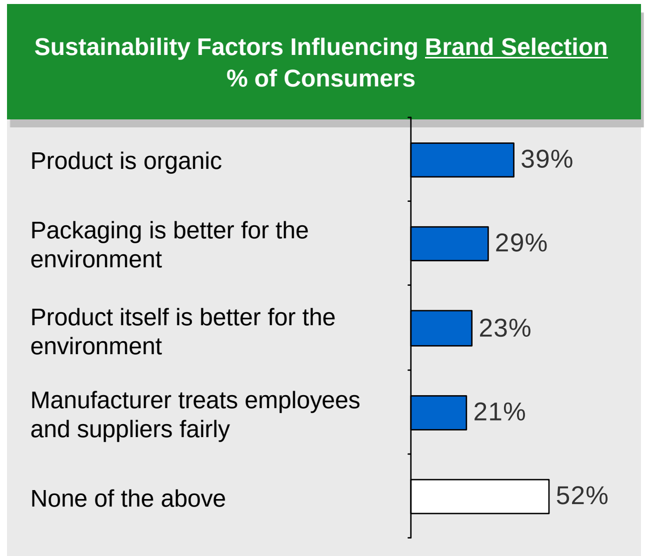
As reported in the December 2007 issue of *Times & Trends*, one of the most significant trends in recent history is the emergence of a viable "sustainability-driven" consumer market.

As highlighted in these charts, roughly half of U.S. consumers consider at least one sustainability factor when selecting brands to buy or stores to shop. For "sustainability-driven" consumers -- one-fifth of the U.S. adult population, as defined in the bottom right box, organic, green and fair trade are major influencing factors.

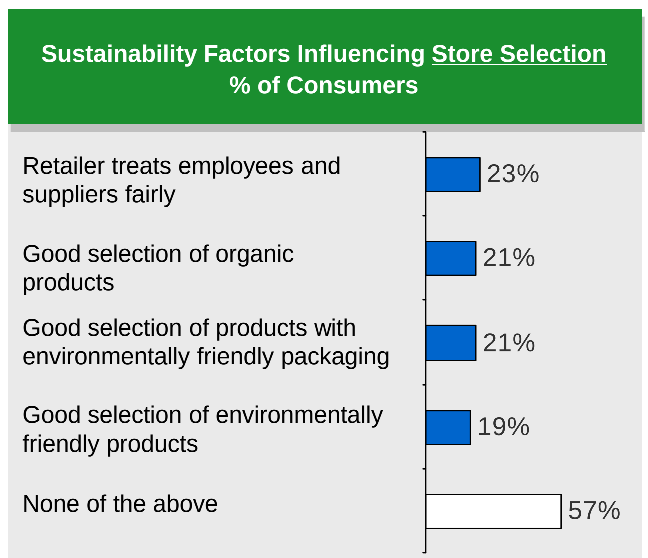
Sustainability-Driven Consumers

"Sustainability-driven" consumers currently skew over age 55. These consumers likely have the time required to research and locate green and fair trade products and the budget to afford the frequently higher prices. As more sustainable products become available in mainstream channels, however, we will see this market broaden significantly.

These consumers do follow distinct shopping patterns for CPG products, allocating a higher than average proportion of spending to drug stores (6.3% vs 5.7%) and lower to supercenters (10.7% vs 14.0%). Over the past year, though, we have seen a shift in channel spending patterns within this segment: both supercenters and grocers boosted share (0.4 points and 0.6 points, respectively), as expanded assortments of organic and fair trade products and sustainability marketing took hold.



Source: IRI Sustainability Survey; 22,267 respondents



Source: IRI Sustainability Survey; 22,267 respondents

Sustainability-Driven Consumers

Cite at least two sustainability factors as key influences in brand selection (top chart) and at least two in store selection (bottom chart.)

SUSTAINABILITY-DRIVEN CONSUMERS

The market for sustainable products and packaging is on the verge of transformation.

The consumer market for sustainable products and packaging is still in the early stages of development. The majority of the business in this space is still carried out among niche players, but this market is on the verge of transformation.

As highlighted below, major manufacturers, including P&G, Unilever and Clorox are rapidly establishing a presence, and leading retailers, including Wal-Mart, Safeway, and Kroger are expanding their assortments.

Market opportunity lies in four primary areas:

Organic Products

Perceived as "better-for-you" and "better-for-the-environment," organic food and beverage sales grew 13% in 2007 and are expected to continue to grow at double-digit rates through 2010.[1] Within non-foods, natural/organic personal care products are growing at 9% per year.[2] Natural/organic pet food sales rose 36% last year.[3]

"P&G's goal is to develop $20 billion of sustainable innovation products by 2012."

– *Business Courier* 2/8/08

With 39% of consumers considering organic benefits in product selection, organics are relatively well-developed compared with other sustainability markets, such as "green" and fair trade, and major players have recognized the market potential. Their market entry has included the introduction of organic versions of old favorites, such as Kraft's organic Chips Ahoy as well as the acquisition of organic market leaders, including ConAgra's purchase of Alexia Foods and Clorox's purchase of Burt's Bees.

Retailers have also jumped on organic market potential, with leaders such as Safeway, Kroger, Shaws and others launching premium private label lines that have contributed greatly to bringing organics mainstream. Well-established organic private label lines pose a significant threat to new market entrants in mainstream channels and to niche brands typically sold in specialty outlets.

The expected sustained growth will attract further involvement from both manufacturers and retailers.

Green Products

One-quarter of consumers actively look for products that are inherently better for the environment – biodegradable, non-toxic and plant-based. This demand drove 66% growth in green laundry detergent last year and 28% in green household cleaners.

With a high proportion of sales still allocated to niche manufacturers and online and specialty retailers, this market is ripe for development, and early entrants have a tremendous opportunity to gain competitive advantage and consumer loyalty.

Clorox's introduction of Green Works™ cleaning products, which are plant-based, represents the first significant foray of a major manufacturer into the green cleaning market. A host of other mainstream products are likely to follow.

Private label green cleaning products are a largely untapped opportunity.

1. Nutrition Business Journal
2. Clorox Press Release
3. Organic Trade Association

SUSTAINABILITY-DRIVEN CONSUMERS

Powerful forces are driving an increased focus on sustainable packaging.

Fair Trade Products

One-in-five consumers indicate that fair treatment of employees and suppliers is an important consideration when selecting brands and stores – fueling demand for "fair trade" products.

The market is still relatively small. Fair trade products only account for 0.5% - 5% of sales in product categories with a fair trade presence.[1] But, the market is growing rapidly. Sales in 2006 increased 41% worldwide versus prior year.[2]

Categories experiencing increased demand for fair trade products include wine, sugar, cocoa, rice, coffee and tea.[3]

U.S. retailers are beginning to tap into fair trade growth potential in select categories. Both specialty and traditional grocers, including Wild Oats, Whole Foods, Publix, Stop 'n' Shop, Safeway and Kroger now offer a range of fair trade products.

Both Sam's Club and Costco now offer fair trade coffee beans in their private label selections.

Fair trade wine is not broadly available in the U.S. today, but Wild Oats carries Melania and Taborga, Chilean wines, which are fair-trade certified, and other retailers are likely to follow suit.

Eco-Friendly Packaging

Powerful forces are driving an increased focus on sustainable packaging, which is recyclable, reusable, reduced and/or biodegradable: environmental benefits, huge cost savings, Wal-Mart's sustainable packaging initiatives (including a packaging scorecard, to be used in purchase decisions, and a declaration that the company will carry only concentrated laundry detergent by May 2008) and growing consumer demand. Twenty-nine percent of consumers consider sustainable packaging in brand selection.

The strength of this trend is evident in a dramatic rise in concentrated laundry detergent's share of the liquid laundry detergent market from just 2% in 2006 to 11% in 2007. This percentage will rise significantly again this year.

While laundry detergent packaging changes are among the most visible, sustainable packaging improvements are evident across categories. In coffee, for instance, P&G reduced the plastic used in the Folgers canister, saving one million pounds of plastic.[4] In hair care, Unilever redesigned Suave shampoo bottles to save 150 tons of plastic resin annually.[5]

In addition to identifying additional sustainable packaging opportunities, there is a major opportunity in marketing these positive changes to consumers, as many improvements go unnoticed.

1. wikepedia.com
2. fairtrade.net
3. Ibid
4. foodandbeveragepackaging.com
5. Unilever website

NATURAL BEAUTY

Three mega-trends are converging to drive growth in natural beauty care products.

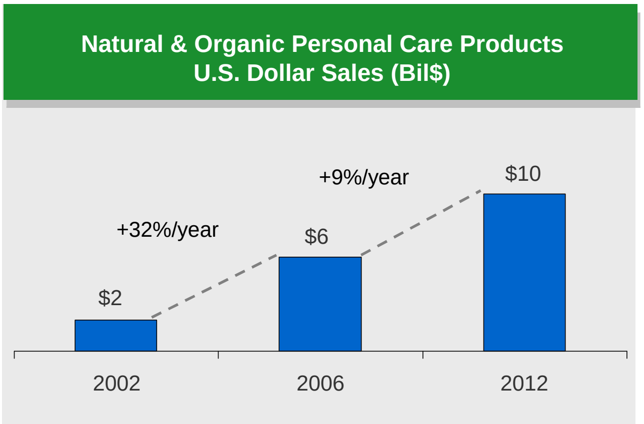
Three mega-trends are converging to drive increased demand for natural beauty care products:

1) Better-for-You: consumers are looking for products that promote general health and well-being.
2) Better-for-the Environment: As discussed in detail in the Sustainability-Driven trend, there is mounting concern regarding the impact of products and actions on the environment -- particularly chemical-based products.
3) Harnessing the Power of Nature: There is growing knowledge and interest in the restorative properties of plants, essential oils and minerals.

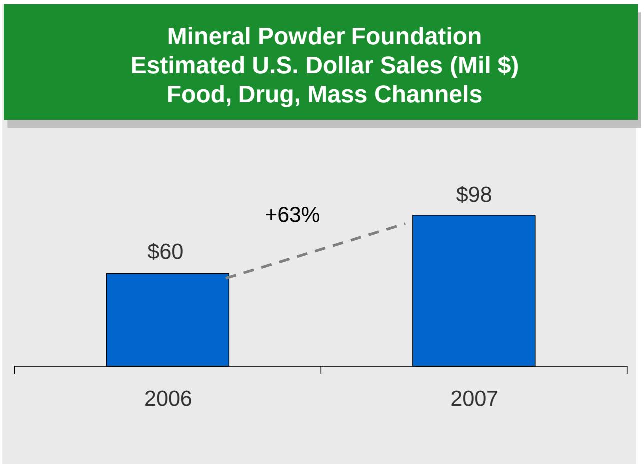
As a result, natural and organic personal care products are on the rise, with an expected compound annual growth rate of 9% through 2012.[1]

This market is not new. The Body Shop, a pioneer in this space, was founded thirty years ago and has grown to 2,100 stores in 55 countries.[2] What is new is the emerging mass market potential. The market is transforming from specialty to mainstream.

Mineral makeup is a prime example. Mineral lines account for 90% of the total natural makeup market, according to Organic Monitor. In addition to claimed benefits of feeling lighter on the skin, mineral makeup has reported benefits for women with allergies and sensitive skin.



Source: Packaged Facts



Sources: IRI InfoScan® Reviews

1. Packaged Facts
2. *Washington Post* 9/1/07

NATURAL BEAUTY

Market entry by major manufacturers will further bolster growth in natural beauty care.

Consumer education and targeted promotions to convert interest to trial will be critical to capturing the market potential within natural beauty care.

Within mass market channels, the mineral makeup segment has grown to $100 million in sales, but the total market is significantly larger, as a high proportion of business currently takes place in specialty channels. Bare Escentuals, a market leader selling products via infomercials, online and specialty stores and salons, racked up sales of over $400 million last year.

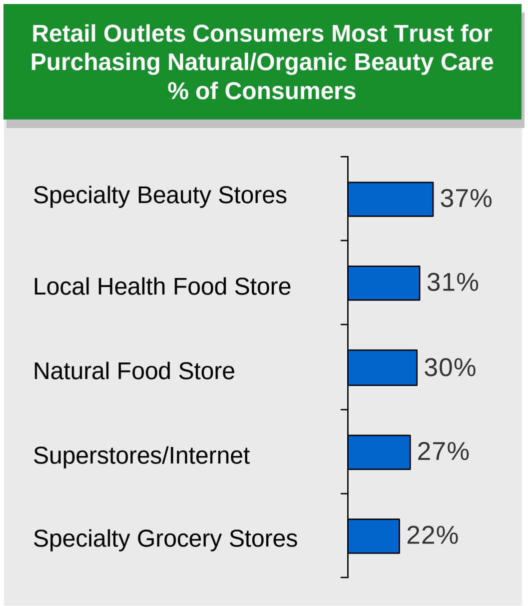
The market is changing dramatically, however. Major manufacturers have entered this space, with brands such as L'Oreal's Bare Naturale, Neutrogena Mineral Sheers and the recently launched Maybelline Mineral Power. Entrance of major players with powerful marketing and distribution engines will further bolster growth.

Marketers in this segment can drive additional growth through targeted efforts to convert interest to trial. According to a recent Mintel survey, while one-in-three U.S. women believe mineral makeup is "better for their skin," only one-in-ten use it regularly.

Consumer education and clear identification of products that are truly natural/organic both on packaging and in-store are critical to growth. Sixty-one percent of women indicate that it is difficult to know for certain which products are truly natural.[1]

Mainstream retailers should explore market potential of natural/organic beauty and personal care products within their stores, based on fit with local market consumers, as over one-third of women (38%) wish these products were easier to find and buy.[2]

However, mainstream retailers will face a competitive hurdle, as consumers are currently most comfortable purchasing these products at specialty stores, as summarized below.



Source: *The Age of Naturals,* The Benchmarking Company

1. *The Age of Naturals*
2. *Ibid*

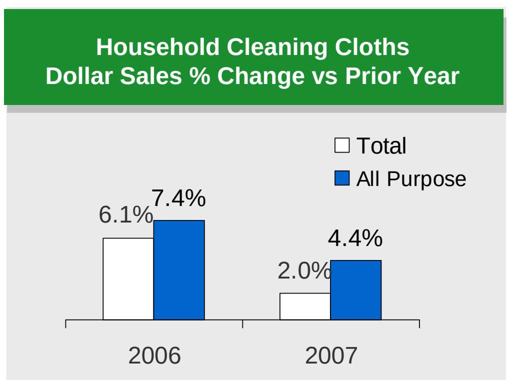
MULTI-TASKING PRODUCTS

Consumers are seeking simplification, driving demand for multi-tasking products.

In response to massive choice proliferation across both food/beverage and non-food categories, many consumers are seeking simplification, driving growing demand for products that fill multiple needs: all-purpose cleaners, shelf-stable convenience foods that are low in fat, sodium *and* calories, and healthcare solutions that treat multiple symptoms.

Targeted solutions are by no means dead. Several highly successful, targeted hair care lines were introduced last year, for instance. But, across many categories and consumer segments, there is a definite market emerging for products that do it all.

Within cleaning products, while the total household cleaning cloth market is showing signs of maturity, all-purpose cloths continue to outpace the market.



Source: IRI MarketInsight™

Personal care products are increasingly doing double-duty, as well. Crest Whitening Rinse, for instance, fights bad breath while whitening teeth.

Under the health and wellness umbrella, manufacturers are recognizing that many consumers suffer from multiple ailments and value the ability to address them simultaneously.

For instance, nearly 60% of consumers who suffer from high cholesterol also suffer from high blood pressure.[1] Campbell's highly successful Healthy Request line is low fat and low sodium, appealing to a broad range of consumers, but the line also delivers unique benefits to consumers suffering from both of these conditions.

In healthcare, Pfizer's Caduet is one pill that can be taken to treat both high cholesterol and high blood pressure.

Other ailments experiencing high co-incidence that may be ripe for additional new product development across food, beverage and healthcare categories include diabetes & high blood pressure and heart conditions and heartburn.[2]

Extension of this trend could have a major impact on assortment and shelf space allocation, requiring both retailers and manufacturers to scrutinize level of choice offered for their core and target consumers.

1. IRI MedProfiler
2. Ibid

INFORMED PURCHASES

CPG purchases are evolving from "low-involvement" to considered.

The days of CPG purchasing as a low involvement endeavor are coming to a close. Consumers are increasingly considering multiple factors in their CPG purchase decisions, from sustainability to health and wellness to product origin. This new level of consideration poses new challenges for retailers and manufacturers tasked with effectively communicating all of the information consumers need to make purchase decisions at a time when packages are getting smaller, providing less room for text, and stores are already cluttered and are trying to streamline.

Packaging

As highlighted in the top right chart, despite the availability of extensive product information online, the package remains the most-used source of product information – illustrating a dire need for packaging that effectively communicates the most critical information to consumers. What is most critical will depend upon the consumer target market.

On-package symbols help consumers easily identify healthier products – sustainability benefit symbols are likely next.

On-package symbols to enable consumers to quickly discern product attributes have become increasingly popular – and welcomed by consumers, with 57% favoring them.[1] Several major manufacturers, including PepsiCo, Kellogg's, General Mills and Kraft offer front-of-the-package symbols to identify healthier products.

We are also beginning to see symbols highlighting sustainability benefits, with Frito Lay's Sun Chips brand an early innovator. The brand's new packaging includes a green "e-logo" to designate use of renewable energy.

1. IRI 2008 Consumer Snacking Study

Source: IRI 2008 Consumer Snacking Study
**Note: Sources of information for snack products*

Word-of-Mouth

With nearly half of consumers learning about products from friends and family members, marketers will increasingly employ "word-of-mouth" advertising techniques.

The goal of word-of-mouth advertising is not to artificially create testimonials, but to give consumers something to talk about – something they want to share with friends and family.

INFORMED PURCHASES

Word-of-mouth advertising will increasingly be leveraged by CPG marketers.

Word-of-Mouth (Continued)

As outlined by the Word of Mouth Marketing Association (WOMMA), the major components are:

- Educating people about your products and services
- Identifying people most likely to share their opinions
- Providing tools that make it easier to share information
- Studying how, where, and when opinions are being shared
- Listening and responding to supporters, detractors, and neutrals

From creating a buzz around a brand through press coverage on exciting benefits or sponsored events to viral marketing, we will see more focus on these marketing techniques among CPG manufacturers.

A recent example is a campaign by Kimberly-Clark's Kleenex brand encouraging consumers to “let-it-out” in “therapy sessions.” Engaging TV ads are supported by a website, www.letitout.com, where consumers can post their own stories, including videos, creating an online community and lots of buzz. [1]

Effective store signage can be a major source of differentiation for retailers.

In-Store

One-third of consumers rely on store signage for product information, underscoring the importance of retailer-manufacturer collaboration in communicating product benefits to consumers.

Retailers are beginning to invest more heavily in signs that simplify shopping for consumers by making products with specific benefits – healthy, local, sustainable – easier for consumers to find. Effective store signage can be a major source of differentiation for retailers, as consumers value the enhanced shopping experience and are more aware of all that the store has to offer.

Ratings systems will become increasingly popular. The highly successful Hannaford Supermarkets’ Guiding Stars system, which rates products on their healthfulness, is now being offered to other retailers. Home Depot’s rating system for its Eco Options line lets consumers easily see which sustainability benefits are offered by each product. As sustainable products and packaging are increasingly available in mainstream channels, we can expect similar labeling systems emerging in other retailers’ stores.

1. Word of Mouth Marketing Association

CONCLUSIONS
CPG MANUFACTURERS

Manufacturers should consider the following action items to capitalize on emerging trends:

- New Product Development
  - Assess new product development potential and fit with core and target consumers across the following benefit areas
    - Functional health
    - Energy-boosting
    - "Fresh" (from local to frozen)
    - Sensory (aromatherapy, bold flavors)
    - Premium
    - Sustainable (green, fair trade)
    - Natural
    - Multi-purpose
  - Address multiple trends in new product offerings, as appropriate (eg. bold new flavors that also deliver antioxidant benefits)
- Marketing
  - Develop a comprehensive consumer communication campaign, including packaging, website, advertising and in-store (see below) components to ensure effective communication of high-demand benefits
  - Explore opportunities to drive positive word-of-mouth marketing
  - Establish on-package symbols for easy identification of healthier, green, natural and fair trade products
- In-Store
  - Collaborate with retail partners in the creation of store signage that clearly identifies products with high-demand benefits and educates consumers regarding why benefits are important
  - Secure brand placement in multi-category displays and/or dedicated store sections featuring products with specific benefits, such as probiotics, immunity, green or natural

CONCLUSIONS
CPG RETAILERS

Retailers should consider the following action items to capitalize on emerging trends:

- Assortment
  - Ensure adequate assortment of products with emerging high-demand benefits
    - Functional health
    - Energy-boosting
    - “Fresh” (from local to frozen)
    - Sensory (aromatherapy, bold flavors)
    - Premium
    - Sustainable (green, fair trade)
    - Natural
    - Multi-purpose
  - Tailor assortment by market to meet unique needs of local consumers
  - Explore private label development opportunity, particularly in emerging markets with limited major manufacturer involvement (eg. green cleaning, fair trade coffee)
- Marketing
  - Ensure that advertising and marketing campaigns clearly communicate availability of “hard-to-find” products, including local, green, fair trade, natural
  - Explore opportunities to drive positive word-of-mouth marketing
  - Build multi-category marketing programs around sought-after benefits, including aromatherapy, bold flavors, energy, sustainability
- In-Store
  - Create store signage that clearly identifies products with high-demand benefits and educates consumers regarding why benefits are important
  - Develop multi-category displays and/or dedicated store sections featuring products with specific benefits, such as probiotics, immunity, green or natural

RESOURCES

To gain insight into new opportunities and risks across specific brands, 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 for new product launches. This solution integrates sales, consumer and media metrics with automated analytics and scenario planning to help marketers set realistic goals and determine optimal marketing support.
IRI MarketInsight™	Proprietary model-based sales tracking service providing superior coverage of channels, including Wal-Mart, for which point-of-sale data are not available. Reflects sales across IRI InfoScan® Reviews CPG categories. Wal-Mart data include traditional outlets and supercenters.
IRI Consumer Network™	Nationally representative panel of households tracking purchases with hand-held barcode scanners; extensive demographic profiles enable in-depth analysis of purchase behavior across standard or custom-defined consumer segments across channels.
IRI AttitudeLink™	IRI's custom survey capability that can be executed via mail, telephone or Internet; the ability to link attitudes with actual purchase behavior enables clients to track sales across custom attitudinal segments.

MORE INFORMATION

Please contact Sheila McCusker at sheila.mccusker@infores.com with questions or comments about this report.

ABOUT IRI

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://www.infores.com.

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