

TIMES & TRENDS

A SNAPSHOT OF TRENDS SHAPING THE CPG INDUSTRY

JULY 2005



The Enjoyment Factor: Consumers' Unwavering Demand for Taste, Indulgence and Variety



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METHODOLOGY

Findings presented in this report are based upon an extensive analysis of consumer data from IRI's Consumer Network® Household Panel and scanner-based sales tracking data across Food, Drug, Mass channels (excluding Wal-Mart) from IRI's Infoscan Reviews®. Please see page 22 for additional detail regarding these and other resources that can be leveraged to identify growth opportunities across categories, brands and stores.

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EXECUTIVE SUMMARY

Consumers spend one-third of their CPG food and beverage budget* on products consumed for pure enjoyment- rather than nutritional value. Unwavering demand for taste, indulgence, and variety has sustained spending and consumption of “enjoyment” food and beverage categories as consumers continually balance health and enjoyment in their diets. Sales among enjoyment categories increased 1.1% vs a growth rate of 2.6% for other food and beverages within food, drug and mass channels (excluding Wal-Mart.)

The ability to grow enjoyment categories’ share of total food and beverage spending will be limited by healthy eating trends that will drive a slow, gradual increase in allocation of spending to products with nutritional value. However, there are substantial opportunities for manufacturers and retailers to grow *their* share of enjoyment spending through new products/product mix and distribution strategies aligned with their target consumers’ preferences.

This report provides an in-depth analysis of “enjoyment category” trends in aggregate and across product segments (eg. “light” enjoyment and premium products), channels and consumer segments to help manufacturers and retailers identify and capitalize on current and emerging opportunities.

The analysis also highlights important implications for the marketing of healthy/nutritional products: taste is paramount in food and beverage selection and is a requirement for all products – whether nutritional or not – to earn a place within consumers’ diet.

CONSUMER ATTITUDES AND CONSUMPTION BEHAVIOR

- **Taste outweighs health benefits for a large and growing proportion of consumers.** With 43% of consumers rarely/never giving up taste for health benefits– up 10 points since 1990 – consumers exhibit a strong desire to enjoy their food and beverages. Further, consumer perceptions of healthy foods’ taste has changed little over the past fourteen years. Healthy foods must meet or exceed taste expectations to increase share of consumer spending and consumption. (*Source: HealthFocus International®*)
- **Healthy eating is balanced with indulgence.** While two-thirds of consumers eat five servings of fruits and vegetables most or some days, nearly three-quarters eat desserts and indulgent snacks. Consumers take a broad view of their diets and balance sustenance with enjoyment – resulting in continued growth potential among “enjoyment” foods and beverages (products consumed for pure enjoyment- rather than nutritional value.)

“ENJOYMENT CATEGORY” OPPORTUNITY - GROWTH

- **Eight of the top ten enjoyment categories posted sales gains.** Among top ten enjoyment categories, eight increased sales versus prior year across food, drug, mass channels (excluding Wal-Mart.) Wine and spirits categories had the largest gains (+8.1% and +6.4% respectively) – in part due to increases driven by aging Baby Boomers.

* Across IRI Reviews® categories, within food, drug, mass channels, excluding Wal-Mart. Please see appendix for full listing of enjoyment categories identified for this analysis.

“ENJOYMENT CATEGORY” OPPORTUNITY – PRODUCT DEVELOPMENT

- **“Light” versions of enjoyment foods yet to take off.** While “light” versions of enjoyment beverages, such as beer and carbonated beverages, represent a large share of their markets, lighter versions of food categories analyzed, including ice cream, salty snacks and chocolate candy, have not made major inroads. Tapping into market potential for healthier enjoyment foods will require taste enhancements and targeted marketing, including initiatives to reach consumers suffering from chronic health conditions, whose dietary needs are ongoing, not a fad.
- **Premium enjoyment products are an attractive niche.** Premium products, which offer rich tastes and typically have higher calories and fat as well as higher prices, are experiencing relatively strong growth, as illustrated by dollar sales trends within chocolate candy and ice cream/sherbet/frozen novelties. Significant upside potential in premium enjoyment food and beverages is possible through new products and increased distribution across mass market channels.
- **Variety is a key driver of enjoyment category success.** Variety plays a key role in delivering enjoyment to consumers, and leading enjoyment categories deliver. Six of the top ten high-variety categories (as determined by average weekly items per store among all IRI Reviews® categories) are enjoyment categories. New products, flavors and forms offer key sources of growth among mature enjoyment food and beverages.

“ENJOYMENT CATEGORY” OPPORTUNITY – CONSUMER SEGMENTS

- **Older generations spend big on enjoyment.** Baby Boomers and older generations allocate a significantly higher proportion of their total food and beverage spending to enjoyment categories than Generation Xers and Echo Boom adults. The difference in spending is driven not by underlying attitudes towards healthy eating but by differences in the types of enjoyment products consumed. Older consumers spend more of their dollars on higher- ticket wine and spirits, for instance, while younger consumers allocate more of their spending to salty snacks and carbonated beverages.
- **Presence of children has a major impact on enjoyment category spending.** Households with children spend more on enjoyment products than those without due to larger household sizes; however, those without children spend a much higher share of their total budget on enjoyment products, making them a prime target for higher-end food and beverages.

“ENJOYMENT CATEGORY” OPPORTUNITY – CHANNELS

- **Drug stores and mass merchandisers earn above-average share of enjoyment category spending.** Both drug stores and mass merchandisers hold a significantly higher share of enjoyment category spending than they do across total food and beverages. These channels represent potential upside for enjoyment product manufacturers with a limited presence currently and are a sizable competitive threat to grocers across these categories.
- **Channel selection for enjoyment categories varies considerably across consumer segments.** Major generational differences are evident in where consumers buy their enjoyment foods and beverages. For instance, while supercenters are a critical channel for reaching Echo Boom adults, as they allocate 20% of their spending to this channel (vs the total household average of 10.4%), drug stores are a critical component of distribution strategies targeting older vs younger generations. Retailers must ensure that their enjoyment category product mix is in alignment with their core consumers’ preferences.

INTRODUCTION

Consumers spend one-third of their CPG food and beverage budget* on products consumed for pure enjoyment- rather than nutritional value. Unwavering demand for taste, indulgence, and variety has sustained spending and consumption of “enjoyment” food and beverage categories as consumers continually balance health and enjoyment in their diets. Sales among enjoyment categories increased 1.1% vs a growth rate of 2.6% for other food and beverages within food, drug and mass channels (excluding Wal-Mart.)

The ability to grow enjoyment categories’ share of total food and beverage spending will be limited by healthy eating trends that will drive a slow, gradual increase in allocation of spending to products with nutritional value. However, there are substantial opportunities for manufacturers and retailers to grow their share of enjoyment spending through new products/product mix and distribution strategies aligned with their target consumers’ preferences.

This report provides an in-depth analysis of “enjoyment category” trends in aggregate and across product segments (eg. “light” enjoyment and premium products), channels and consumer segments to help manufacturers and retailers identify and capitalize on current and emerging opportunities.

The analysis also highlights important implications for the marketing of healthy/nutritional products: taste is paramount in food and beverage selection and is a requirement for all products – whether nutritional or not – to earn a place within consumers’ diet.

KEY FINDINGS

CONSUMER ATTITUDES AND CONSUMPTION BEHAVIOR

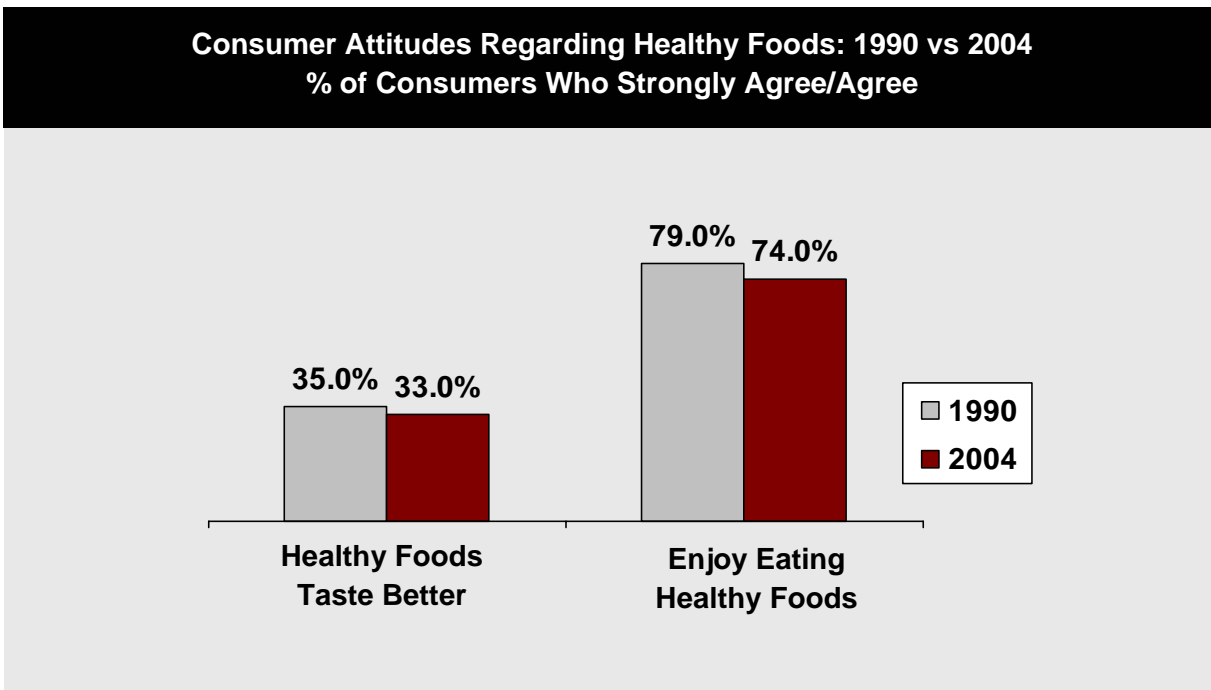
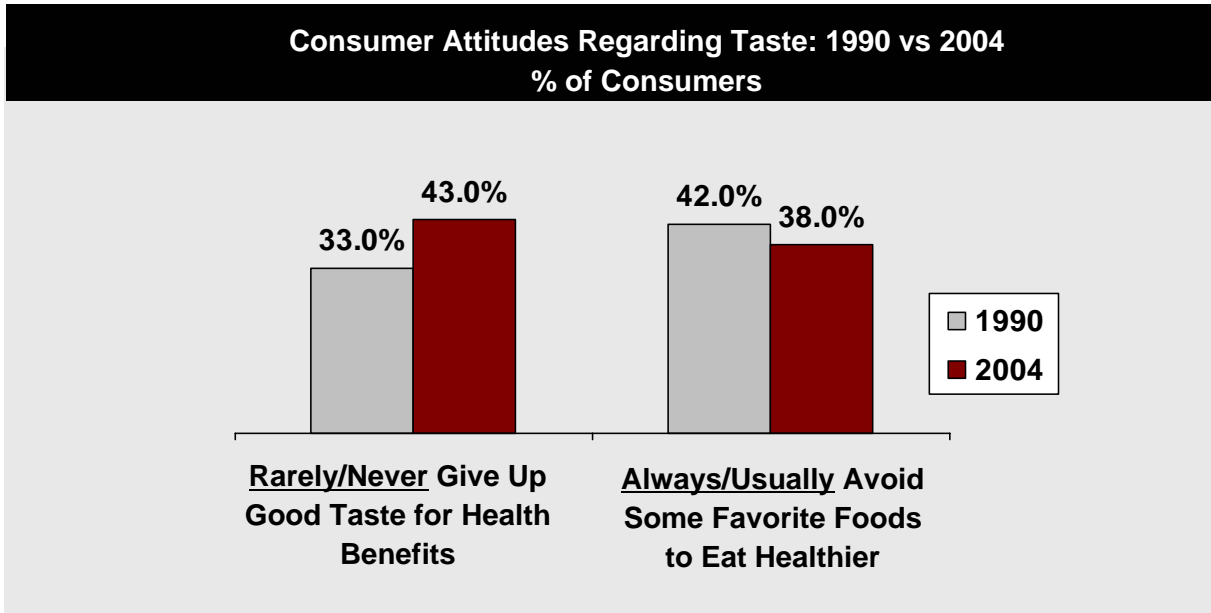
Consumers view food and beverages as a source of enjoyment, not purely a means of sustenance. As a result, taste is of critical importance to food and beverage selection.

Research conducted by HealthFocus International® has documented the power of taste for the past fourteen years and has found that for a large and growing proportion of consumers, taste often outweighs health considerations.

Further, while there has been strong momentum in the number of “healthy” new product introductions, the needle has not budged in consumers’ perceptions of the enjoyment and taste benefits of healthy foods and beverages, suggesting continued opportunity to broaden the market for healthier products through taste that rivals or exceeds less healthy options.

* Across IRI Reviews® categories, within food, drug, mass channels, excluding Wal-Mart.

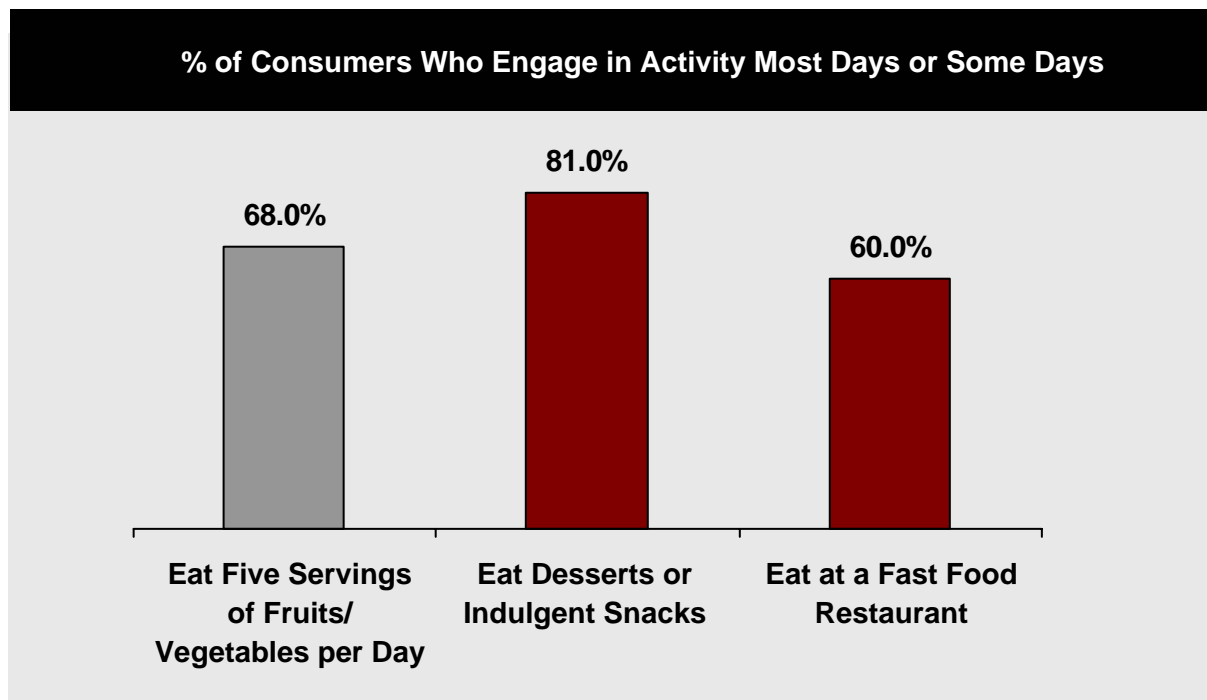
CONSUMER ATTITUDES AND CONSUMPTION BEHAVIOR (CONT'D)



Source: HealthFocus International®

CONSUMER ATTITUDES AND CONSUMPTION BEHAVIOR (CONT'D)

Stated consumption behavior provides further evidence that consumers take a broad view of their diet and satisfy their desire for both good health and enjoyment in the foods and beverages they consume. While two-thirds of consumers eat five servings of fruits and vegetables most or some days, over three-quarters eat desserts or indulgent snacks, and over half eat at fast food restaurants with some frequency.



“ENJOYMENT CATEGORY” OPPORTUNITY – SIZE & GROWTH

Consumers allocate a high proportion of their food and beverage spending – roughly one-third– to “enjoyment” categories: those categories consisting of products consumed primarily for pure enjoyment, rather than nutritional value or as a meal component. (Please see appendix for category listing.)

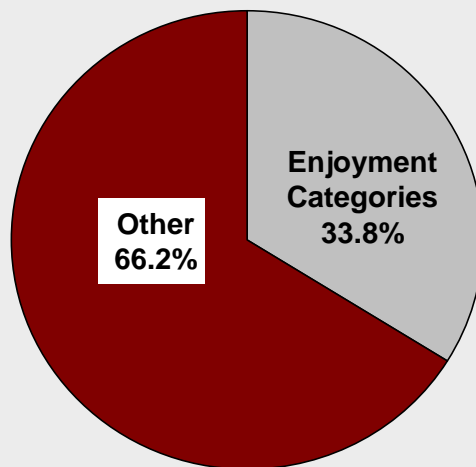
Despite healthier eating trends, these categories as a whole posted positive sales gains versus last year– albeit lower than “other” food and beverage categories. These trends illustrate consumers’ unwavering drive to satisfy their need for taste, variety and indulgence in their diets and the fact that nutritional foods alone do not fully satisfy that need.

As enjoyment categories’ share of total food and beverage spending is not likely to increase over the next several years as consumers slowly transition some spending to healthier fare, manufacturers and retailers should consider the broad enjoyment category universe to identify competitive opportunities to increase their share of enjoyment spending.

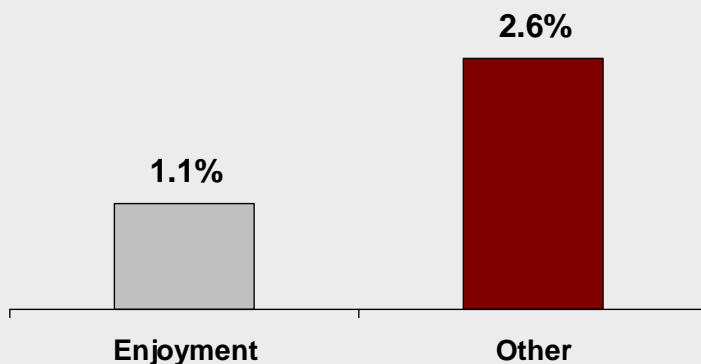
Source: IRI MedProfiler Health & Wellness Survey

“ENJOYMENT CATEGORY” OPPORTUNITY – SIZE & GROWTH (CONT’D)

**% of Total Food & Beverage Dollar Sales – Food, Drug, Mass (Excl Wal-Mart)
Enjoyment Categories* vs Other Food & Beverage: 52 Weeks Ending May 15, 2005**



**Dollar Sales Growth: 52 Weeks Ending May 15, 2005 vs Prior Year
Enjoyment Categories* vs Other Food & Beverage- Food, Drug, Mass (Excl Wal-Mart)**



*Please see appendix for full listing of enjoyment categories identified for this analysis.

Source: IRI InfoScan® Reviews

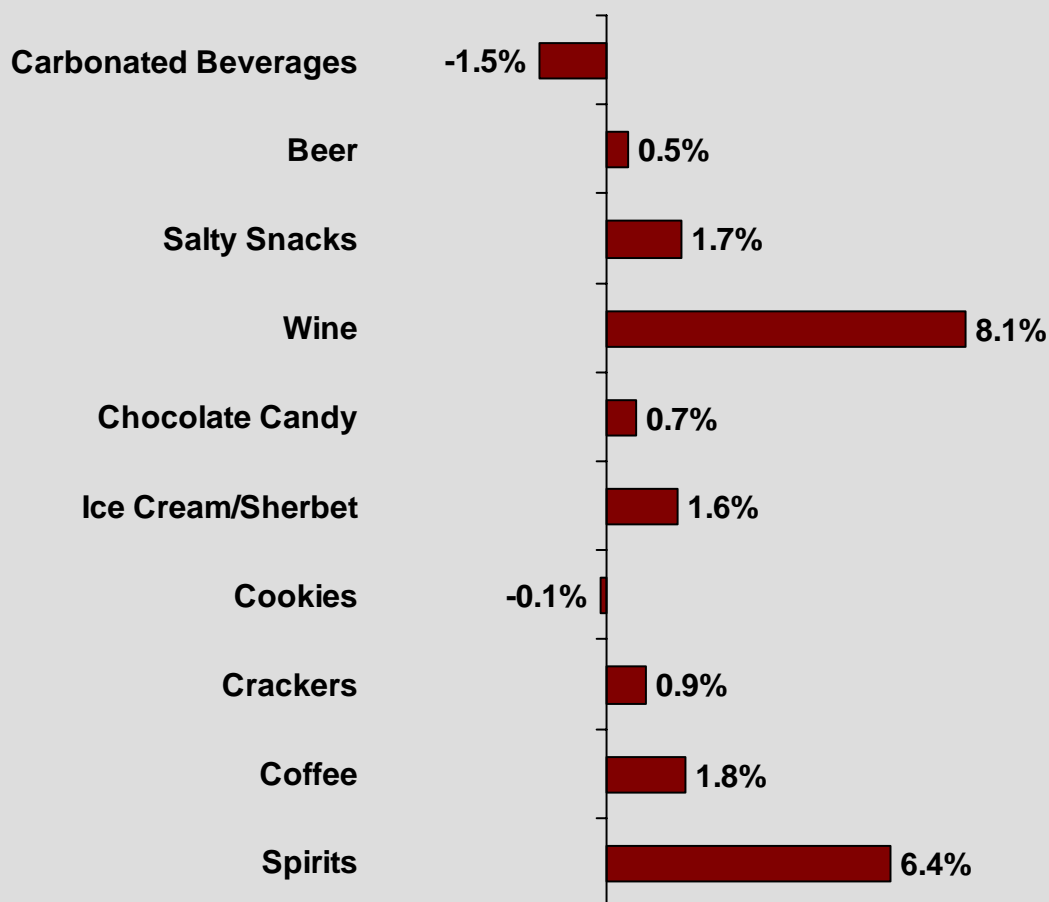
“ENJOYMENT CATEGORY” OPPORTUNITY - TOP TEN

While eight of the top ten enjoyment categories posted dollar sales gains versus prior year across food, drug, mass channels (excluding Wal-Mart), growth varied significantly.

High-growth wine and spirits categories benefited from favorable demographic trends: as reported in the January issue of *Times and Trends*, aging Baby Boomers are a strong market for wine and spirits – particularly as they transition to empty nests.

Although sales within the leading enjoyment category, Carbonated Beverages, declined overall within FDMx channels, as noted in the following pages, diet soft drinks have earned solid growth, and new product introductions have been embraced by consumers. Pockets of growth remain even among the most mature enjoyment categories.

Top 10 Enjoyment Categories*
% Dollar Sales Change Across Food, Drug, Mass (Excluding Wal-Mart)
52 Weeks Ending May 15, 2005 vs Prior Year



*Among enjoyment categories with \$500 million or greater in FDMx sales; please see appendix for full listing of enjoyment categories identified for this analysis.

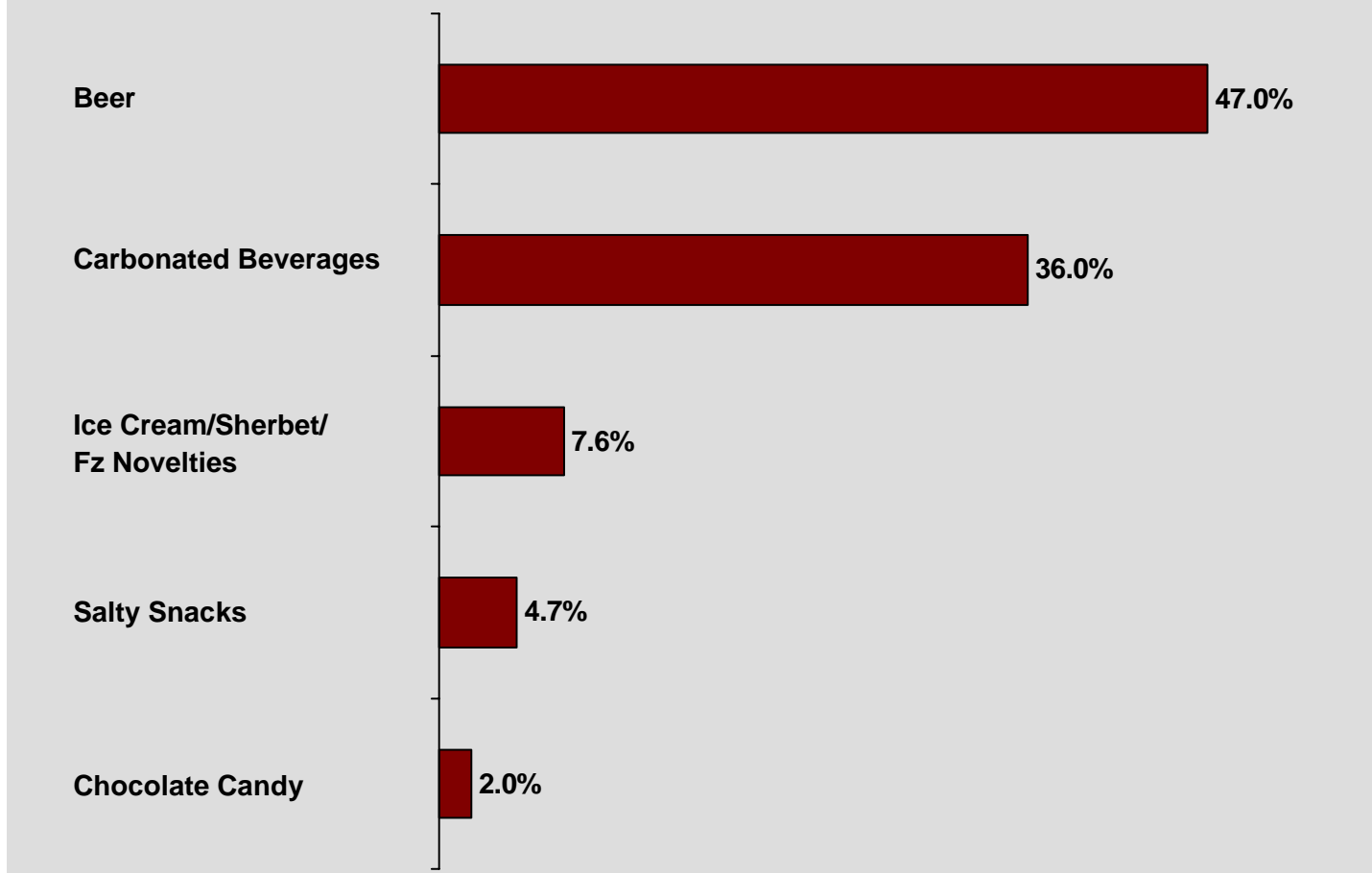
“ENJOYMENT CATEGORY” OPPORTUNITY: PRODUCT DEVELOPMENT - LIGHT

Healthier versions of enjoyment products have made major inroads within leading beverage categories, such as beer and carbonated beverages, but represent a small percentage of food category sales to date.

Further, while light beer and diet soft drinks have grown at a significantly higher rate than “regular” versions, results have been mixed across enjoyment food categories – ranging from a major decline in light chocolates to flat sales in light salty snacks to a huge increase in light ice cream/sherbet.

The success of lighter versions of enjoyment products appears to be driven by a number of factors, including frequency of product consumption / % of total calories consumed (ie. more opportunity likely when a product represents a relatively high proportion of daily calories, such as carbonated beverages), alignment with a range of dietary needs (ie. “light” beer and soft drinks offer low/no calories; low/no fat and low/no carbs) and, of course, taste.

Selected Enjoyment Categories: Light* Products as % Total Category Sales
Food, Drug, Mass (Excluding Wal-Mart)**
52 Weeks Ending May 15, 2005 vs Prior Year



*Light category sales reflect the sum of all products with “light” or similar descriptors (ie light, reduced fat, reduced calorie, low carb, etc.) in the product name and known healthy alternative brands.

** Beer sales reflect food and drug channels only.

Source: IRI InfoScan® Reviews

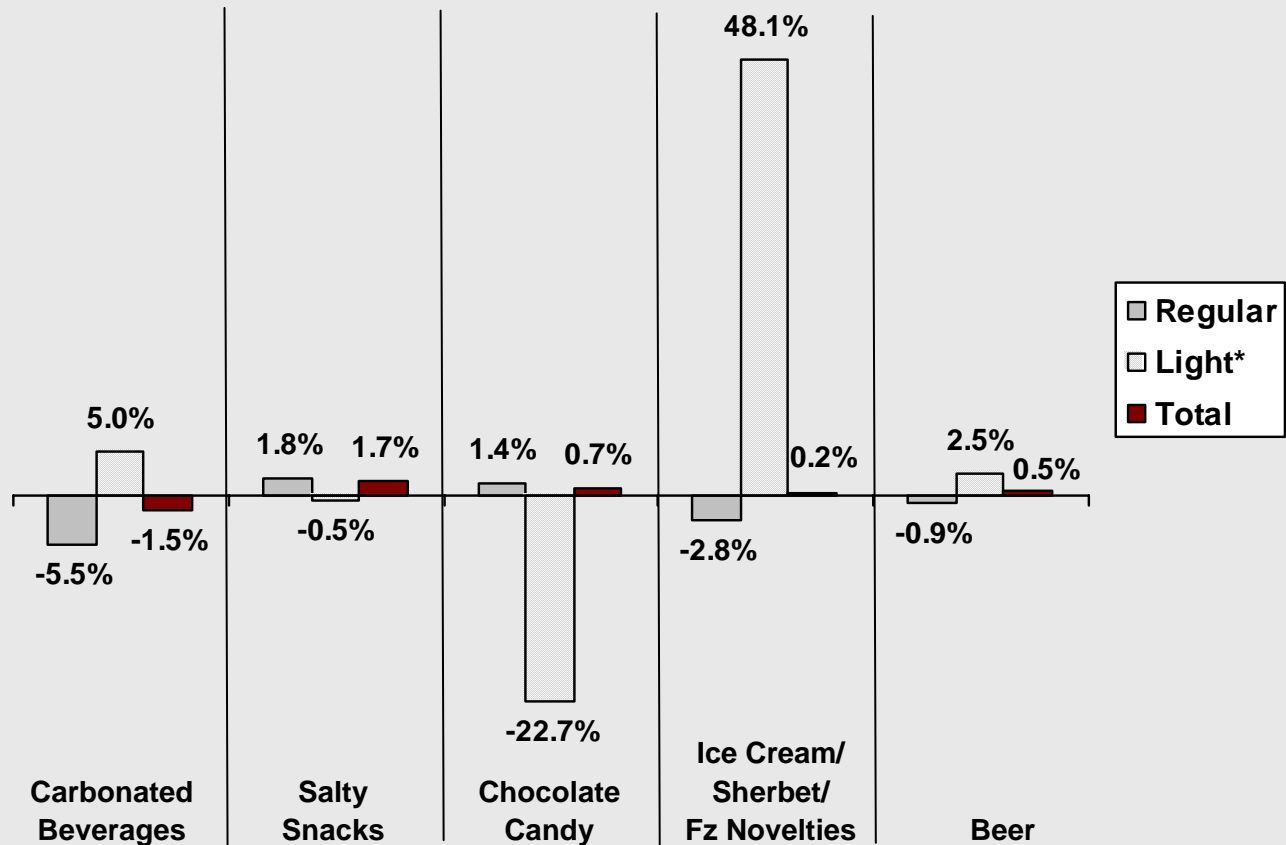
“ENJOYMENT CATEGORY” OPPORTUNITY: PRODUCT DEVELOPMENT – LIGHT (CONT’D)

Sustained growth among products catering to one specific dietary trend has proven to be challenging. A large proportion of the “light” chocolate candy decline, for instance, can be attributed to declines within the Atkins Endulge line as the low carb diet trend has waned.

Manufacturers should explore “fad-proof” opportunities within the “healthier enjoyment” realm with products appealing to the ongoing health needs of the large and growing segments of consumers suffering from chronic health conditions, such as high cholesterol, diabetes and obesity. As highlighted in the June issue of *Times and Trends*, these consumers are far more likely than the general population to follow specific diets. These products should be supported with highly targeted marketing and distribution strategies.

Light food enjoyment products offering multiple consumer benefits (eg. low calorie/low fat/low carb) also have the potential to gain traction through broader appeal.

**Selected Enjoyment Categories: Regular vs “Light”* Dollar Sales Growth
Food, Drug, Mass (Excluding Wal-Mart)**
52 Weeks Ending May 15, 2005 vs Prior Year**



*Light category sales reflect the sum of all products with “light” or similar descriptors (ie light, reduced fat, reduced calorie, low carb, etc.) in the product name and known healthy alternative brands.

** Beer sales reflect food and drug channels only.

“ENJOYMENT CATEGORY” OPPORTUNITY: PRODUCT DEVELOPMENT – LIGHT (CONT’D)

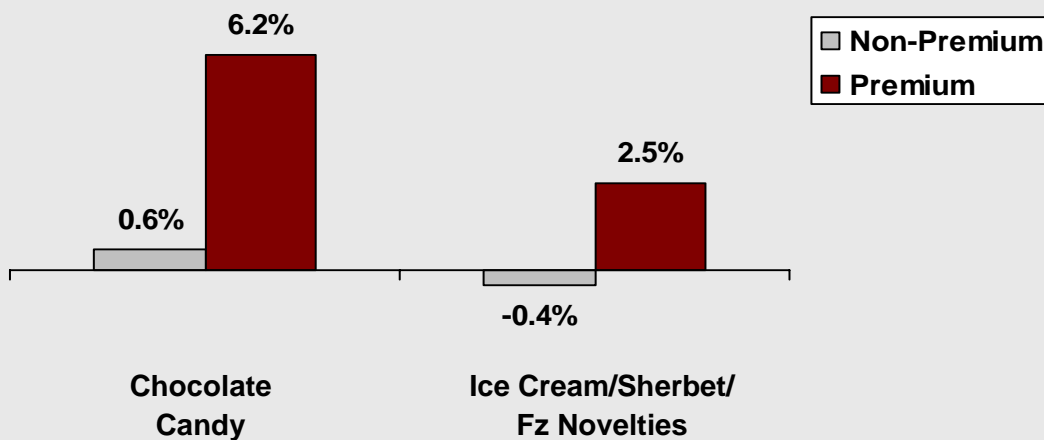
Continued focus on improving the taste of healthier enjoyment products through new technologies (eg. Dreyers Slow Churn™ process for the new Light ice cream) and ingredients (eg. Splenda®) will be required before light enjoyment foods command a major share of the market.

In the interim, perhaps the best solution to making enjoyment products healthier for the masses is portion control. Products helping consumers to enjoy small indulgences through bite-sized portions have enormous potential.

“ENJOYMENT CATEGORY” OPPORTUNITY: PRODUCT DEVELOPMENT - PREMIUM

On the other end of the spectrum, premium products -- offering rich tastes and typically higher fat and calories as well as higher pricing -- are experiencing relatively strong growth, as illustrated by dollar sales trends within chocolate candy and ice cream/sherbet/frozen novelties – likely bolstered by high enjoyment spending levels among Baby Boomers.

**Selected Enjoyment Categories: Premium vs Non-Premium* Dollar Sales Growth
Food, Drug, Mass (Excluding Wal-Mart)
52 Weeks Ending May 15, 2005 vs Prior Year**



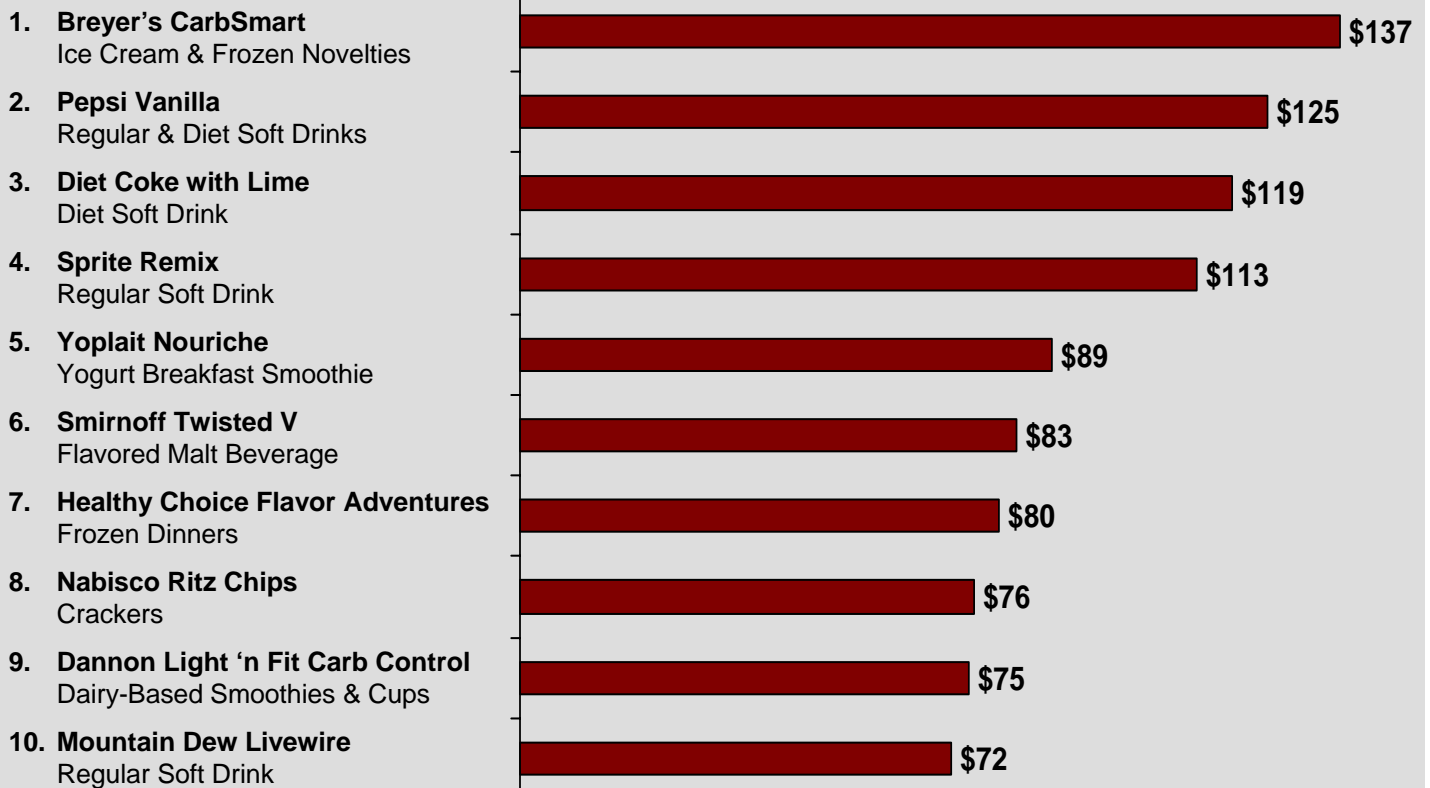
*Premium category sales reflects the sum of all known premium chocolate brands and super-premium ice cream brands sold within FDMx channels.

“ENJOYMENT CATEGORY” OPPORTUNITY: PRODUCT DEVELOPMENT - VARIETY

A testament to continued strong market potential for food and beverages delivering enjoyment, even without nutritional benefits, seven of the top ten New Product Pacesetters for this past year were within enjoyment categories.

Each of these successful new entrants is an extension of an existing brand offering new varieties – demonstrating the fact that good taste is not the only requirement to meet consumers’ enjoyment needs. Consumers also actively seek and embrace variety.

2003 – 2004 New Product Pacesetters: Top 10 Food & Beverage Brands Year One Dollar Sales (Mil\$) Across Food, Drug, Mass (Excluding Wal-Mart)



Source: IRI InfoScan® Reviews, New Products Launched February 2003 – January 2004

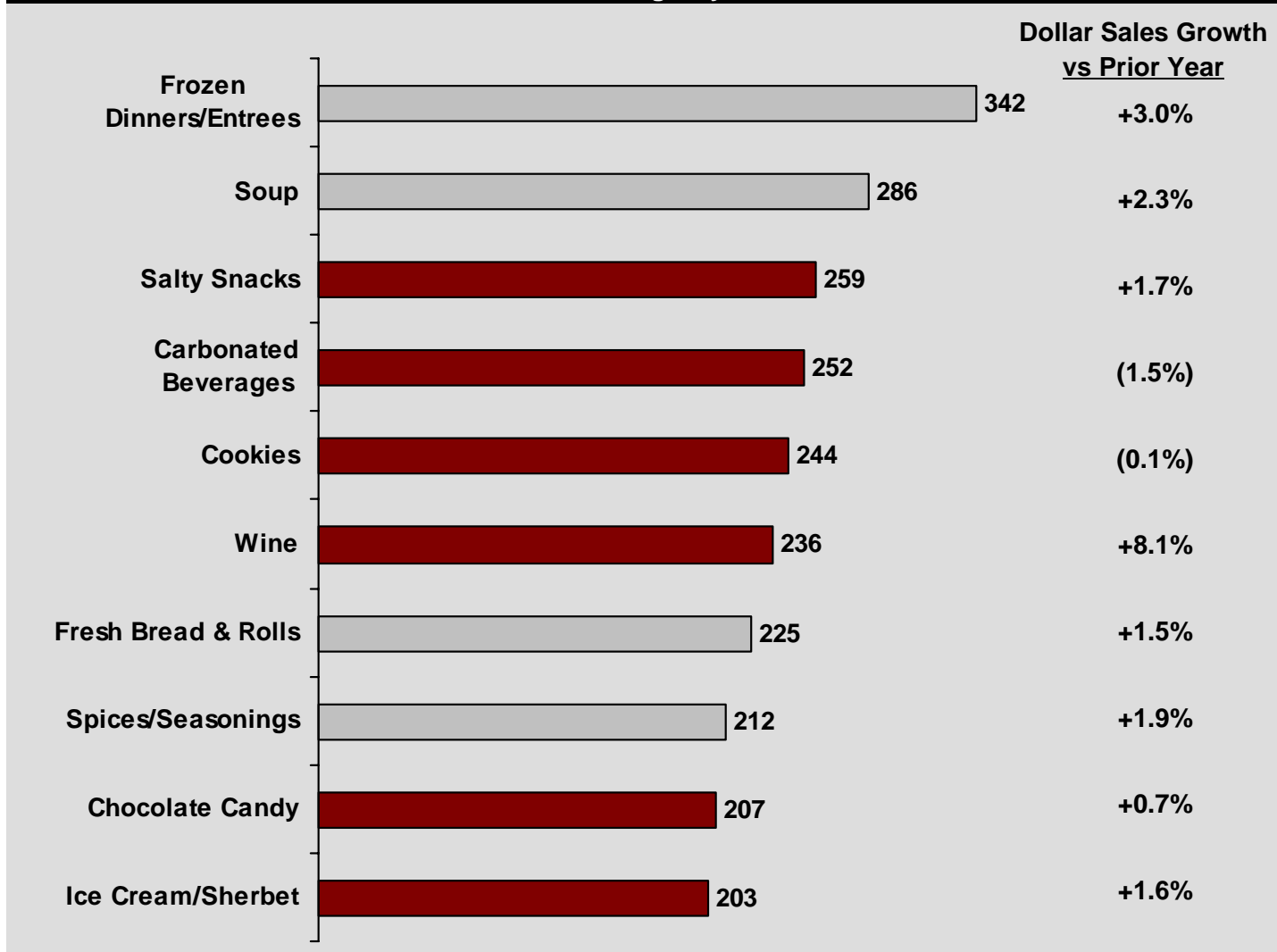
“ENJOYMENT CATEGORY” OPPORTUNITY: PRODUCT DEVELOPMENT – VARIETY (CONT’D)

Within leading enjoyment categories, manufacturers and retailers have responded to consumers’ desire for variety. Six of the top ten high-variety categories (as defined by average weekly items per store within food, drug, mass channels, excluding Wal-Mart), are enjoyment categories. These categories deliver not only a broad array of flavors, but also products fulfilling specific consumer needs (eg. low fat versions and convenient packaging options.)

A key challenge within these categories is effectively managing the wide number of SKUs. Continual product line rationalization and limited edition varieties are among successful strategies employed.

Manufacturers of both healthy/nutritional and enjoyment product lines need to explore current levels of variety to identify opportunities to broaden penetration and increase purchase levels of existing customers through new flavors, forms and benefits.

VARIETY: Average Weekly Items per Store – Top 10 Categories
Food, Drug, Mass (Excluding Wal-Mart)
52 Weeks Ending May 15, 2005



Sources: IRI InfoScan® Reviews

“ENJOYMENT CATEGORY” OPPORTUNITY: CONSUMER SEGMENTS

As enjoyment category opportunity varies across consumer segments, targeted marketing strategies are required to fully capitalize on market potential.

An assessment of relative spending levels among generational groups, as determined by dollars/1000 HH indices, reveals that Baby Boomer households – which also tend to be the largest households -- are the biggest spenders on enjoyment foods and beverages.

However, while older consumers do not spend as much as Boomers, due to smaller households and the corresponding lower food and beverage budgets overall, these consumers do allocate a high proportion of their budgets to enjoyment foods and beverages. Manufacturers and retailers who deliver against the preferences of these consumer segments and effectively position products to them will be well-rewarded. Baby Boomers and older generations represent prime targets for premium/higher-ticket enjoyment products.

The younger generations spend less of their overall CPG dollars on enjoyment categories. However, it is important to note that this finding does not mean that they are necessarily less inclined to consume enjoyment food and beverages. Research conducted through IRI’s MedProfiler survey confirms that Echo Boomers and Gen Xers are just as likely as other generations to consume desserts and indulgent snacks and are much more likely to eat fast food.

Enjoyment Categories* Spending Indices/Share of Spending by Generation – All Outlets

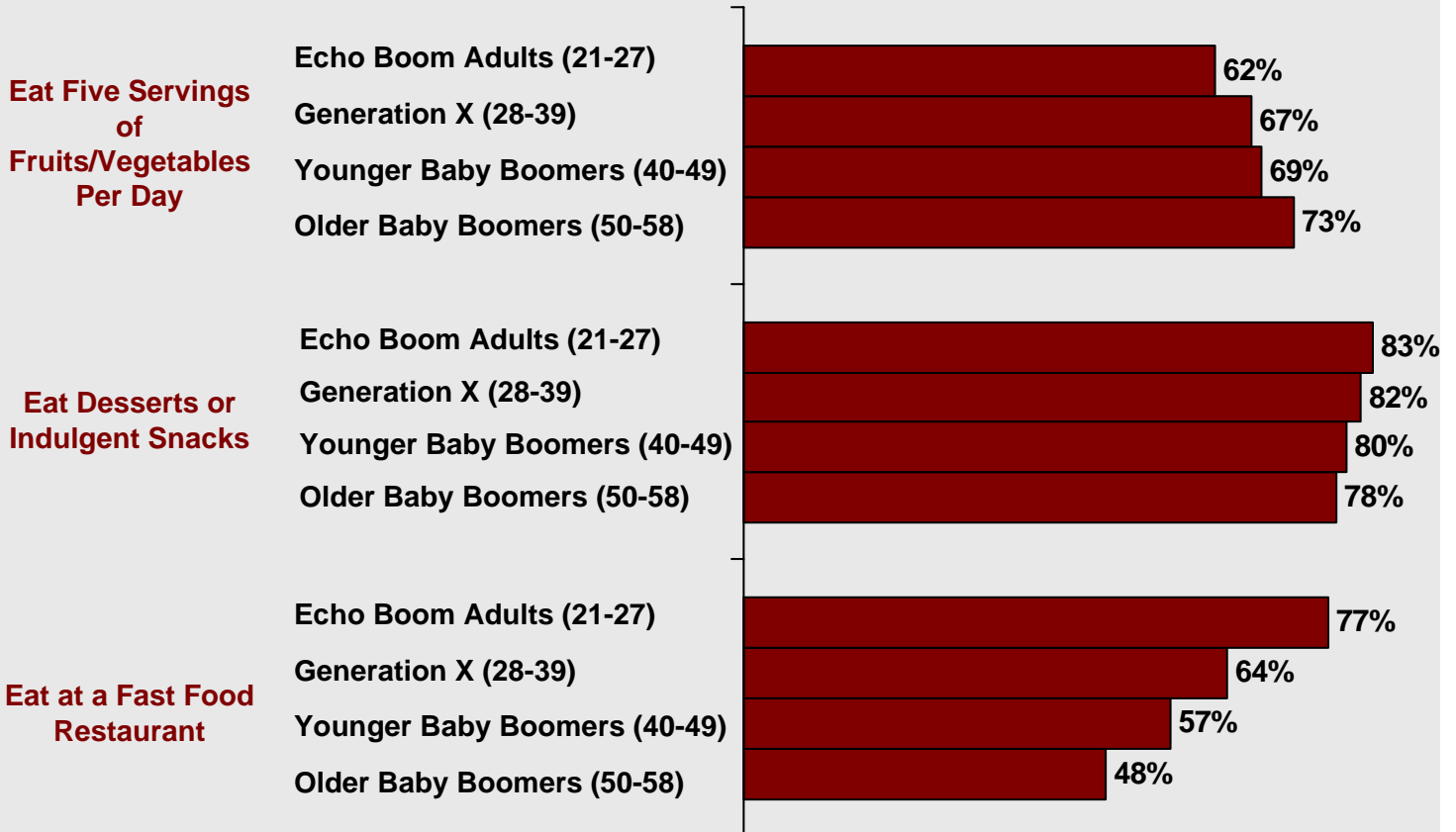
	Dollars/1000 HH Index	% of Segments’ Total Food & Beverage Dollars
Echo Boom Adults (21-27)	70	27.5%
Generation X (28-39)	94	29.8%
Younger Baby Boomers (40-49)	115	33.5%
Older Baby Boomers (50-58)	107	35.0%
59-64	102	35.1%
65+	90	34.1%

*Please see Appendix for listing of “Enjoyment Categories”

Source: IRI Consumer Network®; 52 weeks ending 11/21/2004

“ENJOYMENT CATEGORY” OPPORTUNITY: CONSUMER SEGMENTS (CONT'D)

Percent of Consumers Who Engage in Activity Most Days or Some Days



Source: IRI MedProfiler Health & Wellness Survey

“ENJOYMENT CATEGORY” OPPORTUNITY: CONSUMER SEGMENTS (CONT'D)

The difference in spending allocation between younger and older generations is likely driven by a combination of factors:

Product Mix: As summarized below, Baby Boomers spend more of their “enjoyment dollars” on bigger ticket items, including wine and spirits, while Echo Boom adults allocate more of their spending to salty snacks and cookies than Baby Boomers.

Discretionary Funds: After necessities are met, younger generations likely have less funding available for enjoyment products.

Spending on Non-CPG Enjoyment Food and Beverage: Given a much higher likelihood of eating at fast food restaurants among younger vs older generations, it is likely that CPG snack foods and desserts face more competition from non-CPG sources among younger vs older generations.

Manufacturers and retailers should explore growth opportunities through targeted marketing, merchandising and competitive positioning strategies that incorporate each segment’s enjoyment spending preferences.

Share of Total Enjoyment Spending Among Top 10 Enjoyment Categories - All Outlet

		<u>Echo Boom Adults</u>	<u>Baby Boomers</u>	<u>Point Difference</u>
Higher Share of Enjoyment Spending Among Echo Boomer Households	Carbonated Beverages	18.9%	18.2%	0.6
	Salty Snacks	11.3%	10.3%	1.0
	Cookies	5.8%	5.5%	0.4
	Crackers	5.4%	4.7%	0.7
Equal	Non-Chocolate Candy	4.2%	4.2%	0.0
Higher Share of Enjoyment Spending Among Baby Boomer Households	Chocolate Candy	5.8%	7.1%	(1.3)
	Beer/Ale/Cider	5.7%	6.2%	(0.5)
	Ice Cream/Sherbet	5.0%	5.4%	(0.4)
	Spirits/Liquor	2.9%	4.1%	(1.3)
	Wine	1.4%	4.4%	(3.0)

*Please see Appendix for listing of “Enjoyment Categories”

Source: IRI Consumer Network®; 52 weeks ending 11/21/2004

“ENJOYMENT CATEGORY” OPPORTUNITY: CONSUMER SEGMENTS (CONT'D)

Driven by larger household size, households with children spend significantly more than those without children on enjoyment food and beverages. However, those without children allocate a higher percentage of their total food and beverage budget to enjoyment categories.

Both segments are attractive groups for enjoyment products, but as their spending allocation across categories is considerably different, understanding their category preferences is critical to capitalizing on the potential. While those with children spend more of their dollars on salty snacks and carbonated beverages, for instance, those without children allocate more of their enjoyment budget to beer, wine and spirits.

Enjoyment Categories* Spending Indices/Share of Spending— All Outlets		
	Dollars/1000 HH Index	% Total Food & Beverage Dollars
Households with Children	112	30.3%
Households without Children	94	34.6%

Share of Total Enjoyment Spending Among Top 10 Enjoyment Categories - All Outlet				
		Households w/ Children	Households no Children	Difference
Higher Share of Enjoyment Spending Among Households with Children	Carbonated Beverages	17.8%	16.5%	1.3
	Salty Snacks	12.2%	8.6%	3.6
	Cookies	6.2%	5.3%	0.9
	Crackers	5.6%	4.7%	0.8
	Non-Chocolate Candy	4.2%	4.1%	0.1
Higher Share of Enjoyment Spending Among Households without Children	Chocolate Candy	6.5%	7.2%	(0.7)
	Beer/Ale/Cider	4.7%	6.4%	(1.7)
	Ice Cream/Sherbet	5.3%	5.9%	(0.6)
	Wine	2.5%	5.8%	(3.3)
	Spirits/Liquor	2.0%	5.7%	(3.6)

*Please see Appendix for listing of “Enjoyment Categories”

Source: IRI Consumer Network®; 52 weeks ending 11/21/2004

“ENJOYMENT CATEGORY” OPPORTUNITY: CHANNELS

Consumers’ channel selection for enjoyment products does not mirror channel purchase behavior for total food and beverage.

Given significantly higher dollar share within enjoyment categories versus total food and beverage, both mass merchandisers and drug stores provide a favorable shopping atmosphere for enjoyment products. These channels offer growth potential for manufacturers with a limited presence currently.

Channel Dollar Share: Total Food & Beverage vs “Enjoyment” Categories

	Total Food & Beverage (IRI Reviews® Categories)	Enjoyment Categories
Grocery	71.6%	63.7%
Supercenter	10.8%	10.4%
Club	5.7%	5.2%
Mass Merchandise	4.7%	7.1%
Drug Store	2.1%	4.1%

Allocation of enjoyment category spending by channel varies across generational groups. In particular, as with total CPG spending, supercenters are a critical channel for reaching Echo Boom adults but receive significantly less of older consumers’ spending. By contrast, drug stores are a more critical component of a distribution strategy when targeting older vs younger generations.

Retailers should ensure that their enjoyment product mix is in alignment with their core consumers’ preferences. For example, while consumer profiles will vary by chain and by store, in general, drug stores should evaluate their beer/wine/spirits, chocolate candy and frozen dessert offerings to align with Baby Boomers and older consumers, while supercenters should ensure that they offer an attractive selection of carbonated beverages, salty snacks, cookies and crackers that appeal to Echo Boomers.

*Please see Appendix for listing of “Enjoyment Categories”
Source: IRI Consumer Network®; 52 weeks ending 11/21/2004

“ENJOYMENT CATEGORY” OPPORTUNITY: CHANNELS (CONT'D)

Channel Dollar Share: “Enjoyment” [*] Categories					
	Grocery	Drug	Mass	Supercenter	Club
Echo Boom Adults	60.1%	2.1%	6.8%	20.0%	3.4%
Generation X	64.6%	2.6%	8.0%	12.8%	4.9%
Younger Baby Boomers	64.7%	3.9%	7.3%	10.1%	5.5%
Older Baby Boomers	62.3%	4.5%	6.7%	9.4%	5.7%
Age 59-64	61.4%	5.1%	6.8%	9.7%	5.7%
Age 65+	63.8%	5.5%	6.3%	7.8%	4.8%
Total Households	63.7%	4.1%	7.1%	10.4%	5.2%

^{*}Please see Appendix for listing of “Enjoyment Categories”

Source: IRI Consumer Network®; 52 weeks ending 11/21/2004

ACTION ITEMS

Action Items for Manufacturers

- Appeal to consumers' desire for variety with new products, flavors and forms; explore limited edition SKUs and continually rationalize product lines through identification of highest/lowest performing items in aggregate and among target consumer segments.
- For "light" enjoyment products, develop targeted marketing campaigns to reach consumers suffering from chronic health conditions; work with leading retail partners to integrate products into in-store ailment marketing initiatives.
- Continue to explore new technologies and ingredients to improve flavor in both "light" enjoyment products and healthy/nutritional fare.
- Develop new "light" enjoyment foods and/or reposition existing products to address multiple consumer dietary needs (eg. low fat, low calorie and low sugar.)
- Develop premium enjoyment food and beverages targeting Baby Boomers and older generations; expand distribution of existing premium products within mass market channels; consider strong presence in drug stores, given Boomers' and older generations' propensity to shop this channel.
- Among enjoyment categories earning a high share of each generation's total enjoyment spending, assess brand penetration and buying rate vis-à-vis total category within target consumer segments; develop segment-specific growth strategies where under-developed.
- Broadly view competitive set to include the total enjoyment category universe or subset; identify spending conversion opportunities as well as joint marketing potential with players/brands in other enjoyment categories.

Action Items for Retailers

- Continually optimize product mix to deliver against consumers' variety needs across enjoyment categories.
- Leverage "light" enjoyment food and beverages in marketing and merchandising campaigns targeting consumers with chronic health conditions.
- Consider increasing mix of premium enjoyment food and beverages – particularly in stores with a high proportion of Boomers and older consumers.
- Increase appeal to the massive Echo Boomer population (age 10-27), who are continually maturing into primary shoppers, through an attractive assortment of products within preferred enjoyment categories (eg. carbonated beverages and salty snacks.)
- Grocers should develop a competitive positioning strategy for enjoyment foods and beverages vis-à-vis drug stores and mass merchandisers to regain "fair share" of sales.

RESOURCES

To gain insight into consumer trends impacting your categories, brands or stores and to identify specific opportunities that arise from these trends, contact your IRI client service representative regarding custom analyses and reports leveraging the following resources:

<u>Issue</u>	<u>Source</u>	<u>Description</u>
Purchase Trends Among Generational Segments	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.
Purchase Trends Among Consumers Following Specific Diets	IRI's <i>Consumer Trends on a Diet</i>	Category-specific reports summarizing purchase behavior trends across consumer segments following 11 different diets, versus non-dieting households.
Purchase Trends Across Specific Ailment Segments	IRI Consumer Network® ; IRI MedProfiler Health & Wellness Survey	Panel-based product purchase trends across ailment segments identified in IRI's annual MedProfiler syndicated survey of health attitudes and conditions.
Purchase Trends Across Custom Consumer Segments	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.

QUESTIONS ABOUT THIS REPORT

Please forward questions and comments about this report to Sheila McCusker at sheila.mccusker@infores.com.

APPENDIX: ENJOYMENT CATEGORIES

The following categories were designated “Enjoyment Categories” for the purpose of this analysis:

Bakery Snacks	Marshmallows
Baking Needs	Milk Flavoring/Cocoa Mixes
Beer/Ale/Cider	Miscellaneous Snacks
Carbonated Beverages	Non-Chocolate Candy
Chocolate Candy	Pastry/Doughnuts
Coffee	Pies & Cakes
Cookies	Popcorn/Popcorn Oil
Crackers	Premixed Cocktails/Coolers
Dessert Toppings	Refrigerated Dips
Dip/Dip Mixes – Shelf Stable	Refrigerated Teas/Coffee
Dough/Biscuit Dough – Rfg	Refrigerated Whipped Toppings
Frosting	Rice/Popcorn Cakes
Frozen Novelties	Salty Snacks
Gelatin/Pudding	Spirits
Gum	Tea – Instant Tea Mixes
Ice Cream Cones/Mixes	Tea/Coffee – Ready to Drink
Ice Cream/Sherbet	