

2008 New Product Introductions



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Some Questions Addressed

- How many UPCs were introduced in 2008 across all Nielsen categories?
- Which categories introduced the most new items?
- In which categories did new items generate the most/least sales contribution?
- What percent of new items were labeled “organic”, “natural”, or made other health claims?
- How did new item introductions in calendar 2008 compare with 2007?

Defining New Items – Specifically New UPCs

- For this study, new items are defined as **any UPC sold in Calendar 2008 that was not sold in Calendar 2007**
- **Data Parameters:**
 - **Period:** 52 weeks ending 12-27-08
 - **Categories:** All products reported by Nielsen
 - **Markets:** U.S. Grocery/Drug/Mass channels excluding Wal-Mart
 - Key for PHF will be in **BLUE**.

122,743 new UPCs introduced in 2008

48,395 (39%) of these are Food/Beverage items

35,021 (29%) General Merchandise items

24,469 (20%) Health & Beauty items

14,858 (12%) Non-Food Grocery

General Merchandise,
as defined by Nielsen,
is limited to a few
select categories.

- Only 3,882 (3.2%) achieved >\$1 million in sales
- Only 198 (0.2%) achieved >\$10 million in sales
- Only 15 (0.01%) achieved >\$50 million in sales

Source: Nielsen Strategic Planner, 52 Weeks Ending 12/27/08, Total U.S. Grocery/Drug/Mass excluding Wal-Mart

New item SKU counts were similar to 2007

	2008	2007	Chg
Total New Items	122,743	122,350	+0.3%
Food/Beverage items	48,395	47,586	+1.7%
General Merch items	35,021	36,700	-4.6%
Heath & Beauty items	24,469	23,816	+2.7%
Non-Food Grocery items	14,858	14,248	+4.3%
Items >\$1 million in sales	3,882	3701	+4.9%
Items >\$10 million in sales	198	206	-3.9%
Items >\$50 million in sales	15	10	+50.0%

Source: Nielsen Strategic Planner, 52 Weeks Ending 12/27/08, Total U.S. Grocery/Drug/Mass excluding Wal-Mart



New items generated >\$21 billion in 2008

- **Food & Beverage** **\$10.5 billion**
 - Health & Beauty \$3.9 billion
 - General Merchandise \$3.6 billion
 - Non-Food Grocery \$3.3 billion
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- **Sales from new items represent 5.7% of total sales reported by Nielsen in 2008.**

Source: Nielsen Strategic Planner, 52 Weeks Ending 12/27/08, Total U.S. Grocery/Drug/Mass excluding Wal-Mart

The cosmetics category shows the most new item introductions in 2008

Nielsen Category	New Item Count	New Item Dollars	\$ Share of Category
Cosmetics	5,212	\$311 MM	10.9%
Candy	5,133	\$812 MM	10.7%
Paper Products	4,274	\$1,602 MM	15.2%
Bread & Baked Goods	4,138	\$348 MM	2.4%
Grooming Aids	3,755	\$170 MM	15.2%
Snacks	3,619	\$2,070 MM	18.2%
Pet Care	2,737	\$193 MM	10.2%
Hair Care	2,481	\$355 MM	8.0%
Deli (UPC-Coded)	2,316	\$310 MM	5.3%
Skin Care Preps	1,977	\$407 MM	12.3%
Fragrances - Women	1,961	\$145 MM	33.9%

Source: Nielsen Strategic Planner, 52 Weeks Ending 12/27/08, Total U.S. Grocery/Drug/Mass
Excludes General Merchandise Categories

New snacks items generated over \$2 billion in 2008

Nielsen Category	New Item Count	New Item Dollars	\$ Share of Category
Snacks	3,619	\$2,070 MM	18.2%
Paper Products	4,274	\$1,602 MM	15.2%
Candy	5,133	\$812 MM	10.7%
Prepared Foods-Frozen	1,518	\$562 MM	6.6%
Cough & Cold Remedies	723	\$509 MM	12.2%
Pet Food	1,181	\$454 MM	7.6%
Skin Care Preparations	1,977	\$407 MM	12.3%
Cereal	690	\$405 MM	5.4%
Office/School Supplies	8,136	\$394 MM	14.2%
Disposable Diapers	391	\$385 MM	15.9%
Medications/Remedies	1,883	\$374 MM	5.0%

Source: Nielsen Strategic Planner, 52 Weeks Ending 12/27/08, Total U.S. Grocery/Drug/Mass
Excludes General Merchandise Categories

New items are vital to many HBA categories

Nielsen Category	New Item Count	New Item Dollars	\$ Share of Category
Fragrances - Women	1,961	\$145 MM	33.9%
Men's Toiletries	663	\$69 MM	24.9%
Baby Needs	905	\$292 MM	23.0%
Snacks	3,619	\$2,070 MM	18.2%
Disposable Diapers	391	\$385 MM	15.9%
Grooming Aids	3,755	\$170 MM	15.2%
Paper Products	4,274	\$1,602 MM	15.2%
Deodorant	463	\$193 MM	14.6%
Shaving Needs	285	\$269 MM	14.5%
Skin Care Preparations	1,977	\$407 MM	12.3%
Cough & Cold Remedies	723	\$509 MM	12.2%

Source: Nielsen Strategic Planner, 52 Weeks Ending 12/27/08, Total U.S. Grocery/Drug/Mass
Excludes General Merchandise Categories

Many food categories are less dependent on new item introductions

Nielsen Category	New Item Count	New Item Dollars	\$ Share of Category
Juices/Drinks - Frozen	18	\$0.2 MM	0.1%
Ice	35	\$1.1 MM	0.2%
Flour	53	\$1.2 MM	0.2%
Ethnic HBC	47	\$0.2 MM	0.3%
Pickles/Olives/Relishes	291	\$4.0 MM	0.3%
Vegetables & Grains - Dry	162	\$3.5 MM	0.4%
Milk	438	\$54 MM	0.4%
Fruit - Canned	138	\$7.3 MM	0.5%
Sugar / Sugar Substitutes	92	\$8.9 MM	0.6%
Vegetables - Canned	476	\$27 MM	0.8%
Table Syrups/Molasses	72	\$5.0 MM	0.9%

Source: Nielsen Strategic Planner, 52 Weeks Ending 12/27/08, Total U.S. Grocery/Drug/Mass
Excludes General Merchandise Categories

New Items Vs. New Brands

- Most of the top new items are line extensions of existing brands
 - New sizes, flavors, packaging, health claims
 - In many cases, package size was reduced to avoid price increases
- Of the top 100 new items, 98 items were extensions of existing brands
 - Only 2 entirely new brands from the top 100 items
- *A complete list of 122,743 newly introduced items for 2008 is available for purchase*

The Top 100 New Items of 2008 By Department

<u>Category</u>	<u># of Top 100 New Items</u>
Dry Grocery	44 items
Non-Food Grocery	27 items
Health & Beauty Aids	12 items
General Merchandise	9 items
Dairy	6 items
Alcoholic Beverages	2 items

Source: Nielsen Strategic Planner, 52 Weeks Ending 12/27/08, Total U.S. Grocery/Drug/Mass excluding Wal-Mart

Snacks dominate the top new food items

<u>Food & Beverage Categories</u>	<u># of Top 100 New Items</u>
Snacks	38 Items
Cereal	8 Items
Candy	5 Items
Coffee	5 Items
Juices & Drinks-Refrigerated	5 Items
Pet Food	5 Items
Crackers	4 Items
Prepared Foods-Frozen	4 Items
Jams/Jellies/Spreads	3 Items
Juices Drinks-Shelf Stable	3 Items
Yogurt	3 Items
13 Other Categories	17 Items

Source: Nielsen Strategic Planner, 52 Weeks Ending 12/27/08, Total U.S. Grocery/Drug/Mass excluding Wal-Mart

Most of the top new Non-Food Grocery items are paper products

<u>Non-Food Grocery Categories</u>	<u># of Top 100 New Items</u>
Paper Products	60 Items
Disposable Diapers	18 Items
Detergents	6 Items
Pet Care	4 Items
Personal Soap/Bath Needs	3 Items
Tobacco & Accessories	3 Items
Household Cleaners	2 Items
Wrapping Materials Bags	2 Items
Charcoal/Logs/Accessories	1 Item
Laundry Supplies	1 Item

Source: Nielsen Strategic Planner, 52 Weeks Ending 12/27/08, Total U.S. Grocery/Drug/Mass excluding Wal-Mart

New HBC items span a wide range of categories

<u>HBC Categories</u>	<u># of Top 100 New Items</u>
Cough & Cold Remedies	15 Items
Oral Hygiene	14 Items
Skin Care Preparations	14 Items
Shaving Needs	13 Items
Baby Needs	10 Items
Medications/Remedies	9 Items
Deodorant	6 Items
First Aid	6 Items
Hair Care	3 Items
7 Other Categories	10 Items

Source: Nielsen Strategic Planner, 52 Weeks Ending 12/27/08, Total U.S. Grocery/Drug/Mass excluding Wal-Mart

Most of the top new general merchandise items are DVD releases

<u>General Merchandise Categories</u>	<u># of Top 100 New Items</u>
Computer/Electronic Prods (most are new DVD movies)	58 Items
Film & Cameras	20 Items
Housewares / Appliances	13 Items
Light Bulbs / Telephone	8 Items
Office/School Supplies	1 Item

Source: Nielsen Strategic Planner, 52 Weeks Ending 12/27/08, Total U.S. Grocery/Drug/Mass excluding Wal-Mart

New items touch every category

- Each of Nielsen's **124 product categories** had at least one new product introduction in 2008
- **105** categories (85%) had >100 new UPCs
- **33** categories (27%) had >1,000 new UPCs
- **56** (45%) had >\$100 million in new item sales

Source: Nielsen Strategic Planner, 52 Weeks Ending 12/27/08, Total U.S. Grocery/Drug/Mass excluding Wal-Mart

Food & Beverage Introductions With Key Health & Wellness Characteristics

*Percent of 48,395
New Food &
Beverage items

Health Claim	# of New Items	% of New Food/Bev Items*		
		2008	2007	2006
Natural	4,343	9.0%	9.5%	9.0%
Absence of Specific Fat (Trans Fat or Saturated Fat)	2,715	5.1%	5.1%	3.6%
Organic	2,263	4.7%	6.2%	4.8%
No Preservatives	1,780	3.7%	4.0%	3.6%
Whole Grain	1,468	3.0%	3.5%	3.1%
Low Fat	1,343	2.8%	2.8%	2.8%
Cholesterol Free	1,313	2.7%	2.8%	2.6%
Fat Free	1,175	2.4%	2.2%	2.6%
Reduced Calories	978	2.0%	2.0%	1.9%
Gluten Free	899	1.9%	1.2%	1.0%

Source: Nielsen LabelTrends, 52 Weeks Ending 12/27/08, Total U.S. Grocery/Drug/Mass excluding Wal-Mart

More New Items With Key Health & Wellness Characteristics

*Percent of 48,395
New Food &
Beverage items

Health Claim	# of New Items	% of New Food/Bev Items*		
		2008	2007	2006
Calcium Presence	879	1.8%	1.6%	1.7%
Low Salt & Sodium	843	1.7%	1.6%	1.6%
Sugar Free	676	1.4%	1.5%	1.6%
Caffeine Free	588	1.2%	1.3%	1.4%
Fiber Claim	484	1.0%	1.0%	0.8%
Antioxidants	466	1.0%	0.9%	0.7%
Protein Claim	403	0.8%	0.7%	0.6%
Hormone Free	397	0.8%	1.0%	0.8%
Multigrain	340	0.7%	0.6%	0.6%
Carb Conscious	340	0.7%	0.6%	0.8%
Genetic Modification Free	286	0.6%	0.7%	0.6%
Soy Claim	259	0.5%	0.6%	0.5%

Source: Nielsen LabelTrends, 52 Weeks Ending 12/27/08, Total U.S. Grocery/Drug/Mass excluding Wal-Mart

General Observations

- **122,743 new items** introduced in the past year
 - Only 3.2% of new items sold >\$1 million
 - Only 0.2% of new items sold >\$10 million
 - **39% of new items are food/beverage items**
- New items generated **>\$21 billion in sales**
 - 5.7% of sales reported by Nielsen
- Nearly all of the top new UPCs are **line extensions of existing brands**
- 105 categories (85% of the 124 categories reported by Nielsen) had over 100 new items

Category Observations

- Cosmetics and Candy have the most new items of any categories
- **\$2 billion in new items in the Snacks category**
\$1.6 billion for Paper Products
- Women's Fragrances, Men's Toiletries, and Baby Needs show the highest share of new item sales as a percent of total category
- **38 of the top 100 new food items were from the Snacks category**

Health & Wellness Observations

- 4,343 new food items are labeled “natural” – 9% of all new food & beverage items
- 5.1% of new food items make a claim regarding “trans fats” or “saturated fats”
- 4.7% of new food items are labeled “organic” – down from 6.2% in 2007
- 1.9% of new food items are labeled “gluten-free” – up from 1.2% in 2007

Comparison to 2007 New Products

- The number of new items introduced in 2008 was nearly identical to 2007 (122,743 vs. 122,350)
- **New items generated >\$21 billion in 2008, up 6.6% vs. 2007**
- In 2008, 15 new items generated \$50+ million in sales vs. only 10 items in 2007
- Like 2007, the vast majority of new UPC's were driven by minor changes to existing items

Source: Nielsen, 52 Weeks Ending 12/27/08 vs. 12/29/07,
Total U.S. Grocery/Drug/Mass Excluding Wal-Mart

Speculation on New Products for 2009

- Manufacturers **tempted to cut back** on new product development, but. . .
- Brands need new features to **win back shoppers** who switched to private label
- When (if) the economy improves, private label buyers will **likely stay with private label** until brands can add value with new product attributes
- Look for...
 - **More health & wellness claims**
 - More packages size adjustments
 - Re-sealable and convenience packaging
 - Products grown/processed/packed locally
 - More premium private label

Thank You



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