[Times & Trends]

A Snapshot of Trends Shaping the CPG and Retail Industries

February 2009

Sustainability:
CPG Marketing in a Green World

IRI

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[Times & Trends] A Snapshot of Trends Shaping the CPG and Retail Industries

Green Products Sustain Momentum in the Downturn Economy

The growth in popularity of sustainable products – those that are eco-friendly, organic and those produced through Fair Trade methods, has marched upward for at least the past five years as more shoppers factor in the environmental impact of the products they consume.

Generally considered to be more expensive than "traditional" products, it would be natural to think that as the economy plunged into recession, prices rose and people lost their jobs, the sale of sustainable products would plummet. The truth, in fact, is much more nuanced.

Level of "greenness" has become the basis for a new family of CPG consumer micro-segments, enabling CPG marketers to understand how environmental concern and stewardship impact CPG attitudes and behaviors. IRI has partnered with research firm TNS to do just that. The TNS Shades of Green Segmentation classifies shoppers in eight categories ranging from "Eco-centrics," people engaged in a wide variety of green activities, and willing to pay more for eco-friendly products at one end of the range to "Eco-villains" who have dismissed environmental concerns outright and do not seek eco-friendly products at all. Shoppers within each category vary by income level, demo- and socio-graphics as well, further fueling differences in shopping behavior.

Over the last year, Eco-centric shoppers held steady in their sustainable spending, while "Respectful Stewards" and "Proud Traditionalists," the two closest segments to Eco-centrics on the green spectrum, increased spending 15.5 percent and 8.4 percent, respectively. Concurrently, unit sale performance for the three categories over the last year decreased 6.6 percent, rose 3.9 percent and rose 0.9 percent, respectively.

Are Eco-centric shoppers losing their fervor? No…and the explanation is simple. These shoppers have largely saturated their basket with sustainable products and as the economy weakened but prices rose, Eco-centrics kept their spending constant, yielding lower units purchased. Both Respectful Stewards and Proud Traditionalists have not yet saturated their baskets, and are turning to green CPG products with increasing furvor.

As sustainable products penetrate deeper into the U.S. CPG marketplace, the complexity of understanding shopper mindsets will escalate. I look forward to continuing the discussion about this dynamic segment of the CPG market and welcome your observations.

Thom Blischok
President, Consulting & Innovation

EXECUTIVE SUMMARY: TURNING INSIGHTS INTO ACTION

INSIGHT	ACTION
» Despite adverse economic conditions, “green” shopping is penetrating new consumer segments; these new adopters are key drivers of industry growth	» Broaden merchandising solution consideration sets through cross-merchandising and cross-marketing programs around newer, more innovative product options
» Green spending patterns are closely tied with consumers’ core values, and vary markedly across consumer segments	» Understand core values across key consumer segments; align product assortment and merchandising programs accordingly
» Organic and fair trade products are gaining momentum and contributing significantly to the growth of the sustainability-focused segment of the CPG industry	» Re-assess product development priorities, as well as local market assortments in relation to shifting consumer priorities
» Key green consumer segments demonstrate disparate views of nutrition as a driver of food purchase decisions	» CPG food marketers must conduct frequent and granular consumer assessments in order to anticipate and proactively address changing consumer attitudes
» Retailers’ private label offerings have established a solid reputation in the CPG arena; as sustainability initiatives further permeate CPG, retailers are likely to extend store-brand product lines touting earth-friendly and natural/organic attributes	» Across key product segments, retailers must identify the most critical categories for their high-potential consumer segments; solutions-based merchandising with a clear value proposition will win shopper loyalty

INTRODUCTION

[Sustainability has established a firm and growing presence in the world of consumer packaged goods.]

According to the Environmental Protection Agency, the most widely quoted international definition of sustainability is "meeting the needs of the present without compromising the ability of future generations to meet their own needs."

Sustainability has established a firm and growing presence in the world of consumer packaged goods.

From concentrated cleaners, to natural health and beauty products to organic food and beverages, the CPG universe is becoming increasingly green.

Efforts go beyond delivering eco-friendly products. CPG companies are working to construct more energy-efficient and "green" manufacturing and retail facilities, leverage environmentally friendly manufacturing processes, and upgrade transportation fleets using 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.

Consumers are playing a major role in driving the earth-friendly marketing of packaged goods. Consumers' rapidly growing appetite for natural and organic foods is only part of the equation. In fact, consumers are displaying a growing affinity for all things green.

The spectrum of green shoppers is broad, and represents a diverse array of consumer demographics, psychographics, values and beliefs.

The ability to identify key green consumer segments and deliver against diverse and rapidly changing sustainability-related attitudes and behaviors will define the winners of shopper loyalty in an increasingly green CPG world.

This report provides insight into current and emerging sustainability trends that will enable manufacturers and retailers to drive topline growth in the rapidly-evolving green segment of the consumer packaged goods market.

OVERVIEW
TNS SHADES OF GREEN SEGMENTATION

[Key driving and mitigating factors of purchase behavior vary across green consumer segments.]

A recent IRI AttitudeLink™ survey reveals that 30% of consumers feel it is important to purchase environmentally-friendly products.

The spectrum of green shoppers is broad, representing a diverse array of consumer demographics, psychographics, values and beliefs.

Each of these segments views environmental responsibility from a different perspective. And, importantly, each group has a different appetite for the "right" cost to pay in order to integrate environmental responsibility into day-to-day life.

Throughout this report, we will focus on three of the eight green consumer segments summarized in the chart on the right-hand side of this page.

Eco-Centric consumers are extremely environmentally-focused, against animal testing, and very aware of how products are manufactured. They are willing to pay more to purchase green products.

Respectful Stewards will also pay a premium to purchase environmentally friendly products. They seek products which address specific environmental concerns.

Proud Traditionalists also use green products, but are looking to save money through their use.

CPG marketers with the ability to understand which segment ,or segments, of green consumers are represented within their own key consumer-base will be able to create products and messages that are highly relevant and effectively drive CPG purchase behavior and shopper loyalty.

Eco-Centrics
- Engage in a wide variety of green activities
- Well-informed and actively involved
- Willing to pay more for eco-friendly products

Respectful Stewards
- Community and culturally focused
- Idealistic
- Willing to pay more for eco-friendly products

Proud Traditionalists
- Hard-working; focused on family
- Run environmentally responsible homes
- Experiment with eco-friendly products

Frugal Earth Mothers
- Prudent, lower-income women
- Save money wherever possible
- Focused on "good and wholesome"

Skeptical Individualists
- Highly educated, high-income men
- Not community- or spiritually-focused
- Skeptical about corporate green initiatives

Eco-Chic
- Young adults- see green as new and hip
- Impulse buyers and early adopters
- Like "the cause" but haven't considered the state of the environment in-depth

Green Naives
- Young, lower-income shoppers
- Have not registered cause/effect of environmental responsibility

Eco-Villains
- Middle income men; small/mid-sized metro areas
- Black-and-white perspective
- Have dismissed environmental concerns outright; do not seek eco-friendly products

Source: TNS Shades of Green Segmentation

OVERVIEW

TNS SHADES OF GREEN SEGMENTATION

[***Understanding demographically-driven nuances of environmental awareness and commitment is critical to the development of relevant CPG products and promotional programs.***]

Demographics play a key role in determining consumer attitudes. As illustrated in the matrix at the bottom of this page, demographics are also at play in determining consumers' level of environmental stewardship.

In the TNS Shades of Green survey, 86% of Respectful Stewards self-identified as being of Hispanic origin. Because the survey was administered online, it is logical that these Hispanics tend to be acculturated, bilingual and of English dominant speaking households.

The survey revealed that these U.S. Hispanics maintain a heightened awareness and concern for the environment, stemming from their Latin American culture.

As CPG marketers, this knowledge is invaluable. Relevant messaging will center around ecological awareness and commitment, while also addressing Hispanics' strong focus on home and family.

Eco-Centric consumers are the typical "environmentalist". The ethnic composition of this group is 77% Caucasian, representative of the U.S. population as a whole. Eco-Centric consumers are of moderately high income, with 33% of households earning over $100K annually, making it feasible to pay more in order to address their ecological concerns without overextending their budget.

At the higher end of the average age spectrum and with an average household income of $35K-$100K, Proud Traditionalists are experimental with their green product usage. They are conscious of the environment, but truly looking to leverage green products to save money and make a difference on a local level.

Across and within markets, environmental awareness and commitment across green segments may vary dramatically, or may manifest themselves in a more nuanced manner. CPG marketers with the ability to serve the specific beliefs and needs of key consumer segments within their markets will enjoy a distinct competitive advantage.

	Male	Female	Average Age	Ethnicity	Household Income
Eco-Centric	34%	66%	45.9	77% Caucasian	33% >100K
Respectful Stewards	41%	59%	41.7	86% Hispanic	38% <$35K
Proud Traditionalist	65%	35%	48.6	94% Caucasian	52% $35K-$100K
Frugal Earth Mothers	23%	77%	48.3	85% Caucasian	100% <$100K
Skeptical Individualists	67%	33%	37.7	81% Caucasian (10% Asian)	41% >$100K
Eco-Chic	56%	44%	38.5	75% Caucasian	100% <$100K
Green Naives	24%	76%	38.4	56% Caucasian (27% African American)	100%<$100K (skews to lower end)
Eco-Villans	70%	30%	43.2	87% Caucasian	100% <$100K

Source: TNS Shades of Green Segmentation

INDUSTRY PERFORMANCE
GROWTH TRENDS

> [*"Less green" consumer segments are climbing the green adoption curve, and spurring growth of eco-friendly products despite adverse economic conditions.*]

As illustrated in the chart below, at the total panel level, key green categories posted a 4.1% increase in dollar sales over the past year.

Due to far-reaching CPG price increases in 2008, dollar sales increases do not provide well-rounded insights of category performance over the past year. In fact, unit sales of green products, and CPG products on the whole, declined over the past year as consumers overhauled shopping rituals and adopted needs-based shopping strategies in order to survive a recessionary economy.

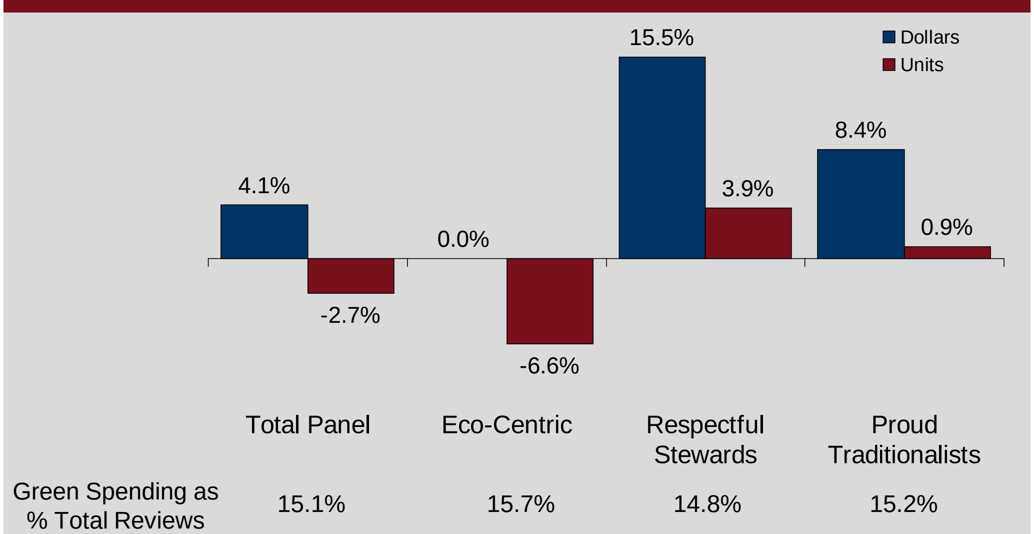
Among Eco-Centric consumers, green category unit sales slipped 6.6% over the past year. Meanwhile, Respectful Stewards and Proud Traditionalists increased units purchased by 3.9% and 0.9%, respectively. Why the apparent disconnect?

Eco-Centric consumers, the "true environmentalists," have a well-established repertoire of green products that has been part of their shopping basket for an extended period of time. Respectful Stewards and Proud Traditionalists, on the other hand, are still climbing the adoption curve.

Respectful Stewards and Proud Traditionalists purchase a larger share of CPG products from outside the realm of green offerings measured in this analysis versus their Eco-Centric counterparts. As these two "less green" segments are actively shifting dollars into green categories, the general scaling back and product stretching trends that transcend CPG today are less pronounced within these groups versus the more-entrenched Eco-Centrics segment.

As green products shift toward more main-stream adoption, it is critical that CPG marketers maintain a firm understanding of how consumers across green segments measure the value of environmental stewardship.

Key Green Categories: Dollar & Unit Sales, % Change versus Year Ago
All Outlet
2009 vs 2008



Source: IRI Consumer Network Panel 52 w/e 1/25/2009, profiled using TNS' Shades of Green Segmentation

INDUSTRY PERFORMANCE
GROWTH TRENDS

> *Category-level analysis reveals spending patterns tie closely with green consumers' core values.*

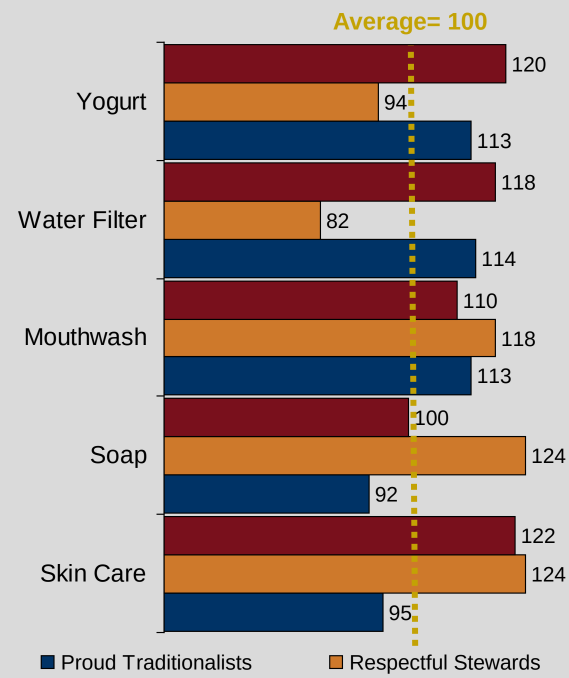
The chart at the bottom of this page highlights spending habits of green consumer segments within the top growing green-focused categories. Clearly, green dollars are allocated differently across consumer segments. Spending patterns tie closely with consumers' core values.

For example, Eco-Centric consumers demonstrate above average spending within the yogurt, skin care, water filter and mouthwash categories. Relative spending climbed 6.5 points in the water filter category, at the expense of bottled water, which fell 8.8 points over the same time period.

Respectful Stewards spend 18% less than average on water filters, and allocate 14% more to the bottled water category versus the average consumer. In key personal care categories, historically an area where Hispanic consumers spend more heavily, this relatively young and disproportionately Hispanic consumer segment spends more heavily versus Eco-Centric and Proud Traditionalists consumers, and spending is on the rise.

Proud Traditionalists spend at a slightly below-average rate within soap and skin care, but their spending is well below that of their green counterparts. The segment's family focus is demonstrated by higher-than-average, and climbing, spending in yogurt and water filter categories.

Top Growing Green Categories* Spending Index
All Outlet (Average= 100)
2009



Point Change vs Year Ago

	Eco-Centric	Respectful Stewards	Proud Traditionalists
Yogurt	(5.9)	(9.6)	+6.7
Water Filter	+6.5	(5.3)	+6.5
Mouthwash	(7.4)	+39.8	(2.5)
Soap	+0.2	+3.9	(2.6)
Skin Care	(5.8)	+26.5	(6.9)

Source: IRI Consumer Network Panel 52 w/e 1/25/2009, profiled using TNS' Shades of Green Segmentation. *Among IRI categories identified as key green categories; Growth= unit sales change versus prior year.

> [*As sustainability becomes increasingly ingrained in U.S. consumer culture, CPG marketers must maintain a clear understanding of changing consumer attitudes toward the environment, and the impact of those attitudes on shopping behaviors.*]

PURCHASE BEHAVIOR
PURCHASE DECISION CRITERIA

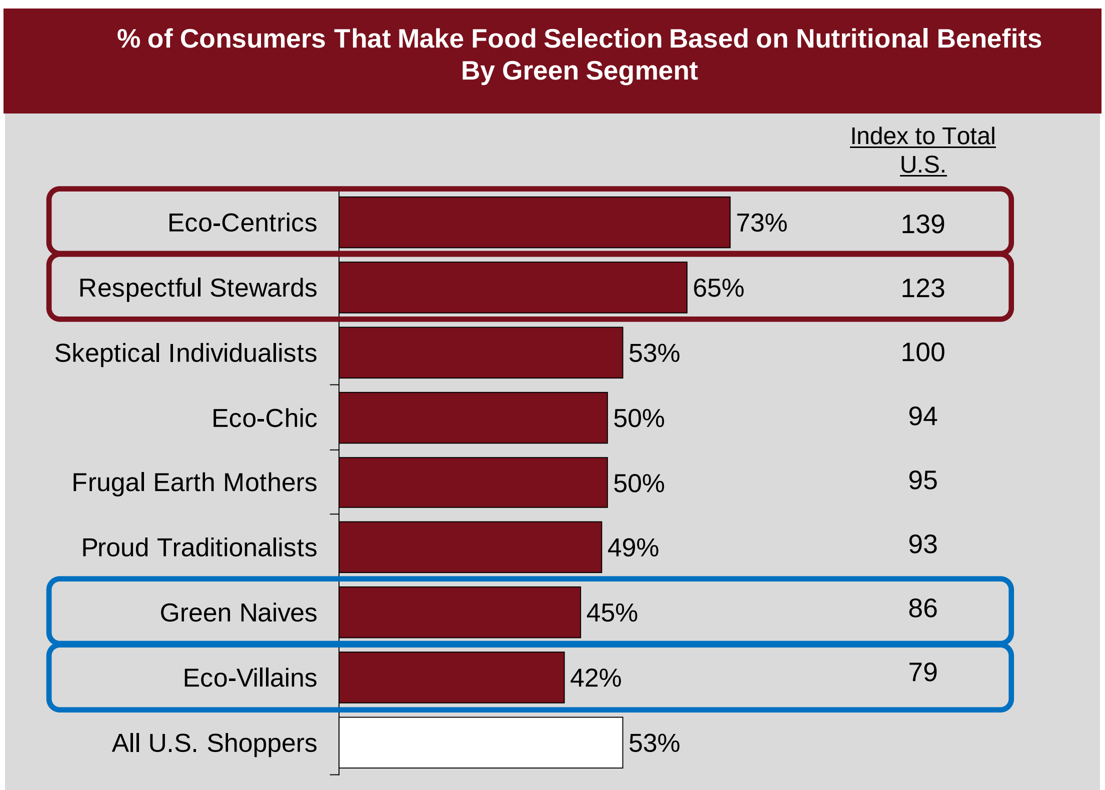
In response to recessionary economic conditions, consumers are making changes to their eating habits. As highlighted in IRI's *Competing in a Transforming Economy* series, consumers in low- and middle-income households are most likely to trade healthier foods for less expensive, and less nutritious, alternatives.

The chart at the bottom of this page illustrates the impact of nutritional value on consumers' food purchase decisions. According to TNS' recent *Shopper360®* survey, an average of 53% of U.S. consumers consider nutritional content when making food purchases.

But, across green consumer segments, attitudes vary. For example, three-quarters of Eco-Centric consumers and two-thirds of Respectful Stewards base food purchase decisions on nutritional content.

Conversely, less than one-half of shoppers from the Green Naives and Eco-Villains segment see nutritional value as a key driver of food purchase decisions.

Successful product innovation and positioning is inextricably linked to having intimate knowledge of key drivers and inhibitors of purchase behavior. As sustainability becomes increasingly ingrained in U.S. consumer culture, these factors are evolving quickly. CPG marketers must remain on top of or ahead of changing trends in order to consistently connect with target markets.



Source: TNS Shopper360®

PURCHASE BEHAVIOR
PRIVATE LABEL

[As sustainability initiatives further permeate CPG, retailers are likely to step up availability of earth-friendly private label offerings.]

IRI's Competing in a Transforming Economy series reveals that private label has gained steam over the past year. Across income brackets, consumers are turning to private label goods in order to stretch their CPG dollars and ease financial pressures.

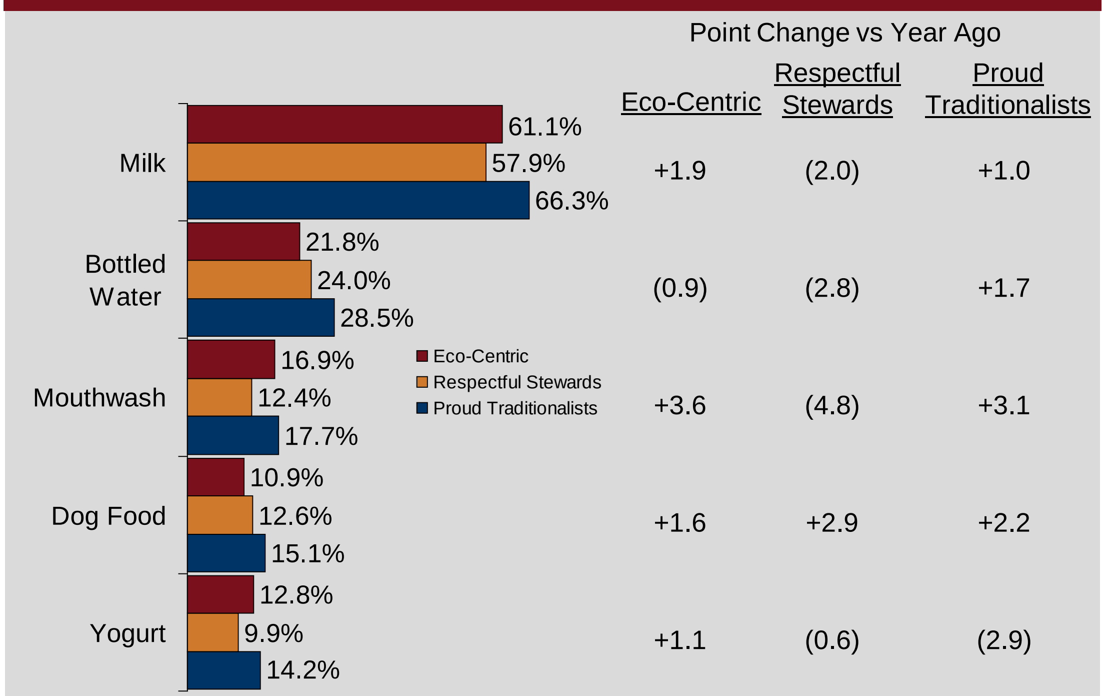
Detailed in the chart below, private label holds a respectable share of sales across several green CPG categories. Natural and organic products, well-represented within these green categories, are expected to be a growth driver within the CPG industry over the next several years. We will explore this concept further later in this report.

Safeway touts one of the largest organic private label lines. Within Safeway outlets, private label products hold about 25% shelf penetration. And, as a producer of about 22% of its own products[1], the retailer is well positioned to compete in an economy where prices are inflated and, in some cases, on the rise.

As largely middle-income earners, it is not surprising that private label share of green categories is highest among Proud Traditionalists. But, Eco-Centrics, among whom income is higher, demonstrate similar private label patterns, and are shifting more quickly to private label offerings versus their "less green" counterparts.

As sustainability gains traction, initiatives around natural and organic products and more eco-friendly production and packaging efforts are poised to surge. With an intense focus on private label as a key differentiation strategy, retailers across channels are likely to keep pace with innovation and step-up the availability of earth-friendly private label offerings.

Green Categories* With Largest Private Label Share-By Green Segment
All Outlet- 2009



Source: IRI Consumer Network Panel 52 w/e 1/25/2009, profiled using TNS' Shades of Green Segmentation.
*Among IRI categories identified as key green categories, ranked by dollar sales.

[1] Forbes.com, 12/22/2008

GROWTH OPPORTUNITIES
OVERVIEW

[85% of food and beverage companies are employing practices which promote environmental sustainability.]

The growth of sustainable CPG will be multi-faceted. In fact, in 2008, 85% of food and beverage companies indicated that they are employing practices which promote environmental sustainability. CPG players are looking to reduce environmental impact and improve efficiencies in their manufacturing plants, in retail outlets, and all along the supply chain. Examples are pervasive.

H.E. Butt Grocery Co. recently signed an agreement with San Antonio's municipally-owned natural gas and electric company to use wind energy to power its 46 stores in San Antonio and Bexar County[1].

Wal-Mart has added auxiliary power units and wind skirts to trucks to reduce energy requirements for shipping and overall transportation costs[2]. The company has also installed solar panels on many retail outlets in order to reduce reliance on manufactured energy.

In an effort to phase out plastic bags, Whole Foods is giving shoppers a nickel to dime refund as incentive to bring in their own bag, and selling reusable bags for $0.99[3].

CPG manufacturers are keeping pace with retailer efforts.

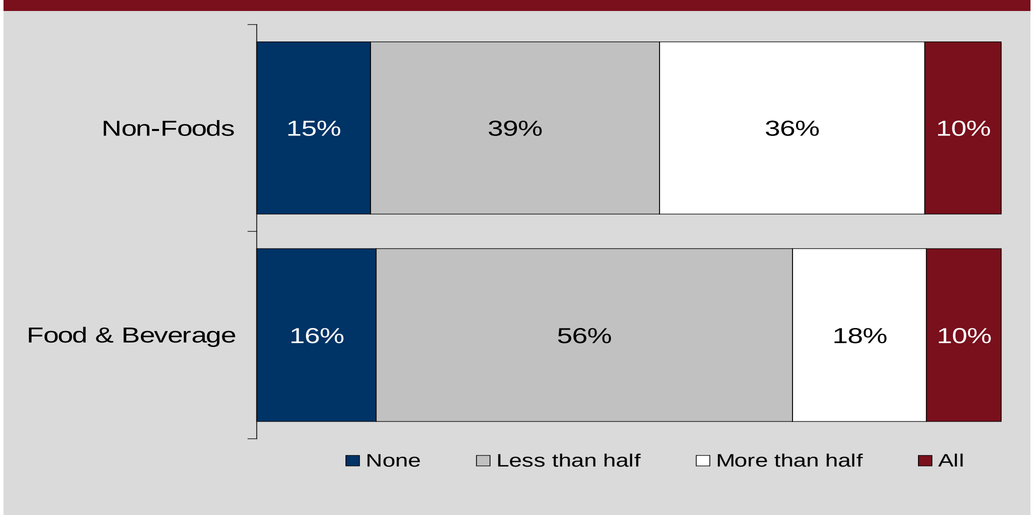
Mars Inc. is looking to reduce its environmental footprint at the heart of its production process. The company recently worked with 14 African nations to develop and enact a first-ever sustainable cocoa-farming plan[4].

And, a recent survey by the Flexible Packaging Association indicates that 62% of packaged goods companies intend to change their packaging within the next year to address sustainability issues[5]. An overview of key initiatives is presented on the pages that follow.

"Maintaining an emphasis on sustainable development in core businesses will be an important element of retail success--recession or not."

Tom Berry
Head of Retail, Forum for the Future

2008 Percent of Projects Which Employed Practices Promoting Environmental Sustainability



Source: In-Store Marketing Institute/Shopper Marketing. Note: Non-foods includes household items, pet foods, HBC products, cosmetics and OTC drugs.

1 MMR, 10/2008
2 Harvard Business Review
3 GreenBiz.com
4 Lab Business Week, 11/2008
5 ICIS Chemical Business, 10/2008

GROWTH OPPORTUNITIES
ECO-FRIENDLY PACKAGING

[CPG manufacturers are reassessing all aspects of the packaging process to identify opportunities to streamline packaging and improve transportation and storage efficiencies.]

Across product lines, CPG manufacturers have demonstrated a significant focus on streamlining packaging to create a more eco-friendly and, often, more cost-effective alternative. The chart at the bottom of this page summarizes several key types of packaging initiatives underway today.

Where the ability to ensure optimal freshness allows, many CPG marketers are turning away from layered packaging and leveraging pouch-only or box-only designs. Target's Archer Farms cereal and Knorr's recipe mixes in a pouch are two examples of innovation in this area.

Polyethylene Terephthalate (PET) bottles, used for bottled water and other liquids, are frequently the scorn of environmentally-focused consumers. Coca-Cola, Pepsi, and Nestle have each redesigned their bottles to reduce wall thickness and facilitate hand-held consumption. In addition to being more environmentally friendly, the lighter weight bottles have driven down transportation costs.

Concentrated formulas, such as those found in laundry detergent, soap, and powdered drink and soup mixes, are also on the rise. Concentrating formulas reduces packaging, transportation and storage costs, while maintaining the integrity and ease-of-use found in the original formulation.

On average, aluminum cans are 28% lighter and steel food cans are 33% lighter versus 20 years ago[1]. Heinz, for example, developed can ends which are thinner and lighter, saving the company an estimated 1,400 tons of steel and winning a "Best In Class" recognition.

Changes to secondary packaging, such as corrugated trays, shrink wrap, and film vary widely based on package design and content. Manufacturers are experimenting with different designs and combinations to identify the best combination to meet their needs.

Pallets make up 50% of distribution center waste[2]. The use of pallets is quickly giving way to high-density polyethylene (HDPE) slip sheets, which are more space-friendly, less expensive and, often, recyclable.

Packaging Reduction Initiatives
Key Focus Areas

Packaging Component		Eco-Friendly Alternatives
Layered Packaging	→	Convert Bag-in-a-Box to Pouch-Only
Polyethylene Terephthalate	→	Reduce Wall Thickness and/or Modify Shape
Steel and Aluminum Cans	→	Reduce Thickness/ Concentrated Formulas
Secondary Packaging	→	Switch from Corrugate Trays to Corrugate Linings/ Stackable Packaging
Tertiary Packaging	→	Replace Wooden Pallets with Slip Sheets

Source: Adapted from Food & Beverage Packaging, 9/1/2008

[1] Food & Beverage Packaging 9/1/2008
[2] SIC

GROWTH OPPORTUNITIES
CONCENTRATED FORMULAS

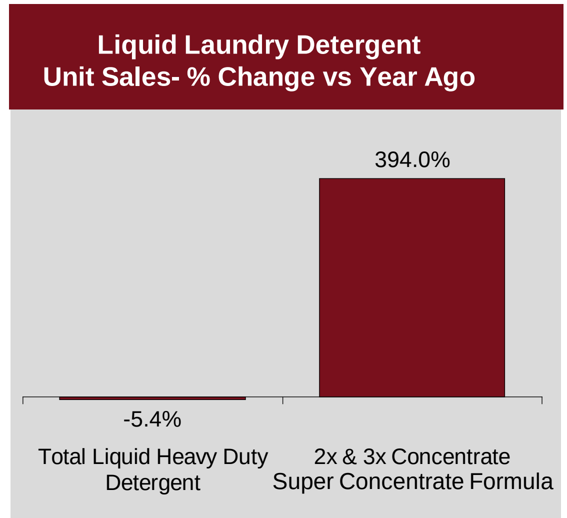
[Products from cleaning supplies to beverages are being concentrated to minimize environmental impact and maximize consumer appeal.]

An example of the rapidly growing popularity of concentrated formulations is illustrated in the chart on the right hand side of this page. The concentration of liquid laundry detergents began several years ago with the introduction of "ultra" concentrated detergent lines. For a few years, those lines did fairly well.

But, last year manufacturers introduced "super" concentrated formulas, which contain one-third to one-half the water of the original product. Consumers are rapidly assimilating to the change. In fact, the still-impressive unit growth of super concentrates illustrated to the right has been tempered by a consumer shift to larger size bottles- from 50 ounce super concentrate, to 80 ounce super concentrate, for example- which extend time between purchases.

Consumers are not the only benefactors of concentrated cleaning supplies. Manufacturers and retailers are also realizing rewards. Because concentrated formulas contain less water, they weigh less, and cost less to transport. They are also typically in smaller shelf packs, which are easier to store and merchandise.

Wal-Mart has taken a firm stance on improving its sustainability position. The retailer has introduced a sustainability scorecard, which is aimed, in part, at reducing packaging by 5% by 2013. In fact, in 2008 Wal-Mart announced that it has achieved its goal of selling only concentrated liquid laundry detergents[1].



Source: IRI InfoScan Reviews™, 52 weeks ended 1/25/2009 and same period prior year

Concentrating formulas goes beyond liquid laundry detergents . For example, Proctor & Gamble, which converted its full line of liquid laundry detergents to concentrated formulas in 2008, has its focus on powdered detergents for 2009[2].

Beginning in March, the company will discontinue its full portfolio of non-concentrated products, and transition to concentrated offerings.

Beverage brands, such as Gatorade and Arizona Iced Tea are also leveraging concentrated formulas, better known as drink mixes.

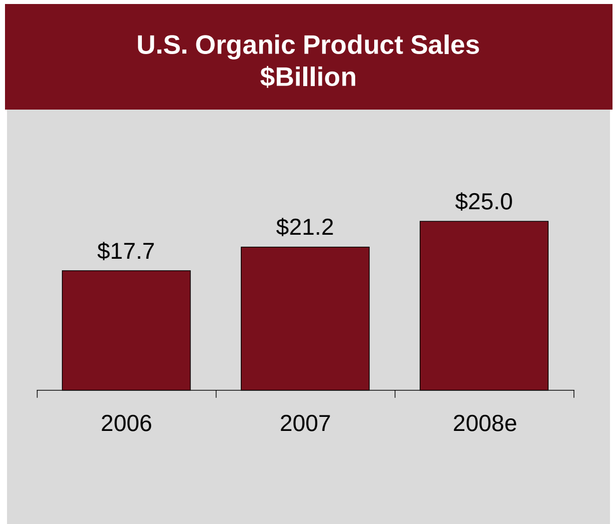
Retail private label offerings already include a variety of environmentally-conscious lines. As concentrated formulas continue to gain traction, the proliferation of private label offerings is likely right around the corner.

[1] Private Label Buyer 11/1/2008
[2] MMR, 10/6/2008

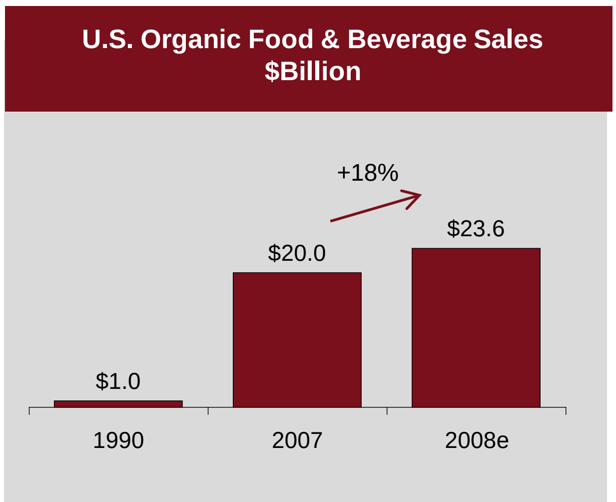
GROWTH OPPORTUNITIES
ORGANIC PRODUCTS

[Growth of organic products is strong, and significant upward potential remains.]

U.S. sales of organic products have been quite strong over the past several years, posting a compound annual growth rate (CAGR) of 18.8% since 2006. Despite recessionary economic conditions in 2008, the industry posted an estimated 18% increase in dollar sales.



Source: Organic Trade Association's 2007 Manufacturer Survey



Source: Organic Trade Association's 2007 Manufacturer Survey

In *The Many Faces of Organic 2008*, The Hartman Group revealed that 69% of American adults buy organic products at least occasionally, and 28% of organic consumers purchase organic on a weekly basis. As breadth and depth of natural and organic products grows, penetration is likely to rise in the coming years.

"We'll see sales continue at a healthy growth rate, though maybe down to single digits. People shouldn't see that as bad news, particularly when the economy itself isn't growing. Consumers may be shopping around, but they're definitely still buying organic."

Barbara Haumann
Organic Trade Assn.

Organic food and beverages have contributed to the strength of the overall organic industry. Since 1990, growth of organic food and beverage sales has averaged 19.2% annually.

Despite a recessionary economy, the outlook for organic foods remains favorable. In August of 2008, a Harris Interactive poll revealed that, despite rising food prices, 79% of consumers do not want to compromise on food quality and 70% continue to purchase the same amount of natural and organic products as always.

And, in fact, rising food prices may bode well for organic product growth. According to The Organic Trade Association, during the Summer of 2008, prices for non-organic goods rose faster than their organic counterparts, a trend largely attributable to rising costs for synthetic pesticides and fertilizers used on conventional crops.

For marketers of organic and non-organic CPG products, it is critical to stay ahead of rapidly evolving pricing trends, and anticipate the impact these price changes will have on shoppers within key consumer segments.

The ability to maintain pricing strategies that align with corporate, partner, and customer needs will define the winners of shopper loyalty in the long run.

GROWTH OPPORTUNITIES
FAIR TRADE PRODUCTS

[Wal-Mart's recent introduction of private label fair trade coffee will likely have a positive influence on consumer awareness of fair trade issues, and spur increased retailer focus on fair trade.]

Fair trade advocates the payment of a fair price as well as enforcement of social and environmental standards in the production of a variety of goods[1]. According to TransFair USA, an estimated 35,000 U.S. retail establishments sell fair trade products. Within conventional food, drug, mass channels, according to the organization, sales of fair trade products totaled an estimated $37.9 million over the past year. Common brands include Newman's Own Organics, Green Mountain and Seattle's Best.

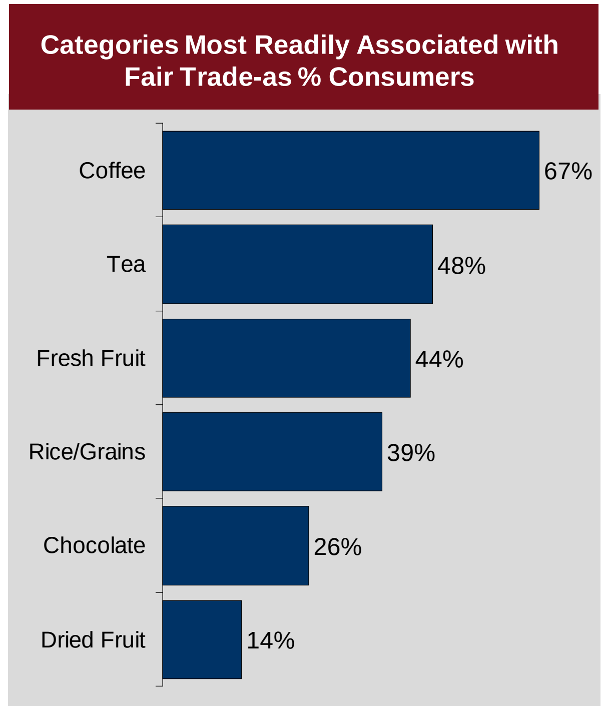
Awareness of fair trade products has gained momentum over the past several years. As illustrated on the upper chart on the right side of this page, two thirds of consumers expect to find coffee when looking for fair trade foods, and nearly half expect to find tea and fresh fruit. Among other food categories, the expectation is somewhat lower, but positive momentum spans categories.

Shown in the lower chart on this page, among the 43% of consumers who have not purchased fair trade products, two-thirds indicate that the need for more information is a barrier to becoming a fair trade consumer.

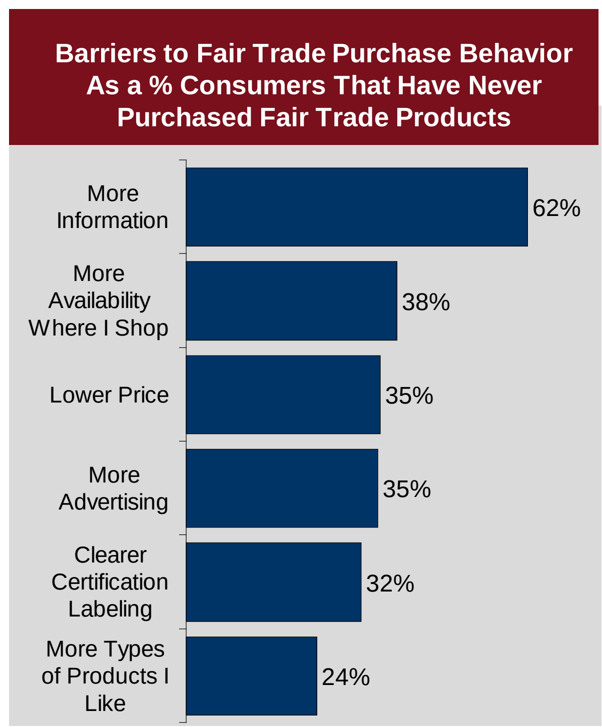
For CPG marketers, this is a call to action. To drive growth in this market, consumers need to understand how their actions impact the environment. Educational messaging is essential.

The fair trade industry is expected to continue to thrive in the near future. Wal-Mart recently introduced its own store brand of coffee, which is likely to drive consumer awareness of fair trade issues, and result in more retailers stepping up fair trade initiatives. Those leveraging educational messages will build lasting relationships and will win shopper loyalty in the long run.

[1] Natural Foods Merchandiser, 7/ 2008 (sales figure is 52 weeks ended July ,2008)



Source: Alter Eco Fair Trade Study, October 2008



Source: Alter Eco Fair Trade Study, October 2008

CONCLUSIONS
CPG MANUFACTURERS

To capitalize on the growing market for earth-friendly consumer packaged goods, CPG manufacturers should consider the following action items:

» Identify opportunities and risks

- Assess market potential of new products with sustainability benefits (ie organic, eco-friendly, fair trade) within your categories and target markets
  - Evaluate full competitive set , including established niche players, when exploring new product opportunities
- Evaluate risk/return equation of expanding distribution beyond traditional mass market outlets (ie specialty stores, online retailers)
- Invest to understand private label share gains within key green categories across channels and key accounts
- Explore partnership opportunities with retailers that are closely aligned against key brands/categories

» Explore sustainable packaging options

- Identify opportunities to reduce packaging and leverage recycled and/or earth-friendly materials
- Import sustainable packaging innovations from outside categories/departments
- Leverage high-visibility packaging enhancements, where possible
- Clearly communicate packaging enhancements on package label and in supporting marketing initiatives

» Clearly communicate sustainability initiatives and innovations in all aspects of marketing campaigns

- Ensure that all sustainability claims are measurable and well-documented
- Provide clear statement of benefits on packaging and in promotional materials

CONCLUSIONS
CPG RETAILERS

To capitalize on the growing market for earth-friendly consumer packaged goods, CPG retailers should consider the following action items:

» Identify opportunities and risks

- Assess market potential of private label products and expanded assortment of branded products with sustainability benefits (ie organic, eco-friendly, fair trade)
- Tailor product assortment by market, leveraging highly targeted campaigns against entrenched and rapidly-growing green consumer segments

» Explore sustainable packaging options

- Identify opportunities to reduce packaging and leverage recycled and/or earth-friendly materials
- Increase assortment/availability of products with eco-friendly packaging
- Reassess shelf-space to ensure optimization against shrinking pack sizes, particularly within categories where concentrated formulas are gaining traction
- Clearly communicate environmental initiatives across promotional media and on in-store signage

» Clearly communicate sustainability initiatives and innovations in all aspects of marketing campaigns

- Ensure that all sustainability claims are measurable and well-documented
- Educate consumers regarding personal, environmental and social benefits of sustainable products, packaging and plant initiatives leveraging store signage, in-store literature, online and social media, and traditional advertising media

RESOURCES

To gain insight into opportunities across specific categories, consumer segments, channels or retailers, contact your IRI client service representative regarding custom analyses leveraging the following resources:

IRI AttitudeLink™	IRI's custom survey capability that can be executed via email, telephone or Internet; the ability to link attitudes with actual purchase behavior enables clients to track sales across custom attitudinal 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.
TNS Shades of Green Segmentation	In partnership with IRI, the TNS Shades of Green Segmentation is a service which helps you monitor category and brand purchasing dynamics across a wide spectrum of green attitudinal consumer segments. Through this service, IRI has integrated TNS' 'Shades of Green' segmentation methodology into the IRI Consumer Network panel. For more information on the TNS's GreenLife study go to http://www.tns-us.com/greenlife <http://www.tns-us.com/greenlife>
TNS Shopper360®	"The Shopper360® survey" is the largest industry shopper survey providing insights into consumer attitudes, shopping trips and retailer performance. The on-line survey of about 70,000 respondents from TNS' managed access household panel has been fielded annually since 2005 and insights are utilized across a range of organizational areas including Trade/Shopper Marketing, Category Management and Field Sales. For more information on "The Shopper360® survey" please contact bob.gilmett@tns-global.com.

>>> 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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