FMCG’s Innovation Trends:

New product development trends for 2010

Barcelona, September 2009
Agenda

Introduction and Summary

Consumer Goods Product Development Trends for 2010

How can Advisium Group help you innovating?
This document was prepared to share a point of view of what we at Advisium Group think will be the NPD (New Product Development) trends for 2010 in West Europe and the USA. Other aspects in consumer goods innovation related to insights intelligence, marketing communications and sales promotions will be analyzed in other documents to be released very soon.

Product categories:
- Foods, Beverages, Household & Personal Care.

Countries covered:
- UK, USA, France, Spain, Germany, Netherlands, Belgium, Italy, Portugal, Sweden.

Time period:
- Launches from April 2008 to September 2009.
An ideal start point for innovation is to target at least one of its target market / public’s general needs, interests and / or concerns.

- **General Needs / Interests / Concerns**
  - Health
  - Convenience
  - Hedonism
  - Value savviness

- **Consumption / Shopping Drivers**
  - Health and Wellness products
  - Value-for-Money products
  - Convenient products
  - Products that mean special Rewards

- **Real vs. Aspirational image**
  - Fit, exotic, trendy, smart, winning, funny, centered, relax, charisma, values, connected, authentic, hard working...

- **Social responsibility**
  - Eco-friendship
  - Solidarity / sharing

- **Products which reinforce / help to project a real / aspirational self-image**
  - Products that can be shared

- **Products which are less damaging / intrusive with the world’s natural resources**
  - Purchases that have a charity effect
  - Purchases that later on help to build a sense of justice (i.e. sharing music)
### FMCG Innovation Trends: New Product Development Trends for 2010

#### Consumer Goods New Product Development Trends

<table>
<thead>
<tr>
<th>Description</th>
<th>Product Development Trend 2009</th>
<th>Growth Perspectives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Health and Wellness</strong></td>
<td>• Bio / 100% Natural</td>
<td>Medium</td>
</tr>
<tr>
<td>• Interest for keeping a healthy and balanced lifestyle, most of the times</td>
<td>• Fitness / Calorie Control</td>
<td>Medium</td>
</tr>
<tr>
<td>limited of excesses and complemented with exercising and 100% natural</td>
<td>• Functional / Natural Benefits</td>
<td>Medium</td>
</tr>
<tr>
<td>benefits</td>
<td>• Less added stuff is Better!</td>
<td>High</td>
</tr>
<tr>
<td><strong>Value / Time Savviness</strong></td>
<td>• Convenience</td>
<td>High</td>
</tr>
<tr>
<td>• Practical orientation to save self's valuable resources such as time,</td>
<td>• Value for Money</td>
<td>High</td>
</tr>
<tr>
<td>money, effort, space, …</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Special Rewards Seek</strong></td>
<td>• Hedonism</td>
<td>Medium</td>
</tr>
<tr>
<td>• Behavior that makes an individual to look for a reward or a way to</td>
<td>• Collector's edition</td>
<td>Low</td>
</tr>
<tr>
<td>disconnect from the daily stress (self-indulgence)</td>
<td>• Limited edition</td>
<td>High</td>
</tr>
<tr>
<td><strong>Self-image Projection / Aspirational Reinforcement</strong></td>
<td>• Exotic / Stylish</td>
<td>High</td>
</tr>
<tr>
<td>• Tendency to conscious or unconsciously own and use objects that</td>
<td>• Young Attitude</td>
<td>Medium</td>
</tr>
<tr>
<td>reinforce one's aspirational self-image</td>
<td>• Retrostyle / Nostalgia</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Social Awareness</strong></td>
<td>• Sensibility for topics that impact the world's society and its environmental sustainability</td>
<td>High</td>
</tr>
<tr>
<td>• Sensibility for topics that impact the world's society and its</td>
<td>• Fair Trade / Solidarity</td>
<td>High</td>
</tr>
<tr>
<td>environmental sustainability, most of the times motivated by NGOs</td>
<td>• Eco-friendship</td>
<td>High</td>
</tr>
<tr>
<td>communication campaigns</td>
<td></td>
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</tbody>
</table>
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Summary

Consumer Goods Product Development Trends for 2010

How can Advisium Group help you innovating?
1. Health and Wellness
Bio / Natural product claim

The number of Bio and natural products keeps growing at most of the categories as the perception of artificial ingredients is considered unhealthy and some times evil. NATURAL, BIO and GREEN are most common words included at the brand / sub-brand / taglines of these products.
LIGHT is no longer a trendy word for fitness & calorie control product ranges. Today’s word for these products is ZERO. Portions control (i.e. Calorie Packs) and 1/X FAT claims are growing. A breakthrough for these products could be Danone’s Satisfacción, which claims satiating effects.
# Functional benefits through natural ingredients

Natural functional benefits are up! The most common innovation benefits targeted are beauty, energy, health, anti-aging and relax. The natural ingredient most of the times becomes the essence of the product personality and communication.

<table>
<thead>
<tr>
<th>Foods</th>
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<th>Household &amp; Personal Care</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Smartfood" /></td>
<td><img src="image2.png" alt="Ju" /></td>
<td><img src="image3.png" alt="Sanex" /></td>
</tr>
<tr>
<td><img src="image4.png" alt="Densa" /></td>
<td><img src="image5.png" alt="Aloe Vera" /></td>
<td><img src="image6.png" alt="Nivea" /></td>
</tr>
<tr>
<td><img src="image7.png" alt="Newpowa" /></td>
<td><img src="image8.png" alt="Goji" /></td>
<td><img src="image9.png" alt="Radex" /></td>
</tr>
<tr>
<td><img src="image10.png" alt="Lorenz" /></td>
<td><img src="image11.png" alt="Acai" /></td>
<td></td>
</tr>
<tr>
<td><img src="image12.png" alt="Herbalife" /></td>
<td><img src="image13.png" alt="Caffeine" /></td>
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</tr>
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</table>
Lean trend is growing within new consumer goods launches. “No added” claims were the start of this new generation of NPDs. Häagen-Dazs’s Five and Sanex’s Zero% are now solid examples of this trend.
Convenience keeps as a leading innovation driver. Packaging, conservation, transportation / storage, regeneration, usage, consumption, dosing and bundled benefits are the major subtrends. In the household and personal care categories, pencil type packaging / dosifiers are growing in popularity.
Recession and a growing popularity of private label products, are triggering Value-for-Money product launches. Some companies revamp their brands (i.e. Henkel’s Dixan), others truly launch new concepts / brands (i.e. Coca-Cola’s Menos es Más), while the rest communicate price rebates at their packaging.
Some products as Unilever’s *Magnum Temptation* have become an attainable luxury and pleasure ritual for many families. Recent innovations such as *Illyisimo*, Lay’s *Sensations* and Trident *Senses*, all aim for a similar hedonist consumption that drives to similar success results.
For years, product collecting has been a profitable niche for many companies. Beverage products such as Coca-Cola have a long experience with this type of NPD. With a recession or without it there will always be a number of collectors willing to pay a premium for these kind of products.
Most of the times, limited edition products are variants of a regular product with a different flavor (in the case of Foods & Beverages), which are offered through impulse channels. In essence, the question is that a claim such as “limited edition” should trigger an impulsive behavior from the customers.
Exotic and stylish product designs target emotional buying. Wrigley’s *Five* chewing gum is an excellent example of an exotic + stylish design product, whose launch has been reinforced with a communications image in the line of Apple’s iPhone.
Young people and youngsters wannabes are the target segment for these products, such as Pringles Xtreme. Online cultural elements are generally integrated into the packaging visuals to reinforce this youth and fresh image (i.e. Perrier’s Conversations packaging).
4. Self-image Projection / Aspirational Reinforcement

Retrostyle / Nostalgia

Brands with a large heritage can always be relaunched with variants recovering its old image but adapted to new times (i.e. Pepsi’s *Pepsi-Cola throwback*). Some other times, a product can be recovered and commercialized again with its same image and communication as n years ago (i.e. Legrain’s *Moussel*).

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<tr>
<td>Cocoa Puffs</td>
<td>Pepsi</td>
<td>Moussel</td>
</tr>
<tr>
<td>Chocolate Bars</td>
<td>Mountain Dew</td>
<td></td>
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<tr>
<td>Pez Dispenser</td>
<td>Soft Drinks</td>
<td></td>
</tr>
<tr>
<td>Mickey Mouse</td>
<td>Sweet Leaf</td>
<td></td>
</tr>
<tr>
<td>Peanut Butter</td>
<td></td>
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<td></td>
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</tbody>
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Fair trade, ethics and solidarity are a strong concern amongst Gens X and Y. Some brands promote charity actions and communicate them through trade-marketing material. Some others place logos of fair-trade or NGOs certifications. Just a few of NPDs are exclusively oriented to Fair Trade and Solidarity.
Eco-friendship product development trend grows due to the emphasis placed on ecological concerns by global opinion leaders and the massive media. Ecological food, sustainable packaging and greener cleaning products are part of this trend.
Summary

Consumer Goods Product Development Trends for 2010

How can Advisium Group help you innovating?
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Our approach across the innovation funnel

We help companies to INNOVATE through a very open perspective, which helps to bring changes to their USPs (Unique Selling Propositions) and the ways their product is placed, sold and consumed.

1. FEED THE IDEAS’ GREENHOUSE
   - Feed an innovation greenhouse by screening continuously for market opportunities. Some methods for this goal include shopper/consumer insights intelligence, benchmarks with similar markets and creativity sessions with the entire organization (Sales-Force, Brand Managers, Trade Marketers, R&D Teams, Customer Service...).

2. SELECT & PRIORITIZE
   - Develop new initiatives portfolios based on a strategic projection of what should be accomplished in the short, mid and long term.

3. MODEL & DEVELOP
   - Lead new product development initiatives through specific Project Management practices in innovation that help to rightly allocate required resources and to analyze in depth the financial and commercial impact of innovation projects.

4. TEST & OPTIMIZE
   - Launch sets of concept and pilot tests, which help to identify improvement areas. These opportunities are then targeted and optimized to increase probabilities of a successful launch.

5. LAUNCH & MONETIZE
   - Perform all the launch activities and manage all the post-launch daily activities, success measurement and initiatives for optimization too.
We help companies to lead their innovation initiatives around the following areas:

**New Products and Services Development**
- We help companies to generate a new product “from scratch” and / or to innovate through any of their products’ essential attributes:
  - Format / packaging
  - Usage / storage / disposal
  - Claim / positioning / communication
  - Consumption / purchasing moments
  - Interaction with other products / services

**Sales Model Innovation**
- We help companies to innovate their Sales and Trading Model through:
  - New channel relationship / collaboration models
  - New market / channels entry strategy
  - New models to accelerate sales conversion

**Business Models Innovation**
- We help companies to innovate their business models by designing, modeling and launching:
  - New business models
  - New corporate / service cultures
How can Advisium Group help you innovating?

A shortlist of our innovation capabilities (non extensive)

<table>
<thead>
<tr>
<th>Innovation capabilities</th>
<th>Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interim Management</strong></td>
<td></td>
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</tbody>
</table>
| **1 Marketing Innovation Management**    | * Lead innovation strategy and projects implementation from market insights to go-live and post-launch results  
* Bring focus to new potential brands and new product opportunities, ensuring right resourcing for innovation  
* Overcome obstacles to ensure projects are delivered in time, and within budget  
* Track ongoing results and fine-tune the organization’s efforts to improve them |
| **2 Shopper & Consumer Intelligence Management** | * Lead all consumer and shopper research projects in a cost and time efficient manner  
* Develop an area and provide ongoing consultation on shopper and consumer issues throughout the organization  
* Build short and long term insight plans to support product innovation and general brand management |
| **Consulting / Advisory**                |                                                                                                                                                                                                          |
| **3 Innovation Strategy**                | * Assess organization’s innovation capabilities and identify growth opportunities  
* Build the business innovation strategy to develop innovation capabilities throughout the organization  
* Deliver a portfolio of innovation initiatives to crowd the whole innovation pipeline in different time horizons |
| **4 Optimal Portfolio of Innovation Initiatives** | * Analyze current innovation pipeline and plans for NPD  
* Identify new potential innovation leads and their gap with current innovation capabilities  
* Develop models to prioritize initiatives, optimize resource allocation and to help project management  
* Balance initiatives across the innovation pipeline to increase success probabilities in the short, mid and long term |
| **5 Accelerated Innovation Pipeline**     | * Analyze the organization and processes involved with innovation and NPD and advise opportunity gaps  
* Determine the ideal organization and processes to accelerate innovation and its fit with current organization  
* Create an Innovation Acceleration Strategy and deliver roll-out recommendations |
| **6 Think Workshops and New Concepts Exploration** | * Prepare food for thought and run Creativity / Innovation workshops with key stakeholders and / or cross-functional teams (Marketing, Sales, R&D, Manufacturing, Logistics, Customer Service, Financial, Legal, …)  
* Lead and provide support to market research efforts, bringing coherency throughout briefing development, agency services deployment and results interpretation |
| **7 New Concepts Fine-Tuning and Launch** | * Assess fine-tuning opportunities and alternatives  
* Define feasible options, run market research and fine-tune the product  
* Prepare product launch (Marketing communication activities, sales training, logistics, system entries, price policies, field-marketers scheduling, …) |
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