



NEW PRODUCT PACESETTERS

Innovation Before the "New Normal"

MAY 2020



Innovation Before the “New Normal”

The 2019 new product development story continues to be one with strong characters, plot twists, surprise beginnings – and endings – and undoubtedly, a story worth following. The pre-COVID-19 world of new product development and successes showcases two diametric themes: Successful new products came to market from large and small companies, as well as from well-known and upstart brands. Consumers don't necessarily think about the stories behind such themes, but we see that they showed a big willingness to embrace a range of product types and attributes.

2019 New Product Pacesetters highlight launches throughout the entire CPG spectrum, some greater than \$100 million in multi-outlet sales, and even a couple topping a billion dollars (where we looked at sales across total multi-outlet and convenience channels). While at the same time, small companies delivered booming brands in the \$10-20 million in sales neighborhood, also achieving New Product Pacesetter status. In food and beverage, some would have argued that \$100 million launches were a thing of the past – and not necessarily the goal. But compared with last year's four behemoth New Product Pacesetters, 2019's list delivers six food and beverage launches in the \$100 million club, as well as four in non-food categories. With 10 \$100 million launches, the return of blockbusters is a valuable new chapter.

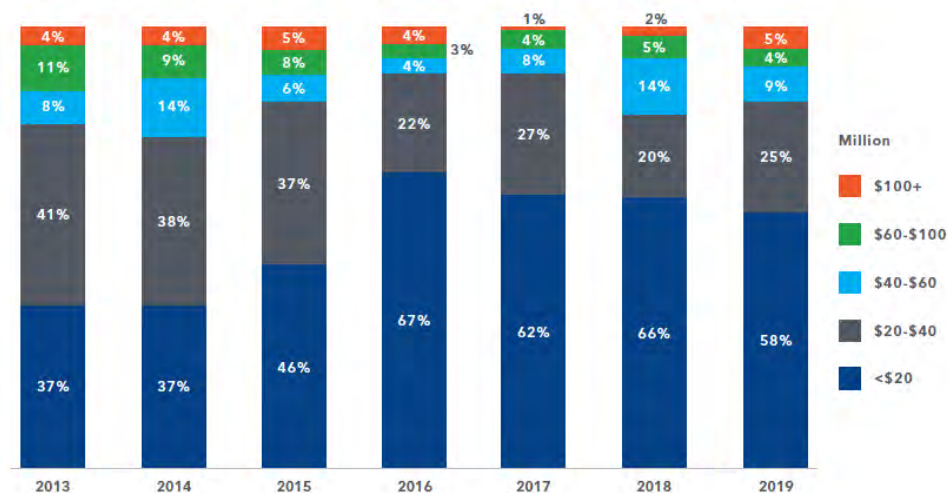
Blockbuster products as observed by IRI are rebounding, even though they're small relative to the overall number of products (and even though their parent companies might have vastly different performance expectations). For our purposes, the median food and beverage New Product Pacesetter earned \$19 million in 2019, compared with \$11 million in 2018. That \$8 million bump is notable and considerable.

The non-food segment also saw gains in total Pacesetter sales. The beauty segment, which had 50 Pacesetter launches, reported an average of \$18

million in sales. By removing behemoth Harry's razors' \$169 million in sales, the average figure dips to \$15 million, a still significant performance in this space. With non-food leaning toward more niche products that deliver the right attributes to the right consumer, these sales figures are substantial.

Big is back is clearly differentiated when we see that in 2018, \$100 million launches were 2% of products and 11% of dollars, but in 2019, \$100 million launches accounted for 5% of launches, but a whopping 33% of dollars.

The Trend Somewhat Interrupted – With a Shift in Mid-size Launches



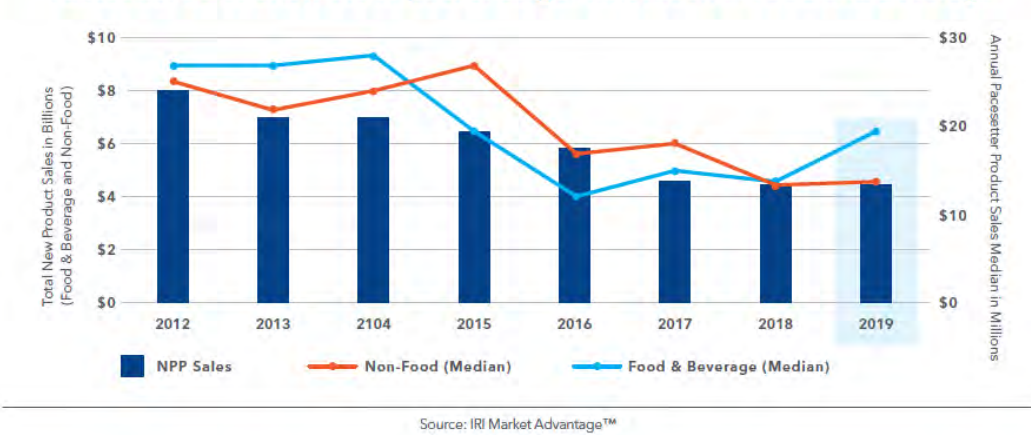
Source: New Product Pacesetters 2019 and historical data. Note: Numbers may not add to 100% due to rounding.

Yet, successful innovation is not defined only by the dollars achieved, but also by the success rate with which products reach the intended audience. For products and brands big and small, understanding who buys what and why, and which products succeed and why is imperative. IRI's 2019 New Product Pacesetters and consumer attitudes survey about new products tell an exciting and complex story. The absolute dollar of Pacesetter revenue between food and non-food is up marginally year on year, but the mix of dollars shows change. Absolute dollars tell a critical and different story.

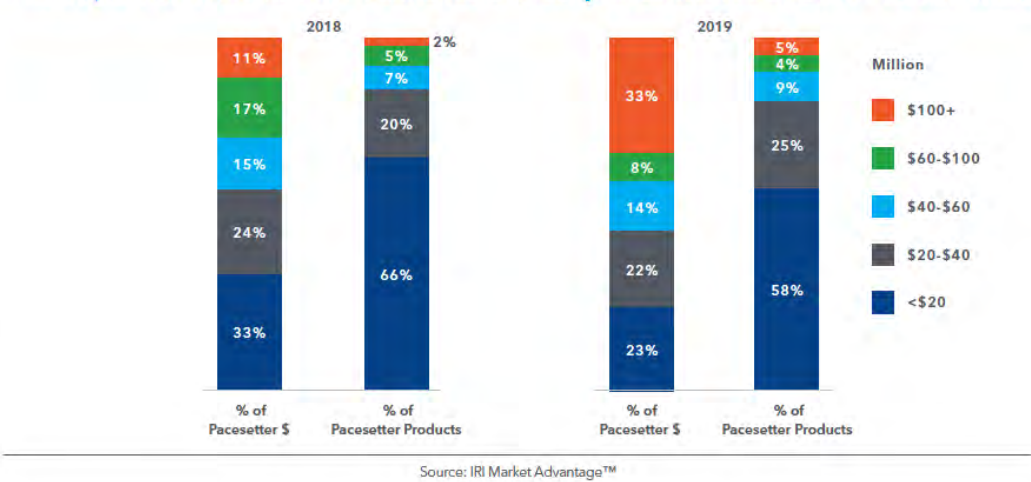
The observations here are derived from 2019 performance, in a pre-COVID-19 world. In this short space of time, consumer behavior has radically changed, but only time will tell if the penchant for new products among certain groups will waver, or if new groups will become more inclined to explore new products.

Quarantine retail therapy via e-commerce is real, yet so, too, is a potential recession where unemployment figures are historic and consumers' incomes plummet and are unpredictable. Only time will tell that New Product Pacesetters chapter, but 2019 and years past continue to reflect a common and unflappable theme: right products, right place, right time for the right consumer is the formula for winning in new products.

Pacesetter Sales Show the Impact of Larger Innovation in Food and Beverage



The Impact of \$100 Million+ Launches is Clearly Accentuated in 2019's Dollar Share



Big Is Back

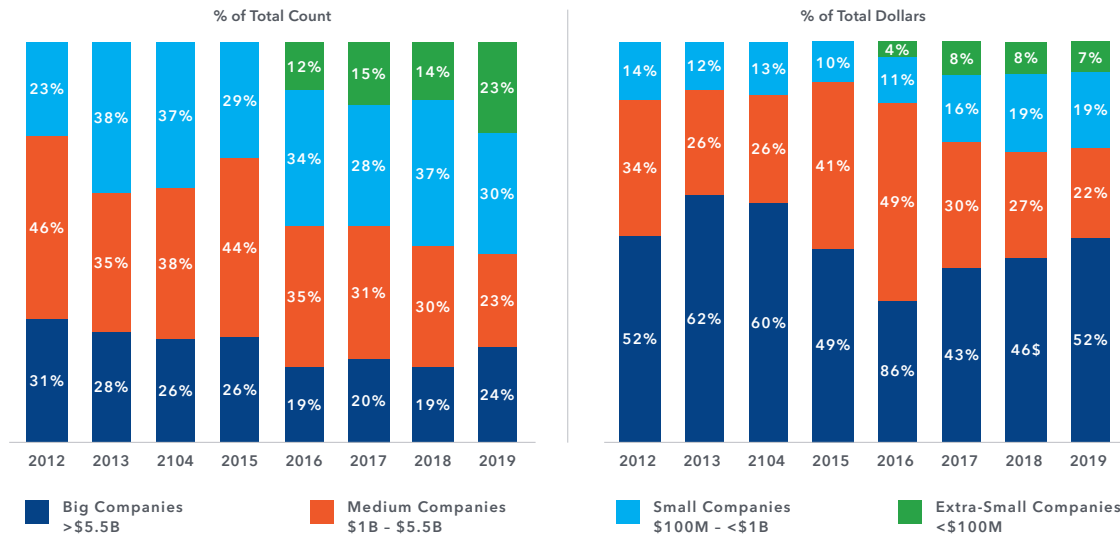
Achieving top-10 New Product Pacesetter status takes a robust year, and always has. But products in 2019 had to work a little harder to achieve this status. In food and beverage this is especially poignant – No. 10 Pop-Tarts Bites generated more than \$68 million in multi-outlet sales compared with the \$50 million milestone of years past. In non-food, it is primarily the top four that show the fight to hold top spots. No. 4 Harry's generated nearly \$170 million, compared with No. 4 from 2018's ranking when Tide Pods Plus Downy brought in \$82 million.

Historically there had been a decline in the dollar threshold, until 2019, which reported a rebound. One outlet that played a considerable role in this movement was convenience stores, as they are home to niche innovations that capture broad appeal. The No. 1 c-store product Juul, for example, generated \$2.4 billion in sales. Electronic smoking devices boomed as consumers often perceived them as healthier or less conspicuous than cigarettes and found the flavors and options alluring.

\$100M+

10 products in multi-outlet channels achieved sales of \$100M+, along with eight products in the convenience channel, marking the return of blockbuster New Product Pacesetters.

The Squeeze Continues for Medium-sized Companies Caught Amid Innovation from Big and Small Companies



Source: 2019 New Product Pacesetters



Blockbusters in c-stores already address what does well in the channel, including e-cigs, tobacco and energy drinks. Convenience consumers have unique needs that are more focused than mass market outlets, and while c-stores are smaller outlets, distribution is broad and stores are easily accessible. For tobacco and smokeless products, distribution has grown more limited as other channels have limited availability of these products.

It remains critical, though, to consider new product distribution carefully – bigger does not mean everywhere. Blanketing the country with distribution typically doesn't work because prescriptive distribution puts the right products in front of the right consumers, regardless of the size of the overall market.

Bigger also isn't always better in evaluating the manufacturer behind new product success. Half of new product successes are coming from small manufacturers, emphasizing that size doesn't matter when a new product is done right, and distributed right.

When the product and its story strike consumers' hearts and minds, it succeeds. Blue Buffalo – the No. 1 Non-Food Pacesetter – generated more than \$313 million by striking a chord with high-end consumers laser focused on providing the best for their pets. On its own volition, Blue Buffalo began pressing into the larger food, drug, mass merchant



market in 2018 in advance of its acquisition by General Mills, which launched it full throttle into mass market outlets. However, the brand maintains its small-company feel by promoting the story of the brand's inception, even on its corporate website.

Further, trends point to a significant increase in extra-small manufacturer success – 23% of products and 7% of dollars come from these extra-small manufacturers, generating sales of less than \$100 million. Manufacturers across the size spectrum can succeed if and when they deliver consumers products that fit their needs. New product innovation never has been one-size-fits-all, and it won't ever be one-size-delivers-all, either.



Wanting the best for their
pets, consumers pushed
Blue Buffalo pet food to the
**No. 1 Non-Food
Pacesetter** position.

The Road from Specialty to Mass Market

Niche brands have great appeal, and in many segments and markets they are stars. Sometimes a niche brand can maintain that unique, targeted appeal while transforming to a mass-market brand. Harry's razors, for one, tells the tale of a once-direct-to-consumer product filling a unique need – high-end razor performance and feel at an affordable price. With the shift to retail, the brand racked up almost \$170 million in sales and finds itself at major retail locations, including Target, Walmart and Kroger, albeit typically merchandised as a specialty section within the men's personal-care real estate. These numbers are exclusive of any other channels, including e-commerce, perhaps propelling brand sales even more significantly when you look at its "all-in" numbers.



By having powerful retail distribution – not in every store, but in the right stores – Harry's got it right with the look and feel of niche marketing with mass-market exposure. Harry's carries with it the mentality of direct-to-consumer products with sharp aesthetics and a strong back-story with blades made in a century-old European factory bought by two entrepreneurs with start-up passion and drive. The brand looks and feels exclusive, while it's accessible to the masses and drumming up significant sales.



Following the successful disruption of the razor market in the men's space, Harry's pushed into women's razors with the brand Flamingo. The idea took hold as personal care makes strong connections with women, and in just a few years, the brand has extended into skincare with products beyond shaving to include waxing and skin lotions and treatments. Target stores feature Flamingo brand products.

Similarly, Bubly grabs the No. 4 Food & Beverage position with \$116.3 million in multi-outlet sales. It also characterizes the feels-small, performs-big role in the crowded carbonated-soft-drink and carbonated-water market. Owned by PepsiCo, Bubly exemplifies a small brand with a big image from a big company, thanks to its attributes and attractive packaging, as well as its deep-pocket marketing and merchandising. It carries the aura of a small, niche brand, but the power of a big-brand player to help it find and connect with consumers who appreciate unique brands.



\$19M

Median sales of a
2019 Food & Beverage
Pacesetter are \$19M,
up from \$11M in 2018

Big companies have made a big splash this year with 24% of New Product Pacesetter products and half the Pacesetter dollars coming from big companies. However, a look at the total New Product Pacesetters list tells another interesting story.

In recent years, trends indicate that 40-50% of New Product Pacesetters come from combined small and extra-small companies, defined by \$1 billion in sales or less. Small companies bring innovation, they bring successful products, and they bring the flexibility to act fast. Often, they're less hindered by stage-gate processes incumbent in larger businesses, and often there are private investors supporting the process and thus allowing for more risk, and thus more reward.

In 2019, small companies represented 53% of New Product Pacesetters, taking on the challenge to achieve wide enough distribution to generate impressive sales. The "Shark Tank" effect is at play here, with small, driven, inspired companies breaking through with grit and determination to get products noticed and distributed both in the marketplace and with the Sharks on the TV program. There's a distinct mentality here, and the product must effectively tap and deliver on a niche need that is broadly recognized. Particular ingredients, including non-animal protein sources, or value-added benefits such as proteins and vitamins, or functions such as convenience in personal care, can generate excitement and connect with a broad, yet targeted swath of consumers. Playing on niche innovation can translate to large dollars when an attribute is unique yet still offers generally sought-after benefits.



Products experiencing the Shark Tank effect are solid, but unique, and once they get an endorsement from the show and the Sharks, they gain the distribution needed for true traction and organic growth. Often these product successes encompass a twist on something established. Kodiak Cakes Power Waffles infuse excitement in a long-established category with a boost of the sought-after attribute of protein. Protein-seeking emerges as a trend given that 38 of the top 100 and three of top 10 food and beverage Pacesetters offer protein benefits.

Chickpea-based Banza noodles also focus on the lack of carbs and benefit of protein. In four* years, Banza has become Whole Foods' best-selling pasta and Target's second-best-selling pasta. Banza exemplifies a product creating a groundswell at specialty markets, expanding its reach and gaining positioning into mass markets, achieving the distribution level to earn Pacesetter status. Products such as these illustrate how a few years of success in specialty markets can be the spark needed to sway bigger retailer adoption, and spur distribution needed for winning positions.



Dude Wipes is a product banking on the success of the wipe format in baby, household and auto by specifically delivering a personal care product for men, and especially adolescent boys. Making its first Shark Tank appearance – and deal with Shark Mark Cuban – in 2015, distribution expanded regionally in Target stores. Then, after a second Shark Tank appearance, the brand's distribution spanned the country, putting it in a position to earn Pacesetter status.



Consumer groups vary, and the market is complex, but products that win with consumers tap into an intentional look, feel, performance, experience or any and all combination of those features. While big-budget brands often have an edge, consumers typically don't care if a company is big or small; the brand story and image – and how it fits into their own lives – matters more.

SHARK TANK Three 2019 New Product Pacesetters boast the "Shark Tank" effect, gaining the support needed to thrive in a broad marketplace.

*Please refer to the New Product Pacesetter criteria on page 22.

Getting the Story Told

Again, brand marketing shows diametric themes: Big brands, big media. Smaller brands, smaller budgets, though still with potentially big reach. Media research indicates that big companies stuck to many tried-and-true media strategies around new products, and much of it worked while helping to catapult brands to New Product Pacesetter status.

For most sizeable launches, 25-30% of sales dollars supported advertising. With more than \$154 million in multi-outlet sales in 2019, Gatorade G Zero, for example, spent \$39.5 million on advertising according to Kantar Media reports, representing 26% of multi-outlet sales. Corona Premier also hit this level at 25%, making some noise in the beer category, where the pace of innovation had been slow. Beer has been flat, but it was on tap in 2019. Michelob Ultra PURE Gold also made a mark in c-stores, owning the No. 20 position. Six beer products are included in Pacesetters this year, compared with only one beer and one wine in 2018. While innovation is happening in beer and wine, it's most often not through a mass-market lens and thus not generating vast exposure or calculable growth among Pacesetter parameters.



~25%

~25% of sales dollars are often spent on advertising to support significant brand launches.

Harry's razors spent a little more than 6% of its multi-outlet dollars with a \$10 million media spend, though specialty brands like this one carry a lot of uncalculated exposure online and via social media platforms.

Smaller manufacturers and niche brands often have more traction through nontraditional media outlets – here there are small companies with big social impact through large numbers of followers/fans, and also influencers, who when utilized wisely can generate a huge bang for brands with a story to show and tell.



traditional advertising, credit for exposure goes to the strength of loyal consumers following the brand and promoting it through social channels. On Instagram,

No. 1 Food & Beverage New Product Pacesetter Bang Energy drinks only spent about \$2,200 on traditional media, yet generated almost \$300 million in multi-outlet sales. With barely any

Bang Energy has more than 1.4 million followers, which carries more merit when compared with behemoth-brand Gatorade's 1.1 million followers. Notably, in April 2020, PepsiCo announced that it had entered an exclusive U.S. distribution agreement with Bang Energy in a deal expected to last multiple years.



Who Is Buying What, and Why

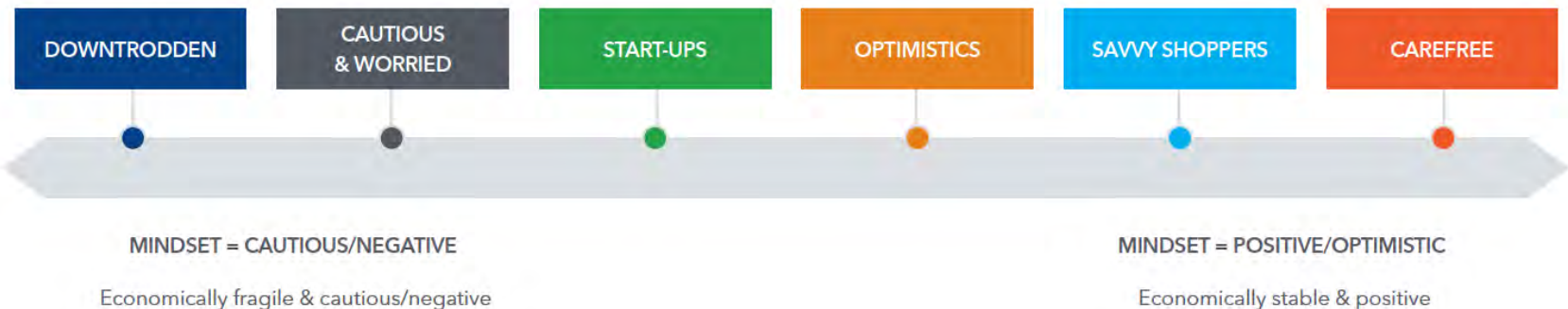
New products only succeed when consumers know about them, are intrigued by them, buy them, like them and, ideally, buy them again. Seems simple, but getting to that point requires a keen understanding of the who, what, when, where and why of innovation. New products take off when the right product is in the right place for the right consumer and boasts the right attributes that address various needs, so it's imperative to know who that consumer is and what inspires a purchase and a connection.

IRI EconoLink® segmentation views six groups of consumers to understand their mindsets and their behaviors. One size does not fit all for consumers, and IRI created this economic segmentation to understand the varying attitudes and beliefs across the country.

The six key EconoLink segments provide a closer look at what makes different groups of consumers make purchasing decisions, and points directly

to how their economic outlook will impact their attitudes toward new products. Will they adopt easily? Worry about spending on an unknown product? Value the performance a new product brings to them? And how does that change as their financial situations change, or is that something we can even predict given the sharp plunge into recessionary times we have just experienced?

IRI EconoLink Segments



Source: 2019 IRI EconoLink Segments

SAVVY SHOPPERS

Their financial situations are improving vs. YAG, but they still look for value – although that doesn't always mean the lowest price. They love to find coupons and good deals on groceries.

SKEWS: Younger Baby Boomers, Retirees | Mean HHI \$75,600

CAREFREE

Their financial situations are in a stable place; no real financial concerns. They're willing to splurge on premium products, and brand preference is a greater driver than price for their buying decisions.

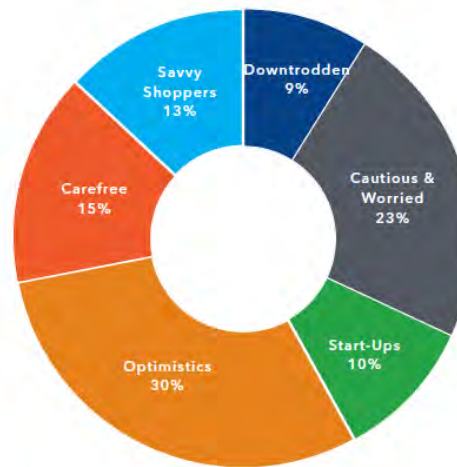
SKEWS: Older Boomers & Retirees | Male | Live Alone | Upper Income

OPTIMISTICS

Their financial situations are better vs. YAG, and they are optimistic about their financial future. Price is on their radar, but so are product experiences and brand trust.

SKEWS: Gen Z, Millennials and Gen X | 4+ Member HHs | African American | Mean HHI \$72,000

EconoLink® Segmentation

**DOWNTRODDEN**

Their financial situations are markedly worse vs. YAG, and their go-to response is deprivation; they try to cut back on everything. Purchases highly influenced by price, brand, and/or prior experience/trust.

SKEWS: Older Millennials/Younger Boomers | Blue Collar | Hispanic | Lower Income

CAUTIOUS & WORRIED

Their financial situations are markedly worse vs. YAG, and they do not hold out a lot of hope for things to get better.

SKEWS: Baby Boomers | Live Alone

START-UPS

Their financial situations are largely the same as YAG, but they're still struggling. They, too, are focused on cutting back, but with positive expectations for future improvement in their financial situations.

SKEWS: Gen Z/Millennials | African American, Asian | Blue Collar | Lower Income

It's meaningful to view Americans' response to the COVID-19 situation through a human economic lens that goes beyond income; not all respond alike.

To understand those consumers who have catalyzed New Product Pacesetter products (in a pre-COVID-19 world), we used the New Product Pacesetter Consumer Survey results and ran certain segments through our EconoLink lens to gauge how enthusiastic people are about new products with consideration of their financial situations and outlooks. There is a lot to gain by understanding the connection between new product adoption and economics.

Survey results and EconoLink segments introduce us to a powerful consumer group, Avid Early Adopters, who have a high propensity to buy new products.

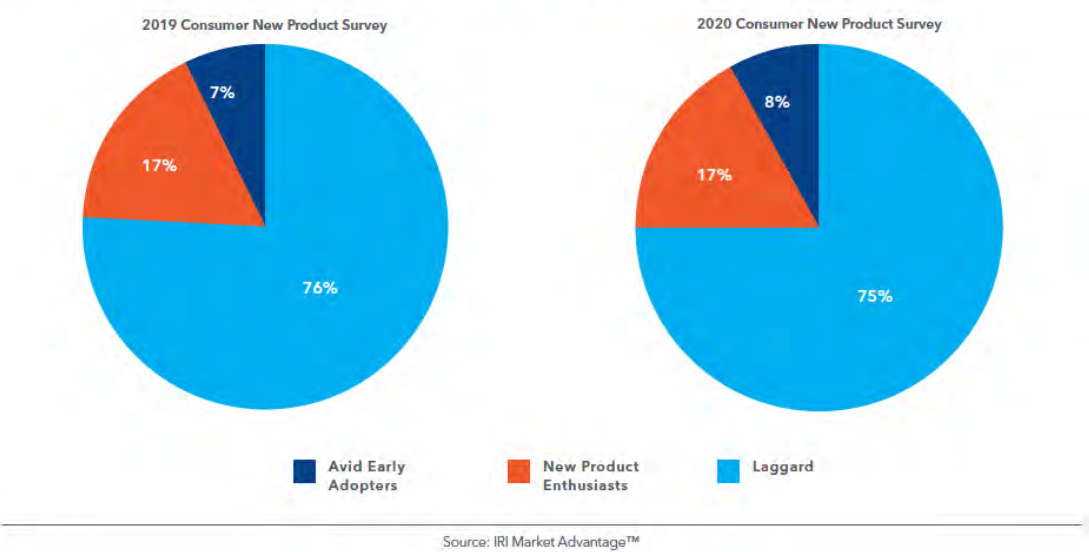
Avid Early Adopters are most often in their mid-40s, have kids at home and have moderate income levels, though income enough to take risks with their purchases. And while this group represents only about 8% of the population, it's small but powerful. The majority of members of this group are committed to new products across segments. They are likely to try a new product in four of six categories, compared with New Product Enthusiasts, who engage in up to three, and Laggards, who try up to two.

U.S. consumers remain consistent in their adoption of new products, with about one in 12 continuing to see themselves as Avid Early Adopters.

The convergence of an adopter mindset combined with an economic backdrop provides an interesting story that helps cultivate very targeted opportunities for manufacturers and retailers.



Avid Early Adopters Continue to Comprise Roughly One in Twelve Consumers



Representing just 8% of the population, Avid Early Adopters are the audience to target, as they're most eager to try new products.

Start-Ups generally have maintained financial situations from a year ago, but they're still struggling and thus focusing on cutting back. They have optimism for improvement financially. Savvy Shoppers have improved financial situations from a year ago but thrive on value. They're not always seeking the lowest price, but they do embrace coupons and promotions.

Start-Ups are the most widespread Early Adopters across CPG categories, so capturing their attention may be easier. They are, however, hyper-aware of new products, so crafting relevant messaging and creating a new value equation are critical to connect with this important group.

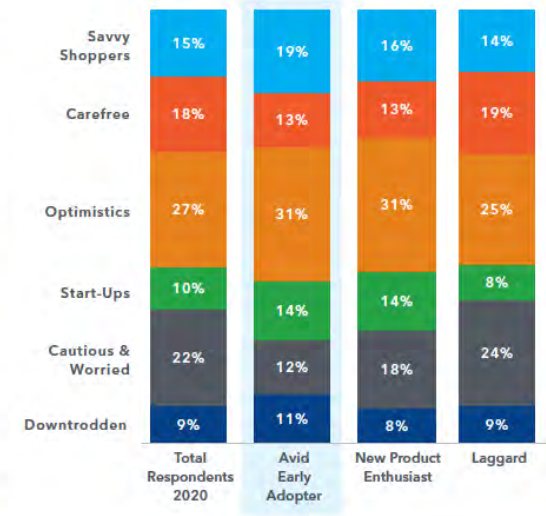
An ongoing trend noted in 2018's New Product Pacesetter report, the continued influence of Avid Early Adopters is critical to new product innovation success. The reason combines a few key elements: Pricing is important, but their budgets tend to allow for some level of experimentation; and media is important because this group consumes a lot of it.

Media via traditional avenues works with Avid Early Adopters, as they're likely to notice television and other traditional methods, as well as technology and signage throughout stores. A plethora of marketing tools works with this group, so brands will resonate if they create a diverse marketing strategy to connect on multiple points and platforms. Avid Early Adopters are learning about new products any way they can – they gravitate to a lot more media than the general population, so targeting them works.

It's important to note that these observations come from a pre-COVID-19 world. The COVID-19 crisis certainly will affect each group's perspectives and their financial comfort levels, so marketers would be wise to closely monitor a shift in the coming months and year. When the country – and world – return to a new normal, groups will change, and the need for innovation will change as consumers adapt and adopt lifestyle changes.

CPG products are among the most attainable ways for consumers in all groups to reward themselves through an economic downturn. New products are an exciting and typically low-risk choice that can help consumers through challenging times. Consumers are often drawn to new personal care products for self-care or for at-home services; they bring excitement and a sense of adventure to home meals. Understanding the new normal for all groups will mandate a different philosophy around new products and consumer segmentation.

Not all Early Adopters Have Similar Economic Outlooks; it's Critical to Know Where and How to Focus



Source: 2019 New Product Pacesetters

Understanding the distinctive economic mindsets and underlying financial conditions that drive early adoption behavior is critical for product innovation decision-making.

Strategy Success Stories

Enfamil NeuroPro



No. 2 on the Food & Beverage Pacesetter rankings, Enfamil NeuroPro formula generated more than \$230 million in multi-outlet sales. This special formula that imitates mother's milk takes the baby formula

category to a new place scientifically. The product features MFGM (Milk Fat Globule Membrane), which is found in breast milk and supports cognitive development in brain structure and function. Enfamil NeuroPro taps into a huge market of parents who value the nutritional support of breast milk but, for any number of reasons, choose formula.

The success of Enfamil NeuroPro can be attributed to a few key factors, including parents' willingness to buy the best for their children and the busy life new moms lead that may inhibit breast feeding even when they desire the benefits. But most notably, this is a revolutionary step in the nutritional composition of baby formula – the first major scientific enhancement since DHA fortification became FDA approved more than two decades ago.

Schmidt's



Schmidt's brand deodorant was born in a Portland, Oregon, kitchen only a decade ago, touting its natural composition and effectiveness. Just five

years later, the company grew and expanded into retail channels, and then just a few years after that came the boom that shot Schmidt's to the big leagues. In 2018 Unilever acquired the brand, which by then had grown to feature natural beauty and personal care products and expanded distribution. The brand delivered Unilever an opportunity to reach a new, natural-focused audience, and make a niche, natural product available to a mass-market audience.

The mass distribution bolstered Schmidt's to reach more than \$26 million in sales and a position on the New Product Pacesetters rankings. The evolution of the Schmidt's brand has taken its reputation as a high-performing, natural deodorant product and embraced it across more categories – the company pivoted to expand into homecare with natural cleaning products, as well as personal care products, including toothpaste for kids. The brand carries a great story, which many consumers today value. It feels like a purchase that is good for one's family – a healthy choice, which today carries a lot of weight, especially for young families with income levels that allow for taking risks and exploring products and various price points.

Leveraging its reputation as a high-performing natural deodorant brand, Schmidt's has expanded into other personal care and even homecare categories – all while still focused on natural wellness.

Consumers Gravitate to Natural, Healthy



New Product Pacesetter performance in 2019 represented consumer behavior in a pre-COVID-19 world. The next New Product Pacesetters chapter will be one where the retail marketplace and consumer groups will have evolved and behaviors undoubtedly will be different. How different is the big question.

Both Enfamil NeuroPro and Schmidt's reflect a relevant and likely lasting trend shown across New Product Pacesetters both in food and beverage and in non-food categories: natural/pure/non-GMO ingredients matter to consumers today. Three of the top 10 and 25 of the top 100 Food & Beverage Pacesetters offer non-GMO benefits, with



Oroweat Sandwich Thins, relaunched with premium ingredients and a dose of fiber in a low-calorie bread product.

Two of the top 10 and 25 of the top 100 in non-food tout natural/simple ingredients, with products including Johnson's CottonTouch bath products, made with real cotton, pH balance for a newborn



and no parabens, phthalates or sulfates; Downy Nature Blends, a plant-based fabric conditioner made with a touch of coconut oil, and without dyes or parabens; Blue Buffalo pet food made with high-quality ingredients; and Pampers Pure Collection of diapers and wipes, made with premium cotton and other plant-based ingredients.

Products considered healthier for bodies and for the environment continue to capture consumer interest, even if they carry higher price points thanks to the perceived or actual value. Homecare products could potentially tell an interesting tale in the post-COVID-19 world given people's new diligence for killing germs and protecting themselves and their families. Will consumers continue to value natural and pure in this space? Overall, people's health and wellness efforts won't waver – and may boom – in order to stay healthy and build immunity, so watching consumer trends in this space is imperative.



This year's New Products Rising Stars will continue to tell a meaningful story, but the plot arc is still to be determined. In Non-Food Rising Stars, a number of products tout natural and simple ingredients, mirroring

trends in Pacesetters. For example, Rising Star Greenies pet dental treats echo similar messaging and the growth pattern set by 2018's pet Pacesetter Nature's Recipe and this year's Blue Buffalo. Personal care deodorant brand Native took the leap from online to multi-outlet sales in 2019, much like this year's Schmidt's, indicating a strong predilection for landing on the Pacesetters list next year as people embrace natural products.

In Food & Beverage Rising Stars, three energy drinks lead the way and join two ice creams. The presence of ice cream shows people still indulge and treat themselves, even though a large portion of the population remains focused on health and wellness. And energy drinks show that people still fight to cram everything into a day and are looking for a boost. Though the parallels of Rising Stars in food and beverage are not as present in this year's top winners, Bang Energy did just that and made a huge bang. Other indulgent products such as Pop-Tarts Bites and Enlightened Ice Cream grabbed 2019 Rising Stars spots and could pave the way to Pacesetter status.

Dollar sales trends in Rising Stars and Pacesetters often lead the story, but indicators show that 2019 could be an aberration in year-one revenue and that good innovation launches are not just tied to dollars. Innovation meets consumer-demonstrated needs and large dollars are not always needed to satiate an unmet need. While Pacesetters saw record numbers of \$100 million-plus launches, Rising Stars still signal success for launches large and small. We expect a decline in year-one revenue, and that was before the advent of COVID-19, another potential hurdle or opportunity for manufacturers.

Historically Rising Stars make the leap to Pacesetter status, but in our new normal, will they continue to be important to manufacturers fighting to keep the supply chain full with the types of products people know they want and need?

Or will Rising Stars get the win as people find ways to treat and indulge in otherwise very trying times. Already ice creams and frozen novelties are a trend noted in this year's New Product Pacesetters, especially kids' and less calorie versions, which may reflect an interest in indulgence in moderation. There are eight ice cream and novelty products in the top 100 Food & Beverage Pacesetters.

We forecast that product-launch timetables will play a more significant role in the coming years because of long-term effects from changed COVID-19 behaviors. This year, more than half of non-food Pacesetters and about one-third of food and beverage Pacesetters achieved 30% distribution or more in the first quarter of the calendar year. This timing holds year after year, represented across products earning Pacesetter status. Thus, it's likely that the lion's share of innovation for this year is already on the market, facing a never-anticipated COVID-19 environment.

Rising Stars of next year launched this year amid the COVID-19 chaos and, given historical trends, launched in first quarter. Manufacturers and brand owners need to closely monitor the ability to source ingredients and production and distribution in a taxing supply chain. They will likely face headwind in new product development and consumer adoption.

More than half of 2019 Non-Food Pacesetters and one-third of Food & Beverage Pacesetters achieved 30% distribution or more in the first quarter of the calendar year.

Innovation will happen, but the key is to identify where the focus should be. Moving forward, pack size, packaging function, and certainly hygienic value-adds such as single-serve or portioning capabilities will garner interest. Attributes that were highly acclaimed in 2019 and justified their price tag with consumers, such as sustainable or organic, may have to fight a little harder to earn the purchase in a tight economy. In addition, attributes that matter to consumers may shift. And COVID-19 shopping behaviors, including fewer trips but bigger baskets, may stick with us, limiting exposure to new products.

Only time will write the rest of the story but now is the time to understand consumers' mindsets around new products and evolve with them. Companies that respond in this new normal will be successful. Brands and products that connect will win and come out the hero of the saga.

Lessons from the Past



As we continue to fight COVID-19 and wait for a "new normal," the future for new products is more unpredictable than ever. But a look at the 2010/2011-era New Product Pacesetter products developed and distributed starting around 2008-2009 may help anticipate trends as they showcase recession-inspired purchasing trends and behaviors.

In food and beverage, many of the Pacesetters focused on bringing restaurant-quality meals into the home as people reined in dining-out dollars. Today, consumers have been faced with restaurant closings, so the popularity of multi-serve, restaurant-inspired frozen foods will likely boom. Just 10 years ago P.F. Chang's line of frozen foods carried high price tags and garnered a lot of attention. This timeframe

also catapulted coffee-shop caliber coffee into people's homes with K-cups and other coffee accoutrements gaining traction.

During the recession, non-food reflected a big shift in consumer behavior as nail care, hair care and, to some extent, overall healthcare products became the first line of defense in cutting costs by eliminating salon and doctor visits.

These patterns are indicators of what a number of categories face as these shifts are felt by people of all socioeconomic levels and geographies. It will prove interesting to see which COVID-19-inspired habits stick, and it will prove valuable to consider all of these influences in innovation in the next few years.





Top 10 Pacesetters: Food & Beverage

Premium ingredients and experiences are touted by 2020's Food & Beverage Pacesetters.

1

Bang
Vital Pharma
Energy Drinks

\$299.4_M



2

Enfamil NeuroPro
Reckitt Benckiser
Baby Formula

\$230.5_M



3

G Zero
PepsiCo
Sports Drinks

\$154.4_M



4

Bubly
PepsiCo
Sparkling Water

\$116.3_M



5

**Arnold/Brownberry/
Oroweat Sandwich Thins**
Grupo Bimbo
Fresh Bread & Rolls

\$103.2_M



6

Corona Premier
Constellation
Brands
Beer

\$101.8_M



7

Cheez-It Snap'd
Kellogg's
Salty Snacks

\$88.7_M



8

SlimFast Keto
Glanbia
Snack Bars &
Weight Control

\$76.2_M



9

**Perdue Simply
Smart Organics**
Perdue Farms
Frozen Processed Poultry

\$70.7_M



10

Pop-Tarts Bites
Kellogg's
Toaster Pastries

\$68.3_M





Top 10 Pacesetters: Non-Food

Exceptional performance and natural ingredients exemplify 2020's Non-Food Pacesetters.

2 Colgate Total SF Colgate Palmolive Toothpaste \$243.1 M 	3 Scott ComfortPlus Kimberly-Clark Toilet Tissue \$241.6 M 	1 Blue Buffalo General Mills Pet Food \$313.3 M 
5 Pampers Pure Collection Procter & Gamble Diapers & Baby Wipes \$72.4 M 	6 Crest Gum Collection Procter & Gamble Toothpaste & Mouthwash \$62.1 M 	4 Harry's Harry's Shaving & Personal Care \$169.8 M 
8 Fresh Step Clean Paws The Clorox Company Cat Litter \$48.8 M 	9 LUMIFY Bausch + Lomb Eye Care \$48.2 M 	7 Keurig K-Select JAB Holding Company Coffee Maker \$55.0 M 
	10 Theraworx Relief Avadim Health External Analgesic Rubs \$47.1 M 	



Top 10 Pacesetters: C-Store

Performance beverages outpace but don't outweigh tobacco and e-cigarettes in the convenience channel.

2 Bang Vital Pharma Energy Drinks \$723.6_M 	3 White Claw Mark Anthony Group Hard Seltzer \$344.8_M 	4 Vuse Alto British American Tobacco Electronic Smoking Devices \$225.6_M 
5 Marlboro Ice Altria Cigarettes \$189.0_M 	6 Red Bull Coconut Edition Red Bull North America Energy Drinks \$141.3_M 	7 Vuse Ciro British American Tobacco Electronic Smoking Devices \$136.7_M 
8 G Zero PepsiCo Sports Drinks \$136.5_M 	9 Myblu Imperial Brands Electronic Smoking Devices \$91.2_M 	10 Mtn Dew Amp Game Fuel PepsiCo Canned Juices \$86.3_M 



Rising Stars: Food & Beverage

Energy drinks are powering their way to Pacesetter status.

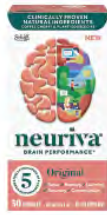
★ My/Mo Mochi Ice Cream Company Frozen Novelties 	★ Planet Oat HP Hood Milk 	★ Monster Energy Ultra Paradise Monster Beverage Energy Drinks 
★ Reign Monster Beverage Energy Drinks 	★ Ruffles Double Crunch PepsiCo Salty Snacks 	★ Smithfield Prime Fresh Delicatessen Smithfield Foods Luncheon Meats 
★ Spindrift Spindrift Beverage Co. Sparkling Water 	★ Talenti Gelato Layers Unilever Ice Cream 	★ Wonderful No Shells Flavored Pistachios The Wonderful Company Snack Nuts 

Listed alphabetically.



Rising Stars: Non-Food

Pet products are well-poised for Pacesetter status.

★ L'Oréal Infallible Fresh Wear L'Oréal Facial Cosmetics 	★ Mr. Clean Clean Freak Procter & Gamble Household Cleaner 	★ Greenies Mars Pet Treats 
★ Neuriva Reckitt Benckiser Vitamins 	★ Pampers Cruisers 360° Fit Procter & Gamble Diapers 	★ Sensodyne Pronamel Intensive Enamel Repair GlaxoSmithKline Toothpaste 
★ Swiffer Pet Procter & Gamble Cleaning Tools 	★ Tidy Cats Free & Clean Nestlé Cat Litter 	★ Viva Multi-Surface Cloth Kimberly-Clark Paper Towels 

Listed alphabetically.

ABOUT NEW PRODUCT PACESETTERS

IRI has a long history of celebrating the consumer packaged goods (CPG) industry's most powerful brand launches. New Product Pacesetters is consistently rich with iconic brands and game-changing innovations, brought to market by behemoths and new market entrants. New Product Pacesetters gives innovators inside and outside the CPG industry an opportunity to learn from the best of the best in new product innovation and learn the strategies for accelerating growth.

ABOUT THE AUTHORS

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IRI NEW PRODUCT PACESETTER CRITERIA

- Completed a full year of sales in calendar-year 2019 (brands that complete year one in 2020 qualify for Rising Star status, the top 10 brands based on a projected year-one sales total, that would have crossed 30% ACV in the February 2019 quad or later).
- Begin tracking year-one sales after 30% ACV weighted distribution achieved across multi-outlet geography; must have 30% ACV or higher at date of year-one completion.
- New Product Pacesetters are the Top 100 new banners (for each, food and beverage, and non-food) based on year-one sales across multi-outlet geography.
- MULO/multi-outlet = supermarkets, drugstores, mass market retailers, military commissaries, and select club and dollar retail chains.

IRI TOOLS

Find Your Pacesetter Momentum

Robust and actionable: The IRI suite of analytical and decision-making tools is essential for successful consumer marketers and their brands. Learn about our breadth to the right; don't hesitate to contact Larry Levin in IRI's Market & Shopper Intelligence practice:
Larry.Levin@IRIworldwide.com or
 +1 818.450.7614.

IRI BRAND OPTIMIZER SUITE

Powered By Hendry and Driven Through Unify

Fortify your brand and innovation strategy with IRI's groundbreaking suite of solutions that enable a view of broad category reviews isolating key Cultural Attributes that drive market demand via our **Brand Landscape**.

Drive effective category captaincy with IRI's **Consumer Decision Tree** architecture to create shopper-derived product hierarchies that automatically assess impact and opportunity with today's category set and an understanding of opportunities and challenges for new entries as they are launched.

Brand Optimizer Engine fuels effective decision making centering on true growth opportunities and the investments necessary to ensure success by leveraging IRI's Hendry Forecasting to add unparalleled forecasting success for new product and line extension launches.

IRI SHOPPERSIGHTS™

Innovatively segments and targets for unmatched optimization of promotion, media and retail-specific marketing programs at the household and store levels.

IRI INNOVATION SOLUTIONS TEAM

Increases the odds of new product success and mitigates the risk of bad decisions by leveraging IRI's shopper behavior-based innovation and new product solutions, which support the entire innovation process from white space identification to post-launch assessment.



About IRI

IRI is a leading provider of big data, predictive analytics and forward-looking insights that help CPG, OTC health care, retailers and media companies to grow. With the largest repository of purchase, media, social, causal and loyalty data, all integrated on an on-demand cloud-based technology platform, IRI guides over 5,000 clients globally in their quests to remain relentlessly relevant, capture market share, connect with consumers and deliver growth.
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