Housewares Trend Tracker 2004

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About Housewares TrendTracker 2004

Trend Tracker 2004, published by Riedel Marketing Group (RMG), delivers insight into the major trends that will impact the housewares industry over the next few years.

Trend Tracker 2004 tracks and monitors the major changes in consumer attitudes, behaviors and motivations relating to home, food preparation, household chores, technology, leisure and lifestyle that will lead to changes in the housewares industry over the next few years. It enables marketers and manufacturers of housewares products to anticipate what products and services consumers will want and need.

Trend Tracker 2004 is based on three primary sources of insight:

1. Riedel Marketing Group HomeTrend Influentials Panel (HIP)

Market research firm RoperASW has determined that a group they call the "Influentials", the 10 percent of the population that is the most socially and politically active, tells the other 90 percent how to vote, where to eat and what to buy.

According to RoperASW, Influentials tend to be two to five years ahead of the public on many important trends, such as the adoption of major technologies (personal computers or cell phones) or new ideas such as the movement of recent years to rebalance work and family. Roper asserts that few important trends reach the mainstream without passing through the Influentials in the early stages, and the Influentials can stop a would-be trend in its tracks; they give the thumbs-up that propels a trend or the thumbs-down that relegates it to a short 15 minutes of fame. Influentials are the "early majority" for the nation and the consumer marketplace.

Riedel Marketing Group (RMG) has taken Roper's Influential research methodology to the next step and is using it to gain a thorough understanding of the people who are Influentials when it comes to home trends, home-related activities, and products for the home.

RMG has formed a proprietary panel of HomeTrend Influentials (HIPsters). These people are the consumers who are the first to jump on important new home-related trends, are the initial adopters of important new products for the home, and wield tremendous influence over mainstream consumers who take their purchase cues from these trendsetters.

RMG tracks and monitors the changes these influential consumers are making in their home-related habits and practices and how their attitudes toward their homes are changing to keep a finger on the pulse of what these trendsetting consumers are doing and thinking and buying, the new products they are embracing, and the new products they are rejecting.

2. Market Research by Other Market Research Companies and Trade Associations

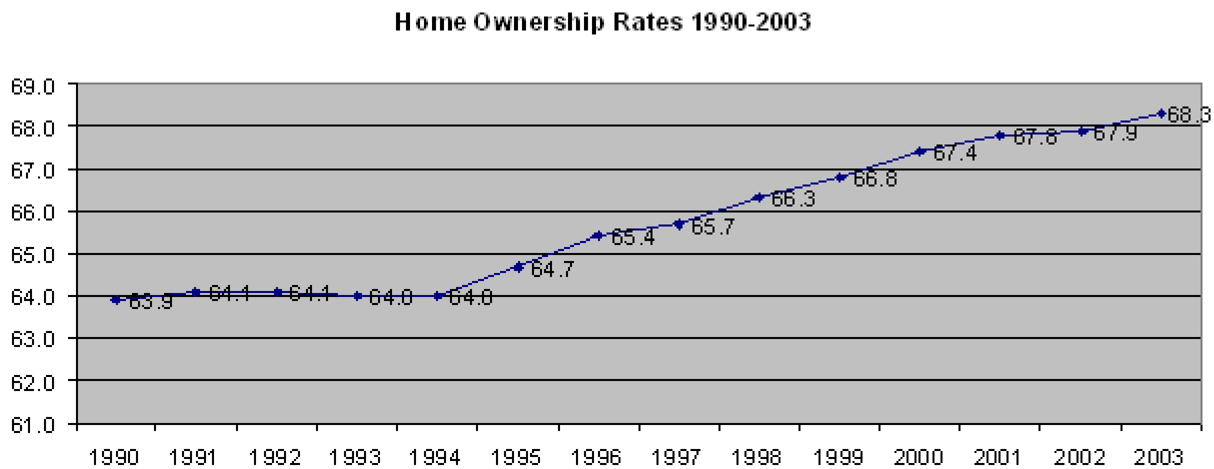
Research by the following companies has been cited in this report: Yankelovich; Food Marketing Institute; The NPD Group; Unity Marketing; Information Resources, Inc. (IRI); National Home Builders Association; National Association of the Remodeling Industry; and ACNielson.

3. Trade and Business Publications

Trends

Home Ownership at an All Time High

A record 68.3 percent of all families owned a home by the end of 2003 – the highest percentage in history, The nation's home ownership rate has been rising steadily since 1995.



Source: Census Bureau

The Size of New Homes Will Not Increase

The average new home in 2003 had a record 2,330 square feet of floor area. Over the past three decades, the average home size has increased by over 55 percent, from 1,500 square feet in 1970 to 2,300 square feet today.

However, there are indications that new homes of the future are not going to be much larger than they are today.

- The growth rate has slowed down considerably since the late 1990's when new homes were increasing by over 40 square feet in size every year. Average size of houses built in 2003 was just 10 square feet larger than those built in 2002 and those built in 2002 were 4 square feet smaller than those built in 2001.

Average Square Feet of Floor Area in New One-Family Houses										
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Avg Sq. Ft.	2100	2095	2120	2150	2190	2223	2266	2324	2320	2330
Chg. in Avg. Sq. Ft.	5	(5)	25	30	40	33	76	58	(4)	10
Source: Census Bureau										

- In a recent National Association of Home Builders (NAHB) builder opinion survey, only half the respondents said homes will continue to grow. But in marked change from previous polls, the other 50 percent said no, they will not be adding any more square footage to their products. When asked that question in the past, more than three out of four builders said bigger. [1]

- According to NAHB's "What 21st Century Home Builders Want" survey, the median size of the homes that consumers want is about the same size as the median size of the new homes currently being sold. [2]

- A recent survey by Lowe's reveals many homeowners are wasting much of the space and now prefer a smaller, more manageable size home "without sacrificing unique design, quality building materials and luxurious upgrades," according to Melissa Birdsong, trend director at Lowe's. [3]

Remodeling Continues to Be The Great American Pastime

In 2003, *USA Today* reported that "American homeowners have remodeling fever and they've got it bad." In 2004, American homeowners continue to have a bad case of remodeling fever.

- According to the National Association of the Remodeling Industry (NARI), the remodeling market in the U.S. is projected to grow to $224 billion or more in 2004, up from $214 billion in 2003.

- Total sales of products through home improvement retail stores increased 7.1 percent in 2003 over 2002 to $322.4 billion, according to the Commerce Department. The sales growth rates for products through home improvement retail stores outpaced the total retail sales growth rate of 5.6 percent. [4]

- According to results of the National Association of Home Builders (NAHB) Remodeling Market Index (RMI)[1], professional remodelers were busier in first quarter 2004 than they have been at any time in the past three years, and most expect business to continue improving in the coming months. The index gauging current market conditions rose 8.7 points from the last quarter of 2003 to 59.0, its highest mark in three years. A year-over-year comparison shows a 12.6-point gain from 2003's first quarter. Likewise, the index gauging future expectations rose to its highest level in three years, at 62.8. That is 14.5 points above its standing in the last quarter of 2003 and 12.5 points above its year-ago level.

- According to a recent survey of 500 homeowners conducted by Lowe's and Harris Interactive, when buying a new home, 41 percent of home owners say they would be willing to take on a major project, such as a remodel, to personalize their home.

[1] The quarterly RMI is based on a survey of about 550 professional remodelers, whose answers to a series of questions are assigned numerical values in order to calculate two separate indexes. The first index gauges current market conditions and is based on remodelers' reports of major and minor additions and alterations, plus maintenance work and repairs, on both owner- and renter-occupied dwellings. The second index gauges expectations for the near future and is based on remodelers' reports of their calls for bids, amount of work committed for the next three months, job backlogs, and appointments for proposals.

When It Comes to the Master Bathroom, Bigger is Better

American homeowners want bigger master baths and are willing to take space from other parts of the house or build an addition to get that bigger bathroom.

In 2002 bathrooms were one of the most common remodeling projects, second only to kitchens, according to the National Association of Home Builders (NAHB). [5]

Homeowners are outfitting their supersized bathrooms with such spa-like amenities as multiple-head/steam showers (the second most popular home feature according to the NAHB), separate area for the toilet, his-and-her grooming areas/vanities, whirlpools, and in-floor heating.

But above all, these bathrooms include a separate shower and bathtub. According the National Association of Home Builders (NAHB) Remodelors Council, the standard bath tub-shower combination is out. According to NAHB's "What 21st Century Home Builders Want" survey, a separate shower enclosure is considered essential or desirable by 69 percent of prospective home buyers. [6]

So Long, Living Room

According to the consumer survey "What 21st Century Home Builders Want" published by the National Association of Home Builders (NAHB), many home buyers do not think that it is necessary to have a separate living room.[7] This is a continuation of a trend identified in previous NAHB studies.

Joan McCloskey, editorial marketing director at Better Homes and Gardens, calls the living room "an endangered species" that is losing ground, especially to that new epicenter of family gatherings and entertaining, the kitchen. According to McCloskey, "The kitchen keeps growing, taking over square footage that used to belong to the living room." [8]

Eating at Home More but Leaving the Food Prep to Others

72 percent of dinners are prepared at home, according to NPD's National Eating Trends service. But, preparing a meal at home does not necessarily mean cooking a meal from scratch.

Americans are often too tired to put much time or effort into evening meal preparation. According to a 2003 ACNielsen Consumer Pre*View survey of consumer attitudes and behaviors, 50 percent of respondents (heads of household age 18+) agreed that: "I am so busy and in such a hurry all day that by dinner I'm too worn out to fix a meal that requires much in the way of time or effort."

Increasingly, in order to save time, Americans are relying on time-saving convenience food products.

- Nearly 50 percent of Americans' food budget is spent on foods cooked outside of the home, according to the U.S. Department of Agriculture.

- Consumption of frozen foods is at an all time high. According the NPD's National Eating Trends® service, the average person in the U.S. eats frozen meals or other food products, including dinners/entrees, breakfast meals, one-dish meals kits, appetizers and pizza 71 times each year, a 23 percent increase from a decade ago. 30 percent of in-home dinners now include something frozen, up from 25 percent in 1985.

- Sales of bagged salad greens grew more than 16.5 percent from 2001 to 2003, according to Mintel International Group Ltd., to more than $3 billion.

- Experts project a 50 percent increase in the next five years in the ready-to-eat meal category, already a $12 billion segment of the grocery market. [9]

- Dried dinner kits (pioneered by Hamburger Helper in the 1970s) have exploded into a $590 million business, fueled by the popularity of meat-added kits such as ConAgra's Homestyle Bakes line which features everything you need to make a casserole, including the meat, all in one box.

It's Gotta Be Convenient and Fast ... But It's Gotta Be Healthy, Too

For many Americans, the objective, at least for weekday meals, is to get dinner on the table in the shortest amount of time. 44 percent of all dinners prepared during the week require 30 minutes or less to prepare, up from 40 percent in 1993, according to NPD's National Eating Trends® service.

However, the days when consumers value speed and convenience at the expense of nutrition are coming to an end.

RMG's research with HIPsters, who tend to be two to five years ahead of the public on important trends, indicates that they are no longer willing to sacrifice nutrition for speed. For them, *"Quick may be important, but healthy is the first priority."* Their objective is to prepare meals that are *"healthy and well balanced"*.

HIPsters are also becoming increasingly concerned about the preservatives, additives, and hormones in food and are changing the types of food they buy and prepare because of that concern.

It is not just HIPsters who are changing their eating habits.

- According to the Technomic Consumer Survey 2004, 47 percent of American consumers say they have changed their eating habits. Specifically, over half report that they are drinking more water and eating more salads. More than 40 percent are eating more vegetables, baked or grilled chicken, and/or fish/seafood and are eating less French fries. More than one third report that they are eating less fried foods, donuts, fried chicken, and/or salty snacks.

- According to a Food Marketing Institute study conducted in January 2004, virtually all shoppers claim to have made some changes to ensure their diet is healthy. 62 percent say they are eating more fruits and vegetables. One in four say they are eating less sugar and a similar number say they are consuming fewer fats/oils.

- According to Information Resources, Inc. (IRI), the fastest growing food categories are healthier products such as soy milk, breakfast cereal bars, nutritional/wellness bars, granola bars, fresh eggs, snack nuts/seeds, sports drinks, and bottled water.

- Sales of organic beef, from cattle that are not fed antibiotics, hormones or animal bi-products, are growing at a 30 percent annual clip through, according to the Organic Trade Association. [10]

- In the foodservice arena, the restaurants whose growth is outpacing the industry are the “fast casual” restaurants that have a strong fresh positioning such as Subway, Panera, Chipotle Mexican Grill, and Baja Fresh.

- Consumers are reading the Nutrition Facts label on foods. According to e-publication *Facts, Figures, and the Future* which is published jointly by Food Marketing Institute, ACNielsen, and The Lempert Report, 24 percent of consumers “always” read the Nutrition Facts label when buying a product for the first time and 34 percent “usually” read the label.

A More Nutritionally Balanced Approach to Dieting

Low carbohydrate diets such as Atkins and South Beach are getting a tremendous amount of media and food manufacturer attention. A flurry of new low carb food products have hit the market in recent months and sales of red meat, fish, poultry, eggs, bacon, natural cheese and fresh ready-to-eat salads have grown. ACNielsen has called the low-carb diet "the fastest growing on-shelf diet products phenomenon in recent history." In the latest ACNielsen Homescan Panel Dietary Awareness Survey, 17 percent of U.S. households report that someone in the household is currently on a Low Carb Diet.

But the Low Carb Diet may have reached it's peak of popularity. There are early indications that interest in the Low Carb diet is starting to wane.

- The ACNielsen Homescan Panel Dietary Awareness Survey revealed that 19 percent of U.S. households report that someone in the household "tried and quit" a Low Carb regimen.

- According to The NPD Group's 17th annual "Eating Patterns in America" study, of the top ten fastest growing restaurants in the U.S. the top two (1. Panera Bread, 2. Krispy Kreme) significantly focus on carbohydrates.

According to another ACNielsen study, the Homescan Panel Views survey, despite all the media attention on carbohydrates, fat content is still the biggest dietary consideration. Fully one-third of consumers actively limit the amount of fat or cholesterol in their diets. When ranked by importance in deciding which new products to purchase, consumers place foods "low in fat" as number one, with products that are "high in protein" and "low in carbohydrates" way down the list tied for sixth place.

One of the most important findings in the ACNielsen Homescan Panel Dietary Awareness Survey is that 28.9 percent of the respondents (half of all dieters) said that they are on a diet, but using a "diet of own design." ACNielsen concluded that "we may well be at the beginning of a turning point in dieting; leading to a more nutritionally balanced approach."

Seeking More Satisfying Experiences

Market research/consulting company Yankelovich is seeing a broad shift in consumer values. Yankelovich's research reveals that consumers now value quality over quantity, intangibles over tangibles and time over money. J. Walker Smith, president of Yankelovich, asserts that "we now live in a world where many consumers feel they have enough "stuff", aren't looking to accumulate more, and suffer from "the claustrophobia of abundance"(i.e. full closets)." In general, Smith believes that consumers, having experienced the exuberance of the 1990's, have now moved away from that lifestyle towards seeking more satisfying experiences. So, consumers are more interested in things that are "genuine" and "authentic", and in satisfying experiences.

Pam Danziger, president of Unity Marketing, and author of *Why People Buy Things They Don't Need* agrees. According to Pam, "In their middle years, the members of the Baby Boom generation will face the inevitability of their mortality. In doing so, they will try to make up for lost time and the things they may have missed, by directing their energy and money toward experiences and away from the continued acquisition of material things. With the attitude of "been there, done that" in buying more things, Boomers will turn away from a consuming focus on things, to a hunger for experiences and personal development."

RMG's research with trend-setting HIPsters supports the Yankelovich and Unity Marketing findings. For example, HIPsters are making a greater effort to make the dinner meal a satisfying experience. Instead of just slapping the food on the table, HomeTrend Influentials are starting to use cloth tablecloths, cloth placemats, and cloth napkins even for everyday meals. Setting a pretty table and using cloth tablecloths creates an ambiance, a mood, and makes them feel special. One focus group participant noted that "*There's nothing more elegant than sitting down to eat with a cloth tablecloth and napkins. If you sit down to a meal that's on paper plates, plastic forks, and paper napkins, I don't care what you are serving, it diminishes.*"

Concern about Food Safety Spurs Changes in Food Prep

American consumers are concerned about food-borne illnesses, germs, and food poisoning and have changed some of their food preparation and clean-up practices as a result.

Many consumers have switched to plastic or glass cutting boards. Many use different cutting boards for different foods. Many are especially careful to use a different cutting board for chicken. Many thoroughly clean their cutting boards after use, either by taking the scrub brush to them, washing them in hot soapy water, or washing them in the dishwasher.

Many consumers have completely changed how they handle their sponges. They replace their sponges weekly or every other week. Some only buy antibacterial sponges. Some sterilize them in the dishwasher or microwave between uses. Most use different ones for cleaning the bathroom, kitchen counters and dishes.

The Antibacterial Backlash

Although the use of antibacterial products is widespread among American consumers, RMG research among HIPsters indicates that there is an emerging anti-antibacterial products trend. Some HomeTrend Influentials do not buy antibacterial products anymore because *"I find that what you hear in the media these days is not to go overboard with antibacterial products, because you're only going to be hurting yourself in the long run. There are some healthy germs that your body needs to develop its own immune system for. So I actually go out of my way not to buy antibacterial stuff....it seems to me that it's an added chemical that you don't necessarily need. Give me plain straight soap."*

Household Chores: The Faster the Better

A study by the Soap and Detergent Association revealed while more than one out of four Americans surveyed said home cleanliness is a top priority for 2003, as many as 48 percent of the respondents claimed that they don't keep clean homes because they can't find the time to clean.

Nearly two-thirds of all heads of household are constantly looking for faster ways to do household chores, according to a 2003 ACNielsen Consumer Pre*View survey of consumer attitudes and behaviors. The research showed that 63 percent of respondents (heads of household age 18+) agreed that: “I’m constantly looking for new ways to get the household chores (like shopping, cooking, cleaning) done faster.”

Such attitudes have made “convenience cleaners” some of the fastest-growing consumer packaged goods on the market, according to ACNielsen. Among them: premoistened cleaning towels; all-in-one, sweeping and mopping devices; dust mitts; single-use scrubbing pads and flushable toilet wipes.

- Premoistened cleaning towels generated $147 million in volume in the food, drug and mass channels (excluding Wal-Mart) for the 52 weeks ended Nov. 2, 2002, a 54 percent growth from the same period in 2001, according to ACNielsen. Polishing/cleaning cloths brought in $251.2 million, a 16 percent increase.

- According to Information Resources Inc., Chicago, Clorox ReadyMop is the category leader in the cleaning tools/mops/broom category, garnering $47.2 million in dollar sales in supermarkets for the 52 weeks ended Dec. 29, 2002.

- Procter & Gamble’s Swiffer Wet Jet ranked number five on IRI’s 2002-2003 Top-Ten New Non-Food Pacesetters raking up $75 million in sales.

Back-to-basics When it Comes to Cleaning Products

In the next couple of years, Americans will switch from commercial cleaning products to common household products like vinegar and ammonia and from paper towels and disposable cleaning cloths to cloth towels and rags, primarily because of concerns about the environment.

RMG research with HIPsters reveals that HomeTrend Influentials are turning away from using a lot of commercial cleaning products in favor of common household products like vinegar and ammonia. They are using cloth towels and rags instead of disposable cleaning clothes. They will be less likely to embrace new commercial cleaning products, especially products that are not multi-purpose but are developed for very specific cleaning tasks.

HomeTrend Influentials are switching from commercial cleaning products to *"simple chemicals that can serve multiple purposes"* because of their concern about the environment, because it makes life simpler, and because they perceive that products like vinegar and ammonia work just as well as, if not better than, the commercial cleaning products.

About
Riedel Marketing Group

Riedel Marketing Group (RMG) – The Home Goods Marketing Specialist – is a marketing resource for housewares manufacturers and marketers.

Founded in 1991, RMG helps housewares manufacturers solve marketing problems and develop strategies and plans to grow their business. The company provides a full-range of strategic marketing planning services as well as market intelligence and trend tracking and forecasting.

RMG is the only marketing consulting company that specializes exclusively in the housewares industry.

RMG clients include World Kitchen, Newell Rubbermaid, Progressive International, Remington Consumer Products, Proctor & Gamble, SC Johnson, Pactiv Corporation, Vornado Air Circulation Systems, Inc., Salter Housewares, Unger Industries, Tilia, Applica Consumer Products, The Holmes Group, and Texas Feathers, Inc. as well as both the International Housewares Manufacturers Association (IHA) and the Association of Home Appliance Manufacturers (AHAM). In addition, A.J. works with companies who are evaluating entry into the housewares category or are considering acquisition of housewares companies.

A.J. Riedel, Senior Partner and Founder of Riedel Marketing Group, is a recognized marketing authority for the housewares industry. She has been working in the housewares industry for more than thirteen years. She understands the market dynamics; the channels of distribution; the trends impacting the industry, retailers and consumers; and the marketing issues of the housewares industry. She knows what it takes to succeed in the housewares industry.

A.J. is also a strategic marketing planning professional with a proven track record of results in housewares and consumer products. She has years of experience developing new products, positioning product lines, creating major advertising campaigns, writing marketing plans and conducting opportunity analyses. A.J. is often quoted in HomeWorld Business, HFN, IHA Reports, The Gourmet Retailer, and Kitchenware News and has spoken at numerous industry functions and meetings including the 2001,2002, and 2003 International Housewares Shows. As the housewares industry market trends expert, she has been interviewed by CNN, the Chicago Tribune, the Los Angeles Times, the Washington Post, the Chicago Sun-Times, the Boston Globe, and the Philadelphia Inquirer.

After earning her MBA at UCLA, A.J. started her marketing career at General Mills where she helped jump start Wheaties cereal sales in the early 1980s. As Senior Product Manager at RJR Nabisco, she increased Grey Poupon sales and started development of a new Grey Poupon line extension that was successfully introduced in the late 1980s. As Marketing Manager at Norelco from 1987 through 1990, A.J. revitalized the air cleaner business and identified five significant new business opportunities. A.J. founded Riedel Marketing Group in 1991 and has been helping housewares manufacturers solve marketing problems and identify marketing opportunities ever since.

1. “Living space goes in and out of style”, *The San Diego Union-Tribune*, April 13, 2003.

2. “Housing Facts, Figures and Trends 2004" Report, National Association of Home Builders, page 12.

3. “Lowe’s Study Points to Downsized Homes”, Press Release, July 6, 2004.

4. Home Improvement Retail Sales Increased 7% During 2003, Press Release, January 1, 2004.

5. “Ah, spa!; Bathrooms go from functional to luxurious with amenities designed to pamper”, Star Tribune, February 25, 2004.

6. “Housing Facts, Figures and Trends 2004" Report, National Association of Home Builders, page 12.

7. “Housing Facts, Figures and Trends 2004" Report, National Association of Home Builders, page 12.

8. “Living space goes in and out of style”, *The San Diego Union-Tribune*, April 13, 2003.

9. “Cooks in a hurry grab main-dish meals that include the meat”, *The Arizona Republic*, August 4, 2004, FD1.

10. “Retailers, consumers hungry for organic beef”, Reuters.