

Managing and delivering growth of core categories

McBride has identified and prioritised those categories which provide the greatest opportunity for profitable growth in both the short to medium term and the longer term horizons for McBride, its Private Label customers and its shareholders.

The market opportunity identified as part of Project Refresh, and subsequent planning reviews, has reconfirmed our three core growth categories, namely laundry liquids, machine dishwashing and specialist cleaners.

A further four categories provide longer term future growth opportunities: skincare, male grooming products, mouthwash and air fresheners (non-aerosol based).

Changing the way we work

Integral to the Project Refresh review was the need to understand how category management and development within McBride could be further enhanced to improve the effectiveness of product development and increase speed to market.

McBride prioritised four categories for its category and category development leadership approach to exploit research and development and Group-wide insights, provide a solid platform for growth and meet customers' expectations of McBride's passion for delivering value-adding Private Label products.

Progress to date

We have seen significant benefits from this new approach to category management.

Our bespoke research process has been successfully applied across the important laundry and machine dishwashing categories and recently extended to the skincare sector.

Private Label and category share gains have been delivered on the back of these initiatives in the UK, with further development and roll-out into Europe planned.

We have gained Private Label skincare contracts, including anti-ageing face creams in our key UK and French markets, and we have gained shaving gel contracts in France and Australia. We have also continued development in the mouthwash category.



Laundry liquids progress

Consumer preferences for laundry products vary considerably across Europe. We have seen clear commercial benefits from taking a Group-wide development approach which has enabled us to grow share in all core markets.

Our focus this year has been on driving the market for Private Label concentrated laundry liquid products and rolling out our soluble sachet technology across Europe.

Growing the Private Label laundry sachet market

Against an overall declining UK textile washing market in the 52-week period to end June 2012, Private Label laundry liquid sales significantly outperformed the sector, growing at 14% year on year, with the laundry sachets segment up 5%. The UK is the biggest market in Europe for laundry sachets, with a well established Private Label offering in all the major grocery chains. Private Label products now account for 1 in every 5 packs of soluble laundry sachets purchased in the UK.

France is currently the second largest market in Europe for laundry sachets, and the last two years have seen a number of new Private Label ranges launched based on McBride's development expertise. In 2011 the Private Label share of the French sachet market reached 3%, with significant potential for further share growth.

McBride's established manufacturing, technical and marketing expertise in laundry sachets has resulted in new contract wins in Belgium, Netherlands and Italy, with the launch of around 30 new products, driving the growth of Private Label share across Europe.

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1 in every 5

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Taking a sustainable approach to washing clothes

McBride is committed to delivering more sustainable cleaning solutions.

As a member of the European Surfactants Association (AISE) and as part of its voluntary sustainable cleaning initiative, McBride has been actively involved in launching new concentrated laundry liquid products across Europe in line with AISE's LSP-L programme (laundry sustainable programme for liquids). The LSP-L initiative is designed to ensure that all laundry liquids products meet a standard concentrated recommended dosage of 75ml.

During the year the LSP-L programme was rolled out across France, Belgium, Spain and Italy, with the German and Dutch markets already having switched to this standard. This involved McBride developing and launching more than 50 new Private Label products. The benefit to the environment from the initiative was a reduction in plastic used in bottles saving 114 tonnes of polyethylene, water savings of around 4 million litres and a reduction in carbon emissions due to almost 170 fewer truck journeys to transport product.

The LSP-L programme provided the opportunity for the category team to review all of our Private Label ranges with our customers. This proactive category approach meant we were able to provide greater clarity and tiering and secure improved consumer acceptance of the new ranges.



Machine dishwashing progress

The category management process was kick-started with a full usage and attitude study for the UK machine dishwashing market. The output from the study resulted in a deeper understanding of the extent to which current Private Label ranges were delivering against customer needs. We then utilised this data in our new tailored category management process.

Due to the differences between machine dishwashing tablet consumers, we were able to segment them and fully understand what products they buy and why. This seven-stage process allowed the team to identify which product characteristics would drive the Private Label share in the UK and what would drive the growth of the total category.

Over the past 12 months, McBride has focused on taking a category management approach to the machine dishwashing market. The category management approach has been piloted in the UK market, but the learnings are being shared and rolled out across the Group.

This in depth process has resulted in our proposing much simplified tiering, pricing and improved merchandising for ranges of machine dishwashing products in store.

Private Label in the machine dishwashing tablet category in the UK has recovered from a 14% year on year decline in 2011 to 5% growth (Kantar 52 weeks to June 2012).

The output

McBride's bespoke research generated a number of new product, packaging and format ideas which could be used to target consumers and increase value for the category. The output of the study has provided the formulation and packaging development platform for 2012/13 and beyond.

Machine dishwashing – centre of excellence

We have made significant progress during the year to combine best practice from across the Group and have centralised performance testing for the whole of the machine dishwashing category at our main site in Foetz in Luxembourg. Today McBride has a portfolio of products, providing our customers with a full range of machine dishwashing products from standard powders through to fast dissolving sachets in soluble film, for extra convenience. From our 2011/12 development plan we believe that the launch of the new McBride machine dishwash sachet format is a step-change in technology and performance.

Our most recent development provides the consumer with a fast dissolving product, allowing consumers to utilise quick cycles and lower temperatures, saving time and reducing their energy costs. This is a more sustainable alternative which helps reduce carbon emissions.

The first production of this patent pending technology has been launched in the UK where it is a first to market with a phosphate free formulation offered as a mainstream multi-functional product, further underpinning our sustainability credentials.



Speciality cleaners progress – driving Private Label growth

The demand for specialist household cleaning products across Europe remains strong.

Consumers' increasing awareness and concerns over hygiene within the home environment combined with the targeted cleaning power of trigger products are key factors underpinning the sector growth. Private Label household cleaners are increasingly recognised as providing cost-effective cleaning solutions for the home.

We have made good progress in all our core markets and continue to leverage our technical expertise and scale throughout Europe.

In the UK, we have extended the range of anti bacterial cleaners using the unique Byotrol® 24 hour germ-killing technology. These cleaners create a microscopic barrier which remains effective against germs for up to 24 hours, unlike traditional products which stop working as soon as they are dry.

Further work with a leading UK retailer to upgrade and extend the range of Private Label trigger cleaners, supported by improved merchandising and promotion, resulted in significant improvement and growth of Private Label share of the stores household cleaners. Following the launch of the new designs Private Label share increased from 15% of total sales to over 30% whilst driving Private Label category growth by double digits.

In Europe, we have launched a range of perfumed multi-surface cleaners including raspberry, basil, fig and orchid fragrances, providing cleaning solutions with added freshness. New combination formulations for cleaning windows and stainless steel, as well as bleach free disinfectants and multi-surface cleaners specifically formulated to kill bacteria and viruses have been launched.

In Poland, we worked with a leading customer to develop a competitively priced Private Label range of household cleaners combining excellent cleaning performance with attractive packaging, resulting in excellent consumer buy-in to the new proposition.

We continue to develop products that tackle the most difficult cleaning problems and cut through those problem areas of grease, and limescale in the home.

We aim to build on this success in the specialist cleaners category by extending our category leadership and category development leadership approach to this important growth area for the business, with Middleton in the UK becoming the Centre of Excellence for specialist cleaners.

With over 85 million bottles of specialist cleaners produced annually we believe there are considerable opportunities to further leverage our size and scale in this exciting category.



Skincare progress – building our credentials

The skincare team has focussed on developing a competitively priced range of skincare essentials, to complement the high-performance concept ranges we launched in 2010/11. These value formulations have enabled us to respond quickly to tenders and opportunities across our European markets.

In blind tests, McBride skincare products performed well against the market leaders underscoring our skincare expertise and capability.

In Western Continental Europe we worked closely with our sales and marketing colleagues to develop the right products to win the confidence of their potential customers. We also held training sessions in Brno to familiarise the teams with the new textures, terminology and performance claims of all our skincare developments, so they could demonstrate and talk about the products with assurance. This resulted in Private Label contract wins with a leading French retailer. The first products were facial cleansers and body lotions, followed by anti-ageing creams and opportunities for development of more sophisticated products such as BB creams (Blemish Balms) and performance body care ranges.

In the UK, our teams have been successful with a leading retailer, winning a contract for a new range of skincare formulations including anti-ageing face creams, cleansers, body lotions and sachets.

In Germany we have recently strengthened our skincare expertise in the technical and marketing fields, and are actively embracing this opportunity by developing and adapting our formulations to conform to the rigorous demands of the highly developed Private Label market in Germany.

Developing our category understanding in the UK

The trend for many women to look for accessible and affordable skincare is continuing; according to data from Kantar Worldpanel essential care facial moisturisers grew by 4.8% to over 41% of the UK facial care market in 2011.

Recognising the importance of understanding what the consumer really wants, the McBride UK skincare team commissioned a detailed study into usage and attitudes within the female skincare market. The research was conducted across four sub-categories: facial moisturisers, facial treatments, daily routine/cleansers and hand and body creams and lotions. The survey, with a sample of 2,000 female consumers aged 18-64 including a number of store intercepts, was designed to ensure a robust and valid conclusion. The captured data included product usage, attitudes, purchasing hierarchies, preferred shopping channels and consumer segmentation.

The identification of six consumer segments has been fundamental in developing our insight into this sector and has provided McBride with a rich information base to drive the growth of both Private Label and the total skincare category with our UK customers.

The skincare team are also supporting the development of tertiary brands for those markets where Private Label is still immature. Our Nova skincare range, with regenerating, nourishing and anti-ageing formulas, is a recent example.

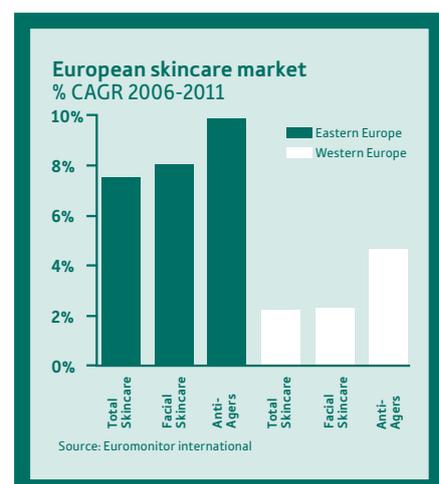
Driving quality and value

Our Brno factory has successfully hosted a number of customer and independent audits throughout the year. We continue to focus on driving product quality and value, with the addition of new in-house testing equipment and strengthening our R&D, purchasing and packaging capabilities by leveraging the McBride Group's scale and expertise.

Future development

Anti-ageing moisturisers and serums have grown almost 5% compound annual growth rate from 2006 to 2011 achieved in Western Europe and almost 10% in Eastern Europe.

With continuing pressure on the family budget, women across Europe are watching their spending and increasingly looking to well-priced, clearly positioned and effective skincare from Private Label suppliers they can trust.



Air Care progress – a fresh start

The last 12 months have been focused on delivering the new air product development concepts identified during our category review. We identified Nature, Simplicity, Home Decor and Hi Tech as the key trends which would underpin our new product development, and directed our development priorities towards filling those trend and product gaps in our existing portfolio.

From new reed diffusers, EVA bead concepts and membrane technology to ongoing expansion of our timed-release aerosols, a number of key product development projects have been delivered.



Key to our overall success has been the more integrated working between the product development team and production. The expanded air care product development team in France, working closely with and building on the manufacturing expertise of McBride Zhongshan in China, has enabled a number of new exciting concepts to be delivered.

Our recent developments include:

- Natural diffusers: A plant-based natural diffuser crafted into the shape of a flower providing excellent fragrance release, while offering a highly decorative format.
- Membranes: In an innovative range of designs and device formats to cover every usage scenario from cars and small spaces to whole-room freshening, our membrane products offer a safe but visible means of fragrance diffusion.
- Trigger sprays: Providing a gentle air freshener in a propellant-free trigger format, offering a safe alternative to aerosols.
- Car air fresheners: A safe but effective car air freshener based on impregnated plastics which provide gentle slow release of fragrance over time to counteract the problems of spillage in the car.
- Timed-release aerosols: These combine the benefits of the regular dosage of an aerosol spray with the convenience of the stylish automatic dispensing system.

We have launched successful new air care ranges in France, Spain, Germany, Poland and the UK, and are now examining the potential to exploit the markets for air care products in Asia Pacific and Australasia. These markets currently represent 20% of the world air care market and are growing much faster than the more mature regions of Europe and North America.

The category is dynamic and with our existing product range and capabilities we are identifying further opportunities for innovation, product design, delivery systems and formulation. The team believes there is further scope to deliver real consumer benefits from technological or design improvements.



Category development in McBride – the next steps

The benefits of the category leader and category development leadership approach are now being extended to the specialist cleaners and general household liquids categories where we believe the approach will provide further opportunities to drive Private Label growth.