As new year begins, we reflect back on the trends that headlined our industry in 2005. Over the year, we continued to see the push towards smarter, more versatile products in core appliance and housewares categories, a trend driven by ever-growing demand for convenience and functionality. Cross-categorically, products differentiated by feature, design and color added to the number of SKUs varying in price points that filled retailers shelves, making it near impossible for consumers not to be able to find something in line with their expectations.

Along with product development, consolidation kept the industry active, with more manufacturers and retailers divesting businesses, merging existing operations and acquiring new ones. At the channel level, mass merchants continued to dominate in small appliances while national chains held on to the majority of dollar share in the major appliances industry. We saw little shift in channel domination during the year outside of few instances. The specialty channel, for example, did see its share of the small appliance market increase in 2005 at the expense of department stores, while the home/hardware channel continued to make inroads into major appliances.

With the first three-quarters of the year in the books, we anxiously await, as we write this, fourth quarter results. The fourth quarter is one of the most important times of the year as consumers stock up for the holiday season. This year, however, analysts are predicting a mixed fourth quarter, and are having difficulty predicting the effects of back-to-back hurricanes, rising oil prices and home costs on retailers this holiday season.

According to The NPD Group’s 2005 Holiday Survey, about 7 percent of people surveyed said they planned to purchase an appliance for a gift this holiday season while 14 percent said they plan to purchase a housewares item for a gift. Purchase intent for both product areas was down when comparing these results to the percentage of respondents who said they purchased appliances and housewares for gifts last year.

So, while we wait for the final figures to come in, we can look to the categories that proved to be significant in one way or the other over the past year to the industries we track. These include ceramic and silicone bakeware in housewares, single-serve coffee pod machines in kitchen appliances, oral care and electric shavers in personal care and vacuums in home environment, to name a few.

Ceramic and silicone bakeware gained in market share in 2005, continuing to chip away at the percentage of sales metal and glass based products account for. According to NPD Houseworld POS information, ceramic and silicone bakeware gained market share in 2005, continuing to chip away at the percentage of sales metal and glass based products account for.
MARKET SIZE
QUARTER THREE • 2005
UNIT VOLUME IN THOUSANDS

*Source: Consumer Data

DEMOGRAPHIC ANALYSIS
Unit Volume Share
6 months ending — September 2005

FOOD PROCESSORS • REGION
Percentage purchased in region versus census

*Source: Consumer Data

MIXERS
More than a quarter of mixers sold in Q3'05 were stand-type mixers.
*Source: POS Data

SLOW COOKERS
Slow cookers with a capacity of 5.1-6.0 quarts represent the largest share of sales in Q3’05, nearly 27%.
*Source: POS Data

DRIP COFFEE MAKERS
Pod coffeemakers represent almost 4% of drip coffeemaker unit sales in Q3 ’05.
*Source: POS Data

Source: The NPD Group/NPD Houseworld
**Market Size**

Quarter Three • 2005

Unit Volume in Thousands

- **Hair Care/Grooming**
  - Total Market: 43,903
  - Hair Care: 23,542
  - Grooming: 20,361

**Demographic Analysis**

Unit Volume Share

6 months ending — September 2005

**Men’s Shavers • Age of Buyer**

Percentage purchased by age of buyer versus census

- Under 13 years: 13.3%
- 13 - 17 years: 16.7%
- 18 - 24 years: 26.7%
- 25 - 34 years: 32.2%
- 35 - 44 years: 34.7%
- 45 - 54 years: 36.4%
- 55 - 64 years: 33.3%
- 65 years +: 20.0%

**Women’s Shavers • Age of Buyer**

Percentage purchased by age of buyer versus census

- Under 13 years: 18.3%
- 13 - 17 years: 11.1%
- 18 - 24 years: 16.7%
- 25 - 34 years: 13.7%
- 35 - 44 years: 13.7%
- 45 - 54 years: 11.1%
- 55 - 64 years: 9.6%
- 65 years +: 0.0%

**Massaging Appliances**

- Back/body mat type massaging appliances account for 35% of unit sales in Q3’05.

**Irons**

- Nearly half of all irons sold in Q3’05 were self-cleaning.

**Hairdryers**

- Almost 80% of hairdryers sold in Q3’05 had a wattage of 1800+ watts.

*Source: Consumer Data*
Don’t Miss the housewares event of the year!
2006 International Home & Housewares Show
March 12-14 McCormick Place, Chicago
Register today!
www.housewares.org/attend

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**MARKET SIZE**
**QUARTER THREE • 2005**
**UNIT VOLUME IN THOUSANDS**

![Bar chart for Market Size](chart)

**Source:** Consumer Data

**HEATERS**

More than 20% of heaters sold in Q3’05 used ceramic heat technology.

**Source:** POS Data

**WATER FILTERATION DEVICES • REGION**

Percentage purchased in region versus census

![Bar chart for Water Filtration Devices by Region](chart)

**Source:** Consumer Data

**WATER FILTERATION DEVICES • HOUSEHOLD SIZE**

Percentage purchased by size of household versus census

![Bar chart for Water Filtration Devices by Household Size](chart)

**Source:** Consumer Data

---

**MARKET SIZE**
**QUARTER THREE • 2005**
**UNIT VOLUME IN THOUSANDS**

![Bar chart for Market Size](chart)

**Source:** Consumer Data

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More than 20% of heaters sold in Q3’05 used ceramic heat technology.

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**WATER FILTERATION DEVICES • REGION**

Percentage purchased in region versus census

![Bar chart for Water Filtration Devices by Region](chart)

**Source:** Consumer Data

**WATER FILTERATION DEVICES • HOUSEHOLD SIZE**

Percentage purchased by size of household versus census

![Bar chart for Water Filtration Devices by Household Size](chart)

**Source:** Consumer Data
**Small Appliances: FLOOR CARE**

**MARKET SIZE**
*Quarter Three • 2005*

**UNIT VOLUME IN THOUSANDS**

<table>
<thead>
<tr>
<th>Category</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stick Vacuums</td>
<td>9,076</td>
</tr>
</tbody>
</table>

*Source: Consumer Data*

**STICK VACUUMS**

More than 60% of stick vacuums sold in Q3 '05 had a removable stick handle for conversion.

*Source: POS Data*

**DEMOGRAPHIC ANALYSIS**

**HAND VACUUMS • AGE OF BUYER**

Percentage purchased by age of buyer versus census

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Hand Vacuums</th>
<th>Census (Percent of Population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 13 years</td>
<td>113%</td>
<td>18.3%</td>
</tr>
<tr>
<td>13 - 17</td>
<td>74%</td>
<td>0.0%</td>
</tr>
<tr>
<td>18 - 24</td>
<td>10.3%</td>
<td>14.9%</td>
</tr>
<tr>
<td>25 - 34</td>
<td>24.0%</td>
<td>14.7%</td>
</tr>
<tr>
<td>35 - 44</td>
<td>13.7%</td>
<td>0.3%</td>
</tr>
<tr>
<td>45 - 54</td>
<td>30.5%</td>
<td>10.3%</td>
</tr>
<tr>
<td>55 - 64</td>
<td>35.4%</td>
<td>25.5%</td>
</tr>
<tr>
<td>65 years +</td>
<td>20.7%</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

*Source: Consumer Data*

**HAND VACUUMS • HOUSEHOLD SIZE**

Percentage purchased by size of household versus census

<table>
<thead>
<tr>
<th>Household Size</th>
<th>Hand Vacuums</th>
<th>Census (Percent of Population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Member</td>
<td>34.8%</td>
<td>35.9%</td>
</tr>
<tr>
<td>Two Members</td>
<td>10.3%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Three Members</td>
<td>10.9%</td>
<td>18.9%</td>
</tr>
<tr>
<td>Four Members</td>
<td>23.6%</td>
<td>24.7%</td>
</tr>
<tr>
<td>Five or More Members</td>
<td>26.0%</td>
<td>26.3%</td>
</tr>
</tbody>
</table>

*Source: Consumer Data*

---

**John Edwards & Steve Forbes discuss "America's Future"**

Tuesday, March 14, 2006

2006 International Home & Housewares Show

For tickets www.housewares.org/ihshow/indbreakfast.asp

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**For tickets**

www.housewares.org/ihshow/indbreakfast.asp

Source: The NPD Group/NPD Houseworld
Housewares and Appliances - A Year in Review

Continued from page 1

Ceramic/glass-ceramic products represented about 17 percent of bakeware unit sales during the first three quarters of the year, up from about 14.5 percent the same time period one year earlier. Though dollar sales remained relatively flat at 20 percent, it was the only segment of the industry, outside of silicone, to not lose in dollar share.

As we know, consumer lifestyle trends are constantly evolving affecting product demand and development. The growth spurts we have seen in the ceramic and silicone bakeware segments can largely be attributed to lifestyle changes and the subsequent demands that come along with them. The drive for convenience, functionality, ease of use and versatility has come to be the pre-cursor to development across most categories we track, with bakeware no exception. While ceramic bakeware is by far not a new category, advancements in its functionality, usage options and even style and color have helped reinvigorate the category in recent years.

Silicone, on the other hand, is a relatively new segment, drawing in consumers with features that include flexibility, easy storage, and ability to withstand high heat. Today, silicone accounts for only a small percentage of bakeware sales, representing about 4 percent of total unit share and 5 percent of total dollar share in the category during the first three quarters of the year, according to NPD Houseworld POS information.

Even more noteworthy is the impact silicone is having on average price in the industry.

Houseworld POS data shows that silicone-based products retailed at an average price of $14.61, the highest when compared to the average prices of glass, metal and ceramic/ glass ceramic bakeware recorded from January - September 2005. This higher average price point can translate into higher margins for the industry if the popularity of silicone continues to take off as is anticipated.

In 2006, we can expect to see more silicone-based products rolling out to market and not only in the bakeware category as manufacturers across a variety of businesses are already experimenting with silicone enhancements.

Beyond bakeware, we anticipate seeing more products inspired by sleek, clean line design trends already in place today. This trend will likely be most evident in cookware, though not exclusive to this area alone. The growing significance of the kitchen as the focal point of the home is what will continue to encourage consumers to be more particular in the design aspects of their housewares and appliance products. However, as we have learned from past experiences, product performance and functionality cannot be sacrificed in the process. Additionally, we can look for manufacturers adding more ethnic, as well as novelty inspired, products to their lineups as a means of capitalizing off of the growing trend toward multicultural cuisine and home entertaining.

Appliances: Majors A Bright Spot in Challenging Year

Sales for the first three-quarters of 2005 were lackluster across most appliance categories, with one clear exception being major appliances. According to NPD Houseworld consumer information, dollar sales of major appliances increased by about 16 percent in first nine months of the year compared to the same time period in 2004. Unit sales were also up, by about 8 percent, January - September 2005 versus January - September 2004. By comparison, dollar sales of total small appliances, including personal care, kitchen electric and home environment, rose by 4 percent while unit sales fell by about 4 percent.
Unit sales of major appliances were up by 8 percent and dollar sales up by 16 percent in the first three-quarters of the year versus the same time one year earlier. Air conditioners were one among few categories to witness an increase in both unit and dollar share, a trend undoubtedly helped along by the hot summer season. Sales of other major appliances including refrigerators, dishwashers, washing machines and clothes dryers were flat in the first nine months of the year causing relatively little shift to respective market shares.

In kitchen appliances, single-serve coffee pod machines continued to receive a lot of attention in 2005 as the next generation of machines hit the marketplace in full-force. While the jury is still out on the long-term viability of this category, the short-term outlook positions this segment of the drip coffee maker market for continued growth.

New product development differentiating low end and high end models backed by intense advertising campaigns helped to keep single-serve machines on the map in 2005, a trend we expect to carry over into 2006. According to NPD Houseworld consumer information, single-serve coffee pod machines accounted for less than 3 percent of unit sales and less than 4 percent of dollar sales of the automatic drip coffee maker segment during the first nine months of the year, figures likely to rise during the fourth quarter.

In personal care, the shift toward low-cost battery-operated appliances in the electric shaver and electric toothbrush categories continued to make headlines in 2005. Until recently, powered products in these categories had been priced to appeal to the more affluent consumer, with manual products for the masses, but technological innovation has since blurred that line. Today, consumers can find power-assisted products that run the gamut in pricing, with state-of-the-art versions retailing for $100 or more to basic varieties selling for little more than $5.

This trend, while favorable to consumers, has presented as a challenge to manufacturers of mid and high-tier products looking to attract a newer generation of consumers. The advancement of power-assisted technology has created a new playing field in the category, with traditional players and their respective brands losing out to others who have brought the design and cleaning power of more expensive products to market for a fragment of the price. One example is pricing trends in the electric shaver category, where the average price of products dipped from $53.64 in the nine months ending September 2003 to $33.30 in the same time period ending September 2005.

Floor care continued to be a hotly contested segment of the home environment category in 2005. Following years of pricing pressures and eroding margins, average pricing in the full-size segment of the industry increased, a trend attributed in part to growth in the premium-priced upright market. According to NPD Houseworld POS information, the average price of upright vacuums rose from $119.78 to $127.73, year-over-year, nine months ending September 2005.

While the growth is certainly welcome, we tread carefully in our assumptions that this short-term increase signals a reversal in downward pricing trends characteristic to floor care in recent years. We say this because for every high-end product that comes to market, there is usually a low-end alternative not too far behind. And now with mass merchants incorporating more high-end models in their lineup, it’s hard to rule out the possibility that they may end up another commodity somewhere down the line.

Outside of traditional floor care, innovation in the alternative floor care arena helped to further increase its market visibility throughout the year. Products including bare-floor non-steam cleaners, hand-held steam cleaners and robotic vacuums continued to take front stage in 2005 with consumers embracing manufacturers’ promises of delivering new cleaning capabilities seamlessly for the end-user. Since so many manufacturers engaged in this market are also well-entrenched in the traditional floor care segment, building on existing brand strength has been a common strategy played out in alternative floor care.

In 2006, we expect to see more in terms of feature design and style, particularly on the hand-held side, as new models continue to roll out to the marketplace.

Although we are not holding our breath for an over-the-top performance this year, we hope that when the final numbers are in, it will be confirmation that efforts put forth by the industry in recent years to expand line assortments and bring added value to market is paying off. In looking to 2006, we anticipate seeing many of the same factors driving demand and subsequent product development because we don’t foresee lifestyles getting simpler any time soon. Beyond the obvious, we expect to see the proliferation of trends already playing out today, including greater versatility in products across all areas.

Do n't Miss

Peter Greene, NPD and Herwig Rubin, GfK Marketing Services present

Internationally Interesting:
A Look at Top Selling Housewares in the U.S. and Europe

Monday, March 13, 10:30 AM

The Design Theater

2006 International Home & Housewares Show

Source: The NPD Group/ NPD Houseworld
DATA AND METHODOLOGY

NPD has a standard data model that is used for all categories, although it is modified to suit the needs or characteristics of each. The standard model incorporates both consumer and point-of-sale (POS) databases. These two data sources are highly complementary and are used to support one another-each making the other stronger.

Point-of-Sale (POS) databases are assembled from retailers’ records of actual sales by product as collected at the cash register. These databases are highly reliable and provide census counts of sales by product and price for participating retailers. Not all retailers participate, however, so informed estimates are made for product sales in non-participating retailers in a process called “projection” or “POS projection.” The completed sales data are valuable to clients trying to understand which products or items are selling well and which are not, at which prices and in which channels. The finished POS data describe the product, retail channel and price. They do not, however, address the buyer of the product.

Consumer databases are developed using product purchase surveys completed by a large-scale rotating sample of consumers. These data also produce estimates of sales by product and retail channel, as does a POS database. More importantly, however, the consumer surveys capture information about each purchase not available in the POS databases, buyer demographics, the product’s intended use and a variety of other characteristics. These facts help clients understand why products are selling well or poorly and help them better understand consumers’ motivations. One additional advantage to the consumer surveys is that there are no “missing retailers” from the database since the information is gathered from panelists directly and no retailer cooperation is required.

CONSUMER METHODOLOGY

Most consumer data in the U.S. are gathered from periodic samples of individuals who are asked about their recent purchases. Respondents report certain details about the type and nature of their purchases in a survey administered via the Web. The responding sample is demographically weighted and projected through a series of steps to represent the Total Adult (18+) and Total Teen (13-17) U.S. population.

Each week, over 145,000 individuals are selected from the NPD online consumer panel to participate in one of three weekly studies. The NPD online consumer panel is composed of pre-recruited individuals who have agreed to participate in NPD online surveys and have completed a comprehensive demographic questionnaire. The use of an established online panel assures good cooperation levels and predictable demographic balance among cooperators.

Most survey work is completed via the Internet. Internet users are known to have certain demographic and behavioral biases not found in the total population, though these are rapidly diminishing over time. A process of sample selection and respondent weighting is used to control demographics, however, reducing some of the biases in the sample. Extensive research has shown that by effectively weighting the sample, the Internet yields superior data quality (coverage) than do offline methodologies.

POS METHODOLOGY

NPD collects point-of-sale retailer data from selected retailers. These data are the actual sales for the chain on an SKU-by-SKU basis. The data are combined with data from other retailers to produce reports on certain categories by channel, where a sufficient number of retailers are cooperating and where sufficient market demand exists for the database.

Data are not available from all retailers, however. The available data are projected to cover the missing (non-cooperating) retailers within each channel in most of NPD’s categories. In certain circumstances, brand share weights are applied as well to compensate for missing retailers with a different brand mix, to more accurately reflect the marketplace. Those adjustments are generally guided by inputs from either consumer panel data or actual in-store audits.