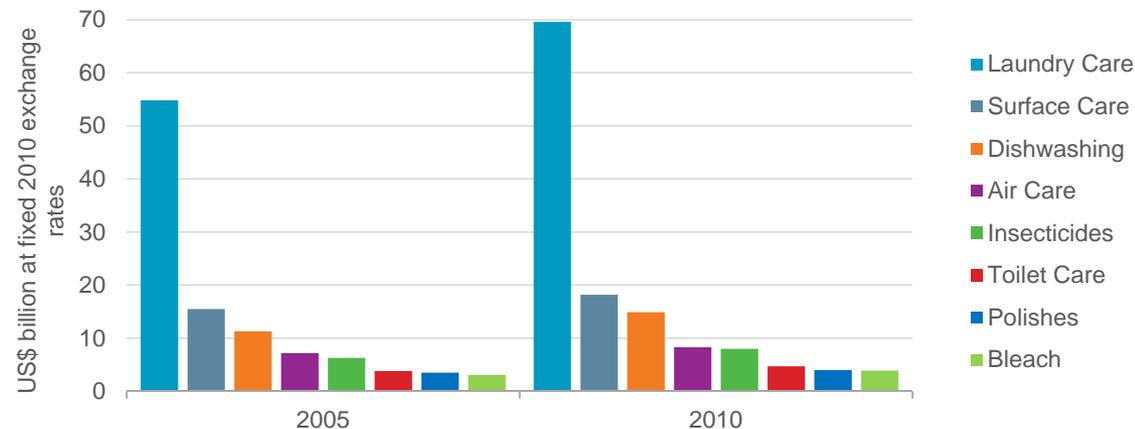


## Laundry soaks up five out of every US\$10 spent on home care

- Laundry care dominated global home care spending over the review period, reflecting the category's growing status as a non-food staple. Crucially, automatic detergents and fabric softeners tapped into an evolving laundry care culture in emerging markets, fuelled by growing numbers of households acquiring home laundry appliances. In a number of key growth markets, such as Brazil and Mexico, demand for laundry care appliances was facilitated by easier access to consumer credit among lower income households.
- There is a disparity between washing machine and dishwasher penetration, with dishwasher sales heavily dependent on mature markets. What is most striking is that five of the world's heavyweight emerging markets, Brazil, Mexico, China, India and Russia, collectively accounted for only 2% of unit sales of dishwashers in 2010, whereas those same markets accounted for 42% of unit sales of home laundry appliances.

World: Home Care by Category Share  
2005 vs 2010

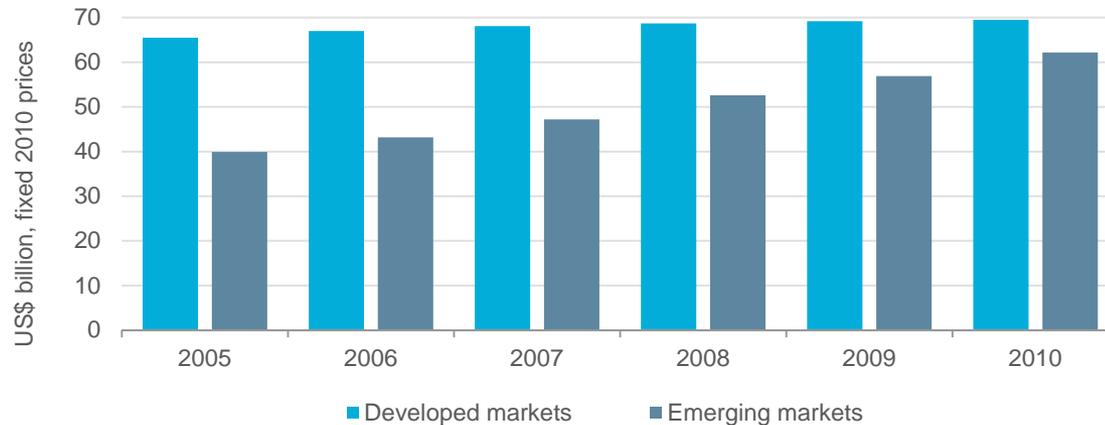


The prevalence of domestic service in emerging markets undermines demand for dishwashers. The market leaders in dishwashing need to look at the long term. A fundamental lesson of emerging market home care investment is that companies building strong early positions tend to be those reaping the benefits when categories start to boom.

# Home care on the cusp of an emerging market tipping point

- Growth in the retail value of home care was almost 10 times faster in emerging markets than in developed markets over the review period. Tellingly, 34 out of the 35 strongest growing markets in home care in 2010 – based on percentage growth in US dollar at fixed 2010 exchange rates – were emerging markets. Canada was the one developed market in the top 35, holding 35th position.
- It is also striking that none of the BRICs made it into the top 10 growth markets out of 80 countries, which underscores the growing importance of second and third tier emerging markets. These markets – including the likes of Venezuela and Iran – do, however, involve higher levels of investment risk.
- Each of the BRICs did make it into the top 10 growth markets based on incremental (absolute) growth, led by China and Brazil. Collectively, the emerging markets generated some US\$22 billion of incremental home care retail growth over the review period, compared with US\$4 billion in the developed markets.

Home Care by Developed vs Emerging Markets  
2005-2010



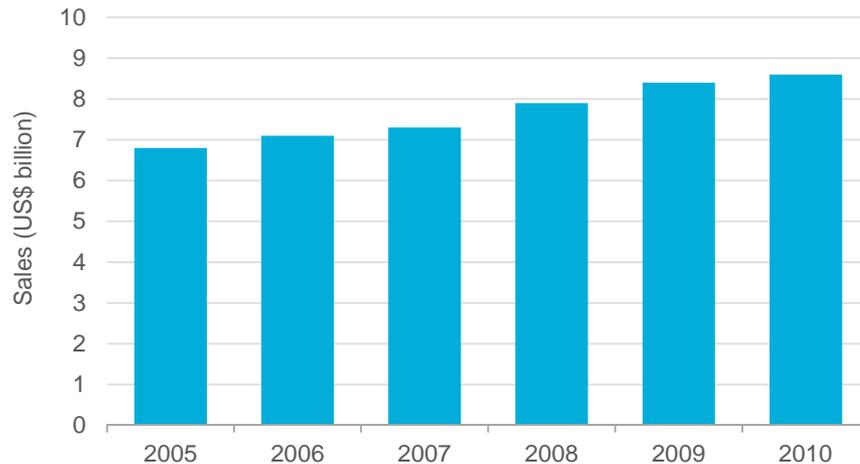
Global Home Care: Developed vs Emerging Markets

	2005-10 % growth
Developed markets	6.1
Emerging markets	55.9
Total home care	25.0

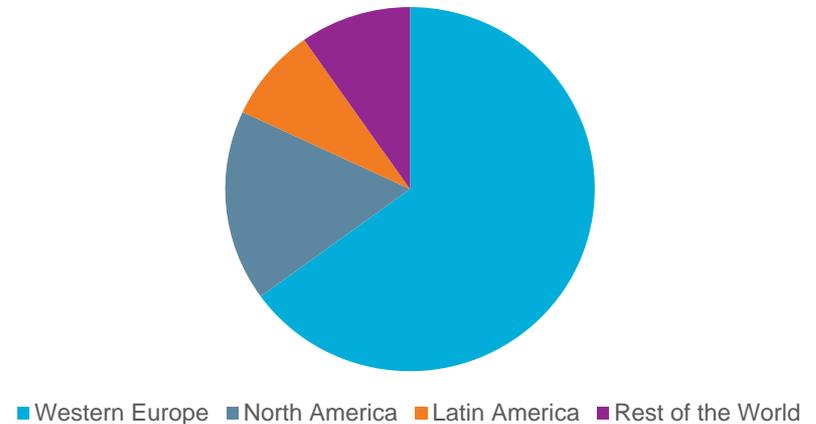
# Private label is over-dependent on developed markets

- In 2010, the operating environment for private label was highly competitive, first, because leading home care companies segmented deeper into value brands, and secondly, because rising commodity and energy costs applied upward pressure on retail prices.
- While the world's leading home care companies have generated significant new business in emerging markets, private label has remained highly dependent on developed markets. For example, Western Europe accounted for 65% of global private label sales in 2010.
- The weakness of private label in the emerging markets has less to do with value and more to do with quality perception and consumption culture. In Latin America, for example, private label are still widely perceived as third-rate and inferior. For a consumer base that is increasingly aspirational in its buying habits, that type of perception is a substantial barrier to growth.

Home Care: Private Label Value 2005-2010



Home Care: Regional Shares of Total Private Label Sales 2010



# Category disparities between developed and emerging markets

- The clearest share discrepancy between emerging and developed market is in laundry care, with the share of laundry care around 10 percentage points higher in emerging markets. It is the dominant home care category around the world, but the degree of dominance tends to be highest in poorer countries.
- Air care also shows a striking disparity. The category is still negligible in many emerging markets. Indeed, of the top 10 markets in the world, Russia is the only emerging market to feature. However, the top 10 markets by growth over 2009-2010 were all non-traditional air care markets in emerging regions.
- Air care – in line with home care in general – needs to expand its reach and develop stronger positions in untapped emerging markets.
- Surface care also commands a noticeably higher share of sales in developed markets. This is linked to health and hygiene consumption culture, which tends to be more advanced in richer countries.

Home Care Category Shares by Developed vs Emerging Market 2010

