

CANDY

By Kelly Kurt Brown



King-Size Continues Its Reign

King-size candy's reign at the cash register appears far from over, and sales of bagged candy are picking up.

Value-driven consumers see bigger as better when it comes to sweet snacking, and c-stores are finding success moving those items to the forefront, says Cassandra Matos, confections category manager for McLane Co. Inc., Temple, Texas.

C-store sales of The Hershey Co.'s king-size Kit Kat bars, for example, reached \$15.7 million in the last quarter of 2012, up nearly 18%. That compares with \$13 million in sales of standard Kit Kat bars, a figure that grew 9%. Unit sales of the king-size Kit Kat bars increased nearly 16%, compared with a 6.6% increase in unit sales of the standard size, according to SymphonyIRI Group.

While sales of standard sizes in the chocolate segment are doing well, "we're still hearing about good opportunities when retailers promote king. That's definitely where the growth is," Matos says.

Dollar gains in both chocolate and nonchocolate in 2012 were tempered by

unit declines. Chocolate dollar sales grew by 4.6% to \$2.4 billion in the 52 weeks that ended Dec. 30, but unit sales declined 1.8%, according to SymphonyIRI. Non-chocolate dollar sales grew by nearly 8% to \$1.8 billion, but unit sales fell 0.6%.

"Candy overall, year over year, is still growing in total sales," Matos says. "But 2012 did not outpace the inflation of 2011. True growth needs to be determined by looking at unit sales and not necessarily just dollar sales. It's important for retailers to make sure they are outpacing inflation."

2.4 points

Increase in king-size's share of c-store chocolate dollar sales in 2012, according to Nielsen data for the 52 weeks ending Dec. 29, 2012, shared by The Hershey Co.



Breaking the Seal

When it comes to nonchocolate, traditional bagged candy, such as Haribo Gold, Trolli and Starlight Mints, is doing well.

"They're still a good value for the consumer and still growing," Matos of McLane says.

But value-seeking shoppers are increasingly purchasing larger resealable bags of candy, both in chocolate and nonchocolate items, she says. Retailers are adding these bags to the bottom shelf of their candy set.

"I think it's important to look at bagged

candy and see the potential (for retailers) to add some of the stand-up, larger-sized resealable candy bagged items—like a larger M&M's or Hershey's Drops, Starbursts, Skittles or SweetTarts—to gain those consumers," she says.

As with chocolate, retailers are also seeing growth toward king or sharing sizes in nonchocolate.

Matos suggests capitalizing on adult consumers of nonchocolate by moving some of those items higher in the candy sets.

"It's important to realize that there are candy-consuming adults in addition to kid consumers, and not all nonchocolates should be on the bottom shelf," she says.

35.7%

Percentage of chocolate candy buyers

who purchase chocolate candy that comes in a stand-up pouch (SUP), according to a 2012 consumer survey by Packaged Facts.

On Trend: Gum

According to Mondelez International, manufacturer of Trident brand gum, three trends shaping the gum category in 2013 include:



- The importance of value and its reflection in micropacks and pouches.
- Greater personalization.
- Focus on teens, who continue to be the heaviest users of gum.

All Gummed Up

Gum sales continued to decline in 2012, dropping 5.4% in c-store dollar sales to \$1.2 billion and showing a 5.3% decline in unit sales in 2012, according to SymphonyIRI. Matos of McLane says it's doubtful that there will be a true turnaround in the category this year.

However, "I think we will see a lessening of the decline from some of the mini-bottles and the prepriced that are out there and some of the innovation the gum manufacturers are trying to do," she says.

In considering gum's struggle, Matos suspects some consumers have been lost to the stronger mints segment and others simply lost in the confusion of emerging products.

"There have been so many new items in gum that we haven't given the consumers an opportunity to become loyal users," she says. "There's a new gum out every month, it seems. In order to make room for the new ones, you're taking the old ones off the shelf.

"We've outpriced it, and we haven't let the consumer become a loyal user by this constant shuffling of items."

That said, prepriced and mini bottles present an opportunity to gain a consumer for a time. "If that consumer still perceives the price of a pack of gum as too high and not of value, they will not trade up and become a loyal long-term user," she says. "The most important thing is to make sure the retail price is a perceived affordability or a perceived value."

She also encourages retailers to give new gum items a real chance before swapping them for something new, while ensuring that the portion of the set that stays constant represents the very best sellers.

Seasonal Growth

Seasonal also represents a great opportunity for retailers in the coming year, Matos of McLane says. But c-stores have to plan for it. Halloween orders, for example, should be made by March or April, she says.

"It's a challenge because the ordering dates are much earlier than most convenience store retailers are used to working with," she says. "But there's definitely an opportunity to gain some sales for those truly seasonal items."

Retailers don't need to go crazy trying to figure out what seasonal flavors are the best picks. Traditional flavors that fit the season are the ones that sell best, Matos says.

"If you look at chocolate items like Reese's Pumpkins or Snickers Pumpkins, they do well across the board," she says. "It's a new area for convenience stores, and I think there's just tremendous opportunity for incremental sales there."

Going Hand to Mouth

Convenience stores also will want to pay attention to the popularity of another bagged item: hand-to-mouth chocolates.

From The Hershey Co., options have included Kit Kat Minis, Hershey's Drops and Reese's Minis. At Mars, Snickers Bites, Milky Way Bites and M&M's Snack Mix have spoken to this trend.

With the popularity of king-size chocolate bars, she stresses the importance of promoting them up high on the set. But retailers also shouldn't overlook standard, a stalwart in chocolate.

"We've seen a lot of retailers having king-size first in the segment and standard after that," she says. "It draws the consumer to the king or sharing items first."

25.9%

Percent of consumers who say they

"usually" buy chocolate candy in c-stores, according to Packaged Facts.

Halloween, Easter, All Other Seasonal

Among chocolate candy types in all channels, these seasonal segments saw the greatest growth in dollar and unit sales, according to SymphonyIRI data from Packaged Facts' 2012 report on seasonal candy.