



# **U.S. Confectionery Industry**

## *The Power of Sweet*



**Larry Wilson | VP, Industry Affairs | NCA**



# Confectionery is a big industry with high household penetration



**\$36B**

TOTAL  
CATEGORY  
U.S.

**98.8%**

HOUSEHOLD  
PENETRATION  
U.S.





**Confectionery  
has an  
enormous  
economic  
impact**

**DIRECT ECONOMIC IMPACT IN THE U.S.**



**ECONOMIC  
OUTPUT**

**\$44.6B**



**WAGES**

**\$8.9B**



**FEDERAL, STATE &  
LOCAL TAXES<sup>++</sup>**

**\$13.3B**

and nearly **1,300** manufacturing facilities in all **50** states



## NATIONAL MULTIPLIER EFFECT

**ONE** U.S. confectionery manufacturing job

**SUPPORTS**

**TEN** other jobs in the U.S. economy





# Supporting more than **607K jobs** across the U.S.





**With high  
household  
engagement  
comes  
responsibility**

**\$36B**

TOTAL  
CATEGORY  
U.S.\*

**98.8%**

HOUSEHOLD  
PENETRATION  
U.S.



\* Estimated Retail Sales

SOURCE: NCA PROJECTIONS SOURCED FROM DEPARTMENT OF COMMERCE/EUROMONITOR INTERNATIONAL/IRI WORLDWIDE



# Confectionery...

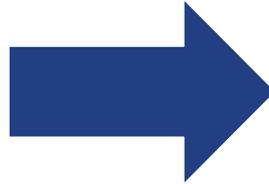
- Strong emotional bond
- Unique, fun, affordable and special
- Engrained in family traditions and seasonal celebrations
- 97% is still sold in-store



# Candy is **unique**: Always a treat



MOST PEOPLE ENJOY  
chocolate & candy  
**2-3 TIMES**  
per week<sup>1</sup>



OF AMERICANS  
AGREE THAT CANDY  
IS ALWAYS A TREAT<sup>2</sup>



# As a treat...

CHOCOLATE & CANDY  
account for about  
**ONE TEASPOON**



OF ADDED SUGAR PER DAY<sup>1</sup>

&

AMERICANS AVERAGE  
**about 40 calories**  
— PER DAY FROM —  
**CONFECTIONERY ITEMS<sup>1</sup>**



# Delivering on emotional well-being

## EMOTIONAL WELL-BEING

People are passionate about their favorite treats and have strong emotional connections to them.

**4 OUT OF 5 AMERICANS**  
..... say that .....  
**EMOTIONAL WELL-BEING**  
**is as important as**  
**PHYSICAL WELL-BEING**<sup>3</sup>



 **3/4**  
of people think  
**TREATS ARE MORE FUN**  
**WHEN SHARED**  
**with a friend**<sup>4</sup>

**90%**   
**OF AMERICANS**  
..... give gifts of .....  
**chocolate and candy**  
**TO LOVED ONES EVERY YEAR**<sup>2</sup>



**Candy is an  
in-between-  
meals treat  
90% of the  
time**

How consumed

**88.9%** As a treat

**8.0%** With a meal

**3.1%** As a meal replacement



# Treating mostly happens at home

7 in 10 total candy eatings occur at home

**68.6%** of candy is consumed at home

Chocolate



72.0%

Chewy



65.2%

Hard



56.9%

Gum



34.3%

Mints



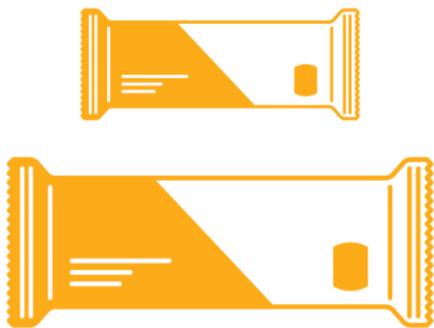
34.3%

Functional candy indexes  
higher for out-of-home

%=at home share

# Helping shoppers enjoy **treats** while managing sugar intake

**BY 2022:**



**PORTION GUIDANCE,  
OPTIONS & CHOICES**

**1/2**

of our individually wrapped products will be available in sizes that contain 200 calories or less per pack.

**TRANSPARENCY  
& INFORMATION**

**90%**

of the best-selling treats we make will have calorie information printed on the front of the pack, helping consumers make informed choices.



# Along with education to support a happy, balanced lifestyle

## CONSUMER EDUCATION & SUPPORT



Visit [AlwaysATreat.com](http://AlwaysATreat.com) to find a digital resource full of easy-to-use information about the unique role that confections play in a happy, balanced lifestyle.

## OUR PARTNERSHIP



Our progress over the term of our five-year commitment will be monitored and reported by the Partnership for a Healthier America in conjunction with a well-respected, nonpartisan policy research organization called the Hudson Institute.

[www.AlwaysATreat.com](http://www.AlwaysATreat.com)

# Responsibility while managing the business



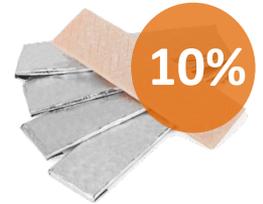
Chocolate  
Candy

+0.9%



Non-Chocolate  
Candy

+3.9%



Gum

+0.9%

Total Confections: +1.2%

# Total store sales are recovering, yet units remain relatively flat

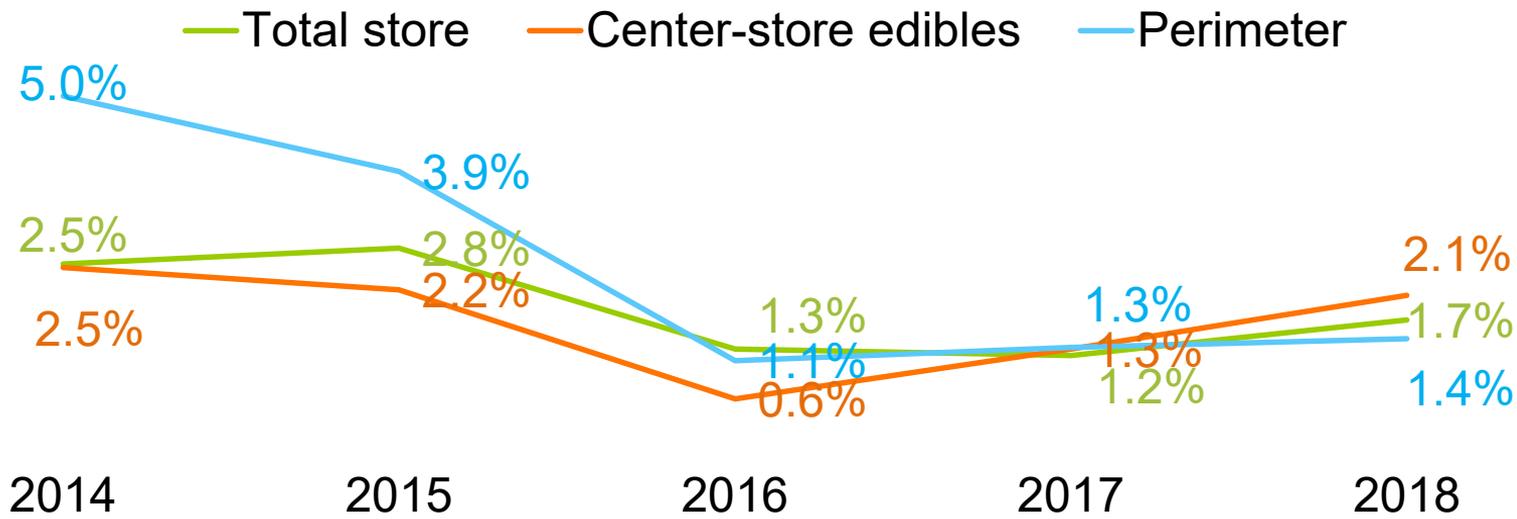


2013-2018 Total store \$ growth and unit growth

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ growth	+1.8%	+2.5%	+3.1%	+1.5%	+1.3%	+2.0%
Unit growth	+0.3%	+0.6%	+0.8%	+0.5%	-0.3%	+0.4%

# And center-store is now outpacing the mighty perimeter

Center-store edibles \$ sales outgrew the perimeter in 2018



Source: IRI, MULO, 2014-2018

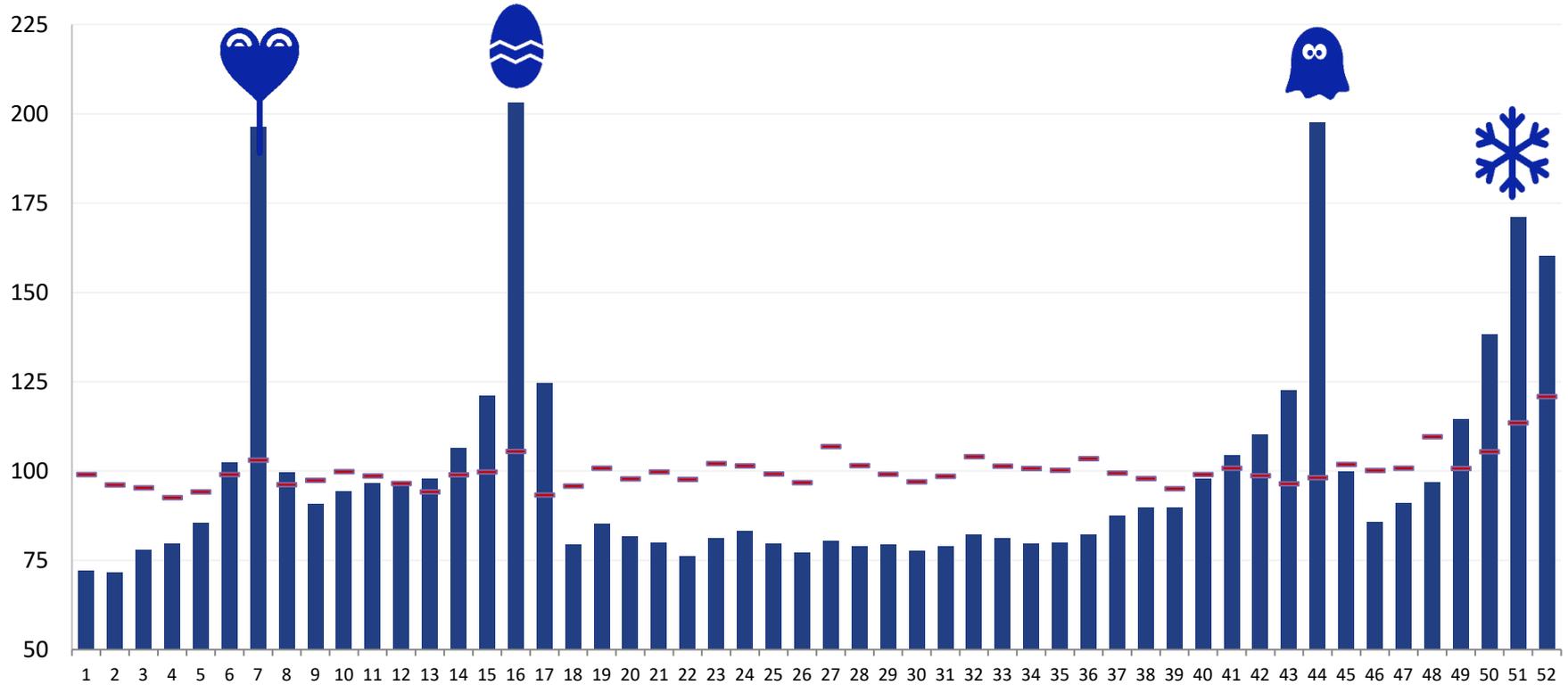
# Total store growth > confectionery gains

Confectionery \$ growth dips back to 2016 levels

\$ Growth	2013	2014	2015	2016	2017	2018
	+1.8%	+2.5%	+3.1%	+1.5%	+1.3%	+2.0%
	+2.3%	+1.9%	+3.2%	+1.2%	+1.8%	+1.2%



# Bringing everyday & seasonal joy



Source: IRI 52 weeks; MULO+C; Total Confections vs. Total Store



# Using...



## Cocoa beans

- 759 million lbs
- \$673M+



## Milk/milk products

- 1.0 billion lbs
- \$173.3M+



## Sugar

- 2.3 billion lbs
- \$205.8M+



## Peanuts

- 320 million lbs
- \$500.4M+



## Corn syrup

- 1.4 billion lbs
- \$664.1M+



## Almonds/other nuts

- 70 million lbs
- \$149.7M+

# Trend spotting



- Consumers responding - 2019 and beyond
- Red flags

# Consumers are responding

1

## Expanded assortment relates to \$ growth

- **1,596 average Confectionery items per store**
  - Down 0.8% \$ Sales: +1.2%
- **Chocolate**
  - 865 average items per store
  - -2.8% \$ sales: +0.7%
- **Non-chocolate**
  - 572 average items per store
  - +4.0% \$ sales: +2.9%
- **Gum & mints**
  - 159 average items per store
  - -5.9% \$ sales: -0.2%



# Younger generations: Broader appeal for a wider array of treats – Variety critical

Nearly 1/2 of Candy sales and 87% of growth attributed to Millennials and Gen X

Millennial Young



Choc. Box/Bag/Bar



Gift box chocolates



Licorice



Chewy Candy

Millennial Older



Plain Mints



Choc. Box/Bag/Bar



Licorice



Hard Sugar Candy

GenX



Plain Mints



Chewy Candy



Gift box chocolates



Hard Sugar Candy

Boomer Young



No Strong Index across any group

Boomer Older



No Strong Index across any group

Senior



Novelty Non Choc



Chewy Candy



Gift box chocolates

HIGH PURCHASE INDEX

# Consumers are responding

2

## Mid Market Brands – Bring variety, innovation

- Brand Dollar Sales
  - Top 5 manufacturers +0.8%
  - **Mid-market manufacturers +3.1%**
  - Private brands – retailer brands +1.2%

# Consumers are Responding

Defined as \$11/pound or more in the IRI universe

## 3 Premium chocolate sales



Total chocolate:  
**+0.6%**



Premium chocolate: 12% share  
**+19%**

# Consumers enjoy across the chocolate spectrum

Consumption of one type does not exclude consumption of another

Types of chocolates consumed:

**90%** Mainstream chocolate

(i.e. Hershey's, Snickers or Baby Ruth)

**70%** Premium chocolate

(i.e. Lindt, Ghirardelli or Ferrero)

**27%** Fine/artisan chocolate

(i.e. made by chocolatiers, like hand-made truffles)



# Consumers are responding

## 4 Novelty chocolate

- New business –fueled by new items/innovation
  - Small segment – 1.4 share of chocolate category
  - New +3 items/store
  - Absolute dollar gains, at +\$174.5M

# Consumers are responding

5

## Chewy candy

- \$3.7 billion segment
  - 49.8% of total non-chocolate category
- 2018 \$ growth rate of +3.5%
  - Volume +1.5%
  - \$125M in new dollars between 2017-2018
  - High interest among Millennials



# Consumers are responding

6



## Caramel/taffy

- Dollars: +5.4%
- Volume: +4.0%

7



## 3 out of 4 seasons

- Valentine's Day +2.4%
- Halloween +6.7%
- End-of-Year +4.4%

# 2019 and beyond

1

## Transparency — Leverage consumer interest in product ingredients and production process

- Claims and certifications
- Ingredient simplicity
- Origin/authenticity
- Showing double digit gains in consumer takeaway



# 2

# CSR/environmental responsibility matters

ALL CONSUMERS	IMPORTANCE OF CACAO FARMING/PRODUCTION PRACTICES	FINE CHOCOLATE CONSUMERS
54%	Traceability of ingredients	74%
53%	Transparency of production process	73%
56%	Sustainable sourcing avoiding deforestation	74%
62%	Engaging in responsible labor practices	81%
49%	Initiatives to reduce water and energy usage	75%
53%	Initiatives to reduce product/package waste	76%

# 2019 and beyond – addressing marketplace forces

3

## Segmentation: “One-size-fits-me”

- Generational gaps
- Income gaps
- Multi-cultural society
- New ways of working
- Ecommerce
- Smart homes
- Convenience
- Health and wellness
- Ethical living and more

Targeted, relevant,  
segmented approach  
to:

- Branding
- Marketing
- Merchandising
- Advertising

# Red Flags



Younger generations have a greater attraction to snacks - under index for confectionery



Abundant and blurry choices means shoppers can get their treat or reward outside the store/aisle



Hybrid products causing blurred line and taking people out of the candy aisle



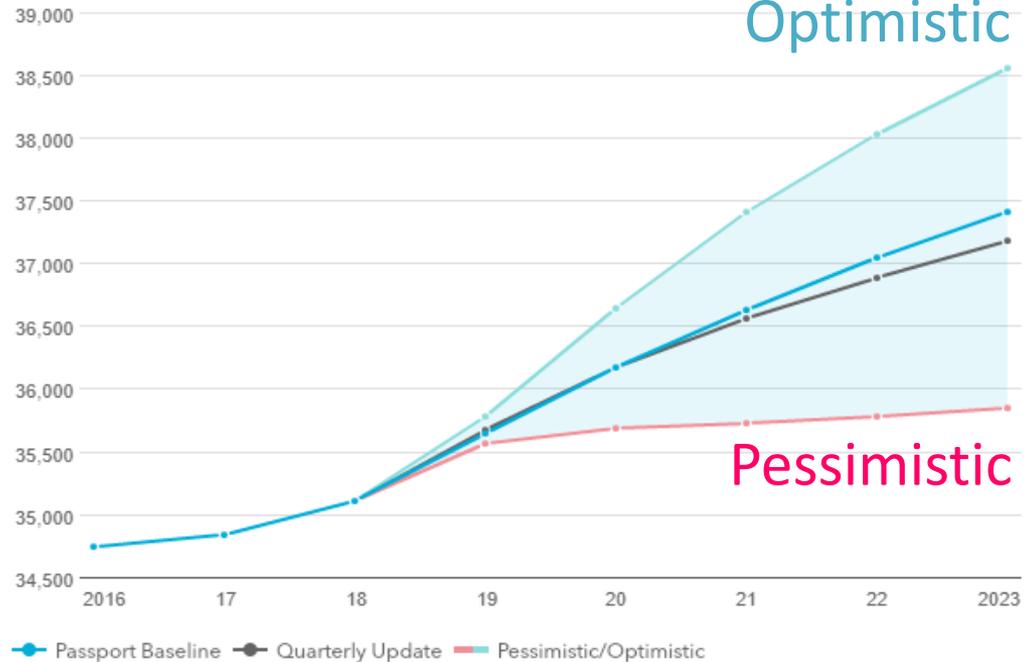
War on sugar, is not a war on candy

**Growth scenarios highly depend on managing input costs and demand**

### Retail Value Sales, Real US\$ mn, 2016 - 2023

2018 Constant Prices, 2018 Fixed Year Exchange Rate

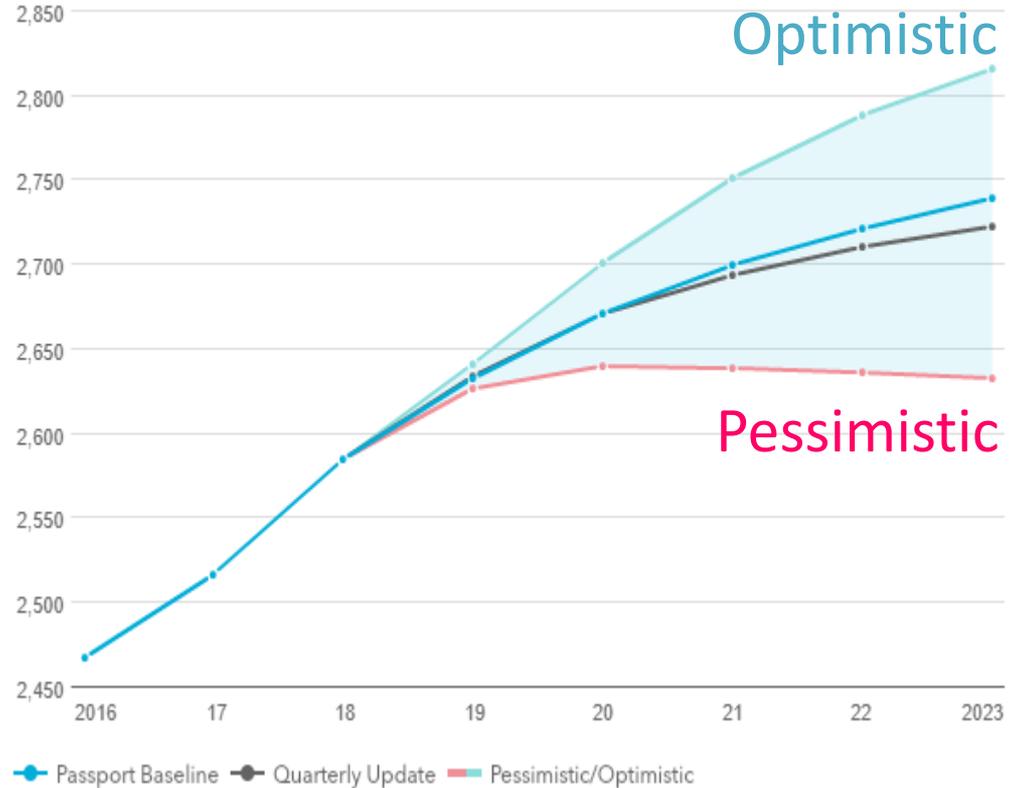
#### USA - Confectionery



With continued volume pressure a possibility

Retail Volume Sales '000 Tonnes, 2016 - 2023

USA - Confectionery





# Questions?

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