



**Worldwide category sales continued a steady rise during the initial six months of the year. Sweet Insights identifies opportunities, touches on challenges facing the category and looks at what's ahead.**

# Challenges, Opportunities Mark First Half

DOMESTICALLY AND GLOBALLY the category experienced modest gains in dollar sales during the past year, with U.S. sales reaching \$33.6 billion and the worldwide market hitting \$198 billion, according to the NCA, U.S. Department of Commerce and Euromonitor International, Inc. data.

This growth has continued into the first half of 2014, driven by chocolate and innovations, and gains are anticipated to endure, particularly for new products, brand extensions and premium items.

Larry Wilson, NCA vice-president of customer relations, notes global growth is outpacing gains in the U.S. He explains much of the worldwide gains are being driven by emerging markets, including Latin America, Asia and India.

"There is a lot going on, both in dynamics of the market and in drivers of consumer sentiments," Wilson says. "Yes, there are some challenges, but more important, there are opportunities for confectioners and for retailers."

These prospects include increasing consumer interest in premium products, seasonal and co-branded items that combine a candy brand with a cookie, cracker or other product.

## U.S. SALES OUTPACING CENTER STORE

Despite pressures, the category is outperforming center store products by more than one percent, and during the past six months sales have grown 1.5 percent, according to Information Resources, Inc. data.

While dollar sales have been strong, units have experienced some compression. During the past 52 weeks, volume sales are up less than one percent.

"Merchandising is driving the category," Wilson explains. "We see increases from merchandising in terms of dollars as well as

strength in new items."

Further, assortment and the introduction of truly unique items have lifted sales, NCA research finds. During 2013, retailers stocked an average of seven additional items, while during the past six months this has increased to an average of 12.

"There was a period when manufacturers were choosing fewer, bigger and better product launches," Wilson says, adding: "In the past year we have started to see more new items and real innovations coming out."

In addition, while retail pricing has been steady, Wilson notes during the past quarter it has come up slightly, the result of increases in wholesale prices made mid-summer.

While new products are bringing in ancillary sales across the category, chocolate still reigns with dollar sales gains of 2.2 percent during the past six months compared with 0.8 percent for the overall category. Further, single chocolate bars 3.5 ounces or less rang up nearly \$100 million in sales during the period.

Non-chocolate's growth lagged behind chocolate, with gains of 0.5 percent in the past six months, while chewy candy has continued to be a hot subsegment, with more than \$80 million in sales.

Wilson notes novelty is also a strong performer in non-chocolate. This is particularly important for improving incremental sales, as 60 percent of these items are unplanned purchases.

In addition, Wilson says flanking chocolate products with non-chocolate items can boost sales incrementally by leveraging the types of merchandising that inspire off-list purchases.

Wilson notes significant gains in the segment are coming from premium products, which have strong merchandising efficiency, as nearly two-thirds of everything promoted is truly incremental to sales.



CONTINUED ON PAGE 18