



Intelligence in time

The state of the industry

BCCC Annual Conference

6 April 2011

Today's presentation

- The industry faces some challenges...
 - But consumers are resilient
- The market:
 - Value, segments, forecast
 - Trends
 - What's "moving"
- Conclusions and points for the future



A market facing challenges...

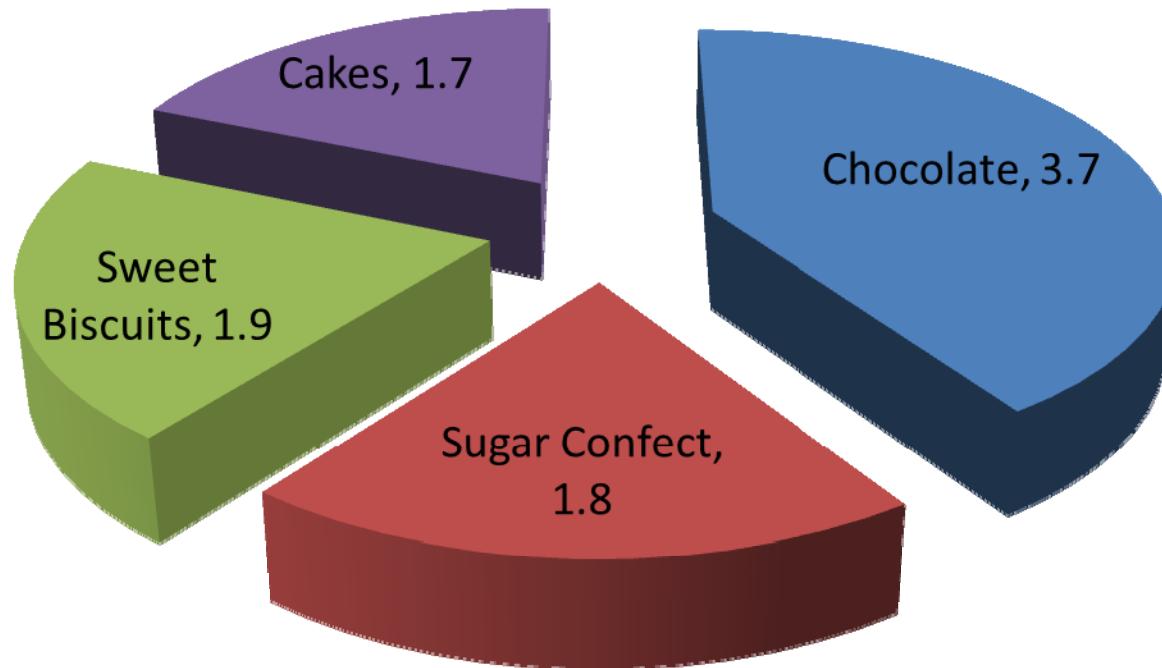
- Penetration of chocolate is falling
 - Although frequency of consumption is increasing
 - Commodity prices are rising
 - Increasing pressure from health bodies
 - NPD is sporadic, advertising is down
 - Growing pressure from private label
-
- But half of UK consumers like to treat themselves to things they know are not good for them
 - A third of UK consumers buy chocolate on impulse
 - Despite concerns over fat and calorie content, adults like to reward themselves (and their kids) with sweets and chocolate



A huge market

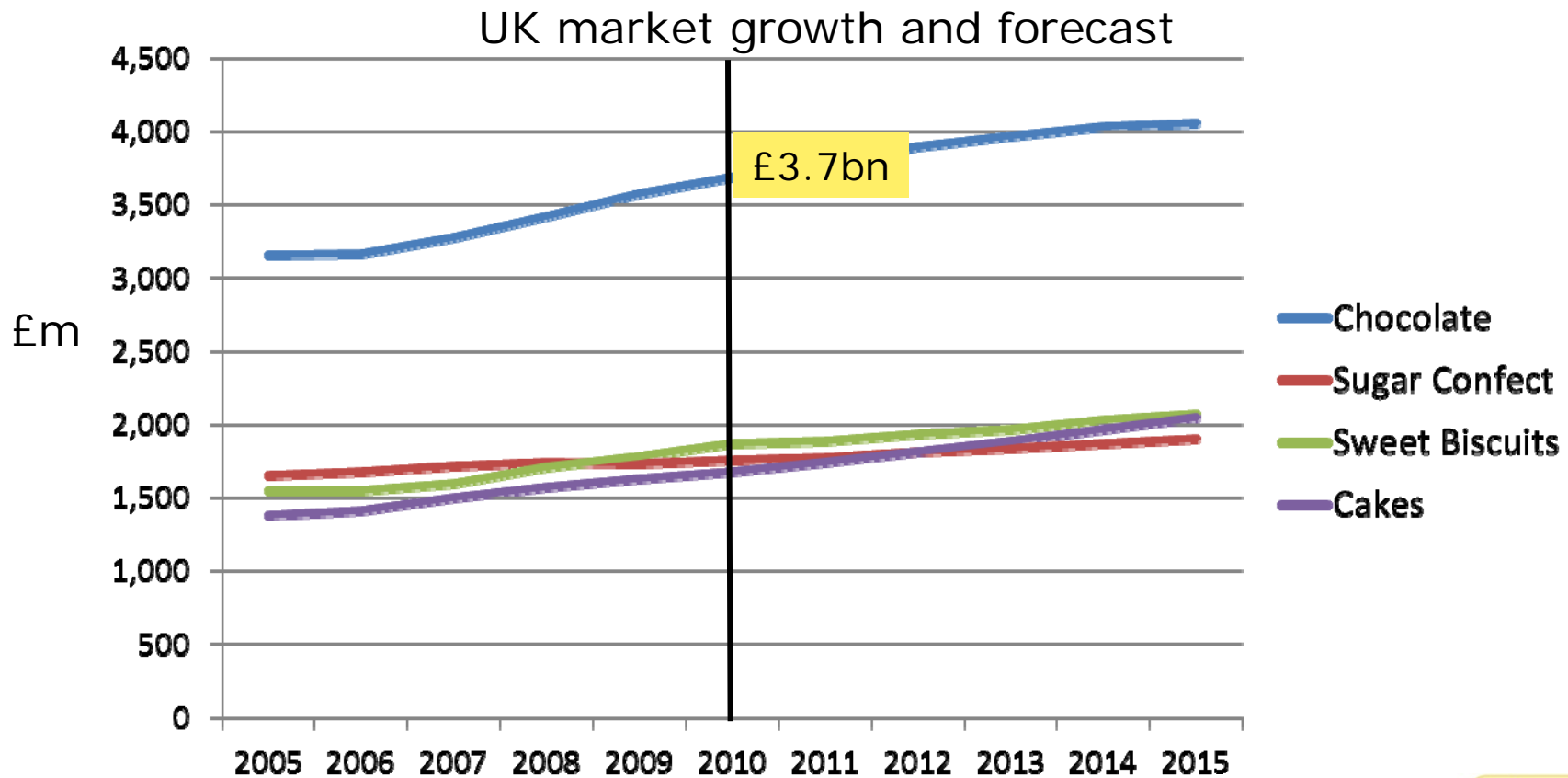
- Collectively worth around £9 billion at retail
- Circa 7.5% of total UK food expenditure

UK market size, £ billion, 2010



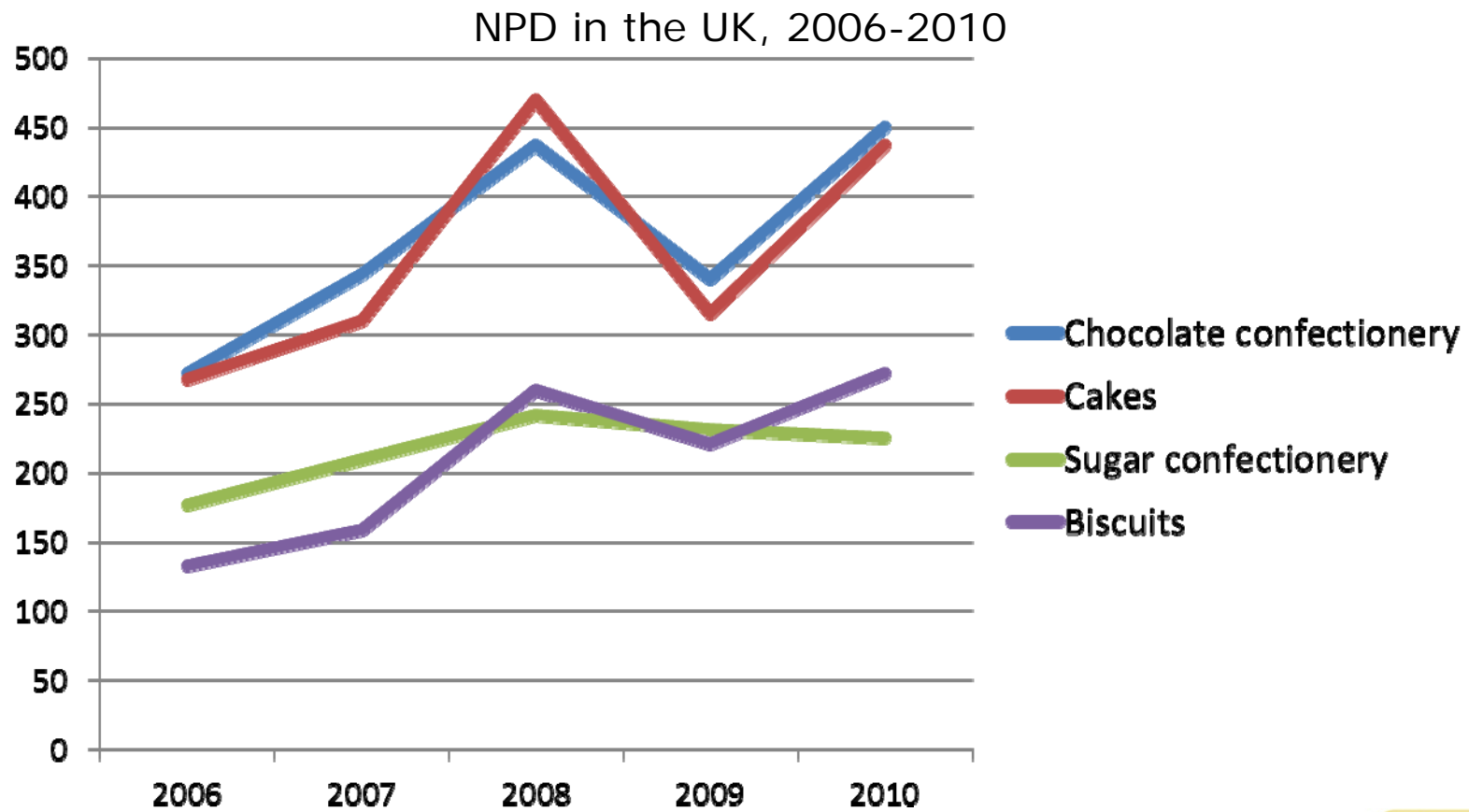
A huge market that continues to grow

- Chocolate dominates
- Four segments collectively forecast to see 30% growth, 2005-2015, to reach £10 billion



New product development has been sporadic...

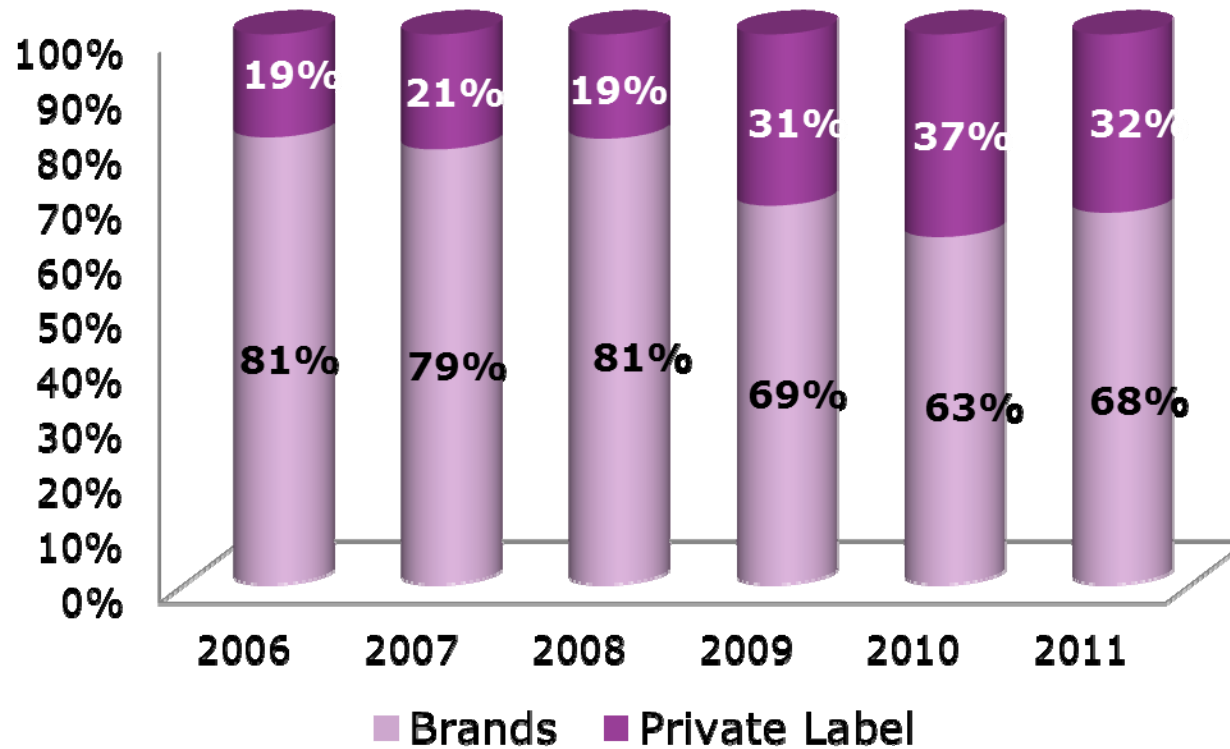
- Chocolate and cakes vie for the number one spot, in terms of new products to market
- Activity grows in biscuits



The brand : private label relationship in chocolate

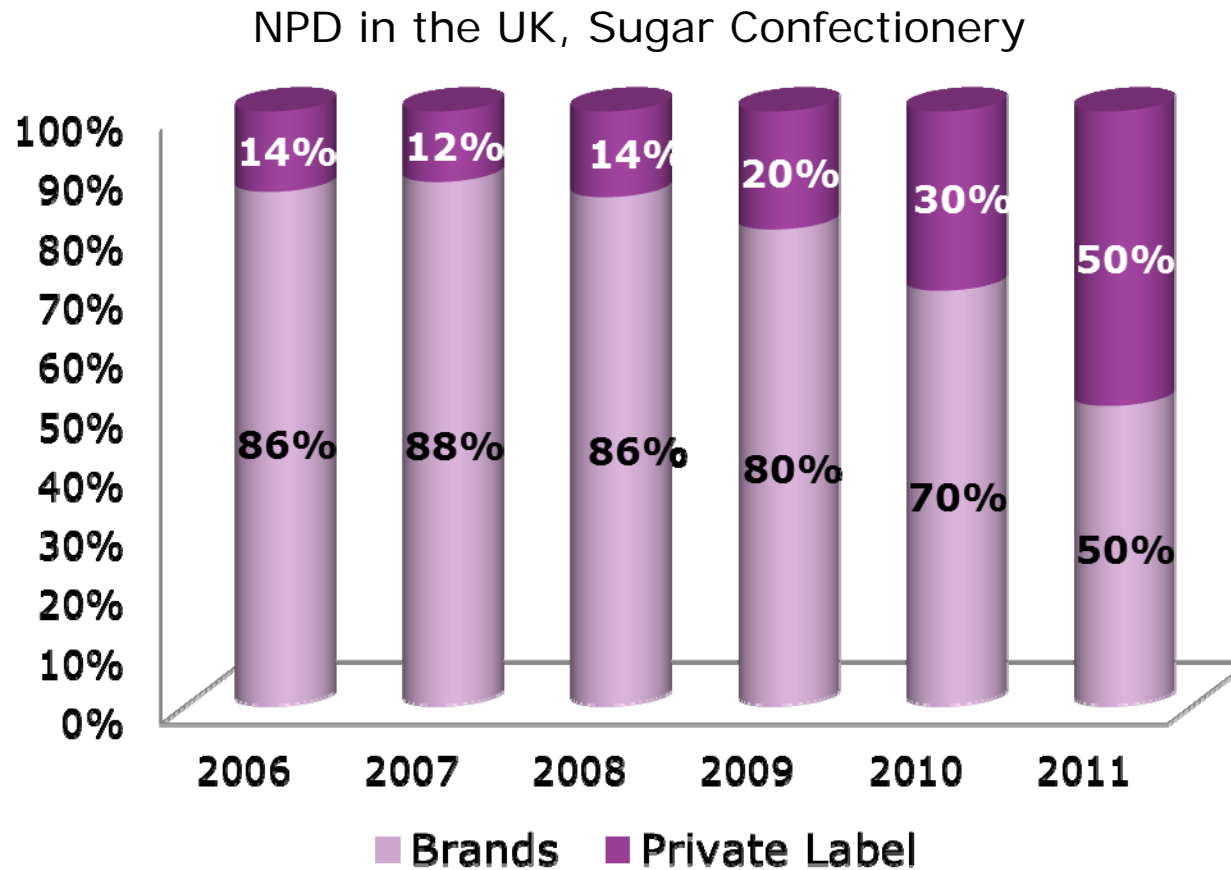
- Private label growing – now accounts for a third of all NPD
- Yet only 11% of UK consumers think that own label chocolate tastes as good as brands

NPD in the UK, Chocolate Confectionery



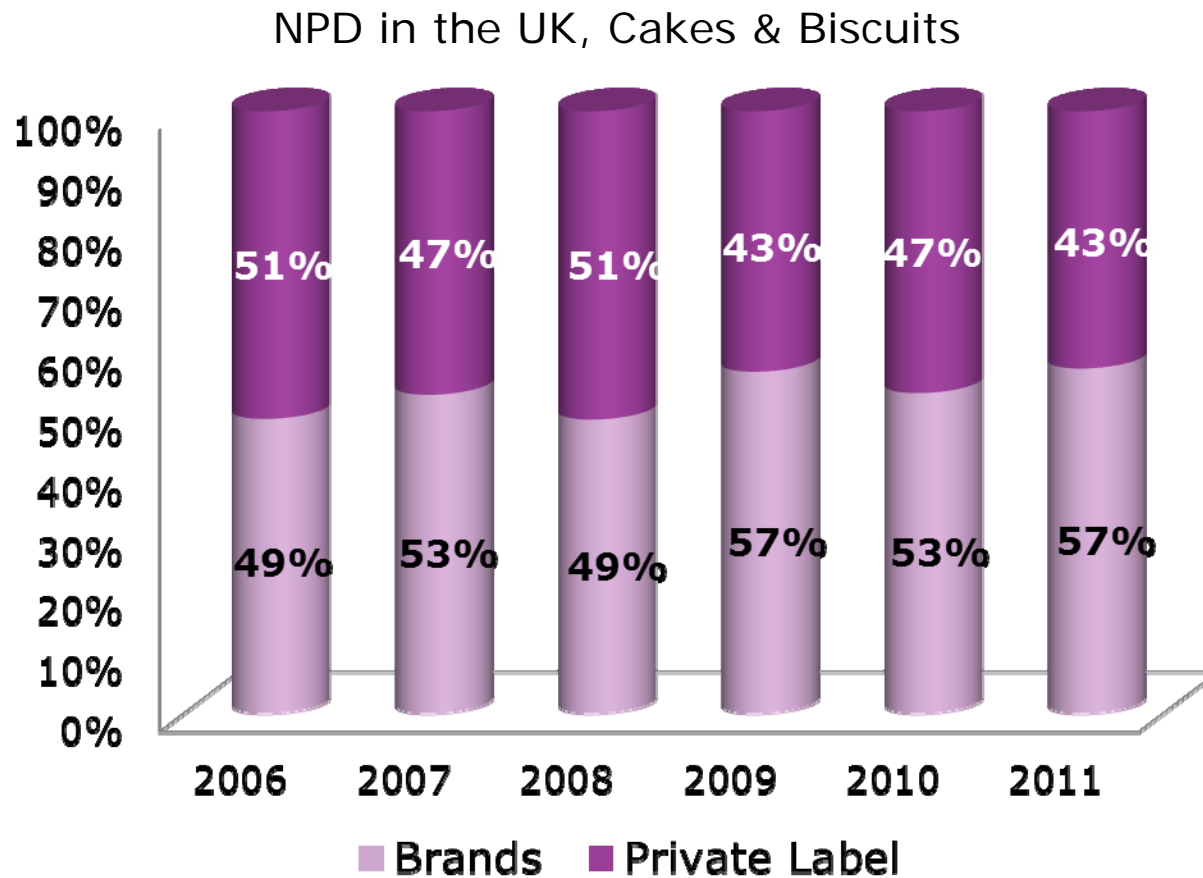
The brand : private label relationship in sugar confectionery

- Private label share of NPD is growing, fast...
- Now accounts for half of all NPD



The brand : private label relationship in cakes & biscuits

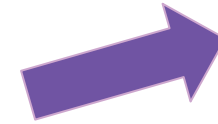
- Private label very strong in cakes & biscuits
- But brands appear to be fighting back on the NPD front



Chocolate – what's moving?

■ Countlines



 + 16%

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➔ + 16%

■ Moulded bars



➔ + 31%

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➔ + 31%

■ Small blocks (<85g)



➔ + 37%

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■ Dark chocolate up 130%*



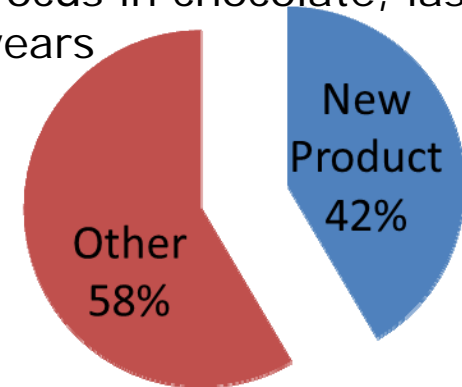
+ 130%

■ * Although only 27% of consumers think dark chocolate is "healthier"

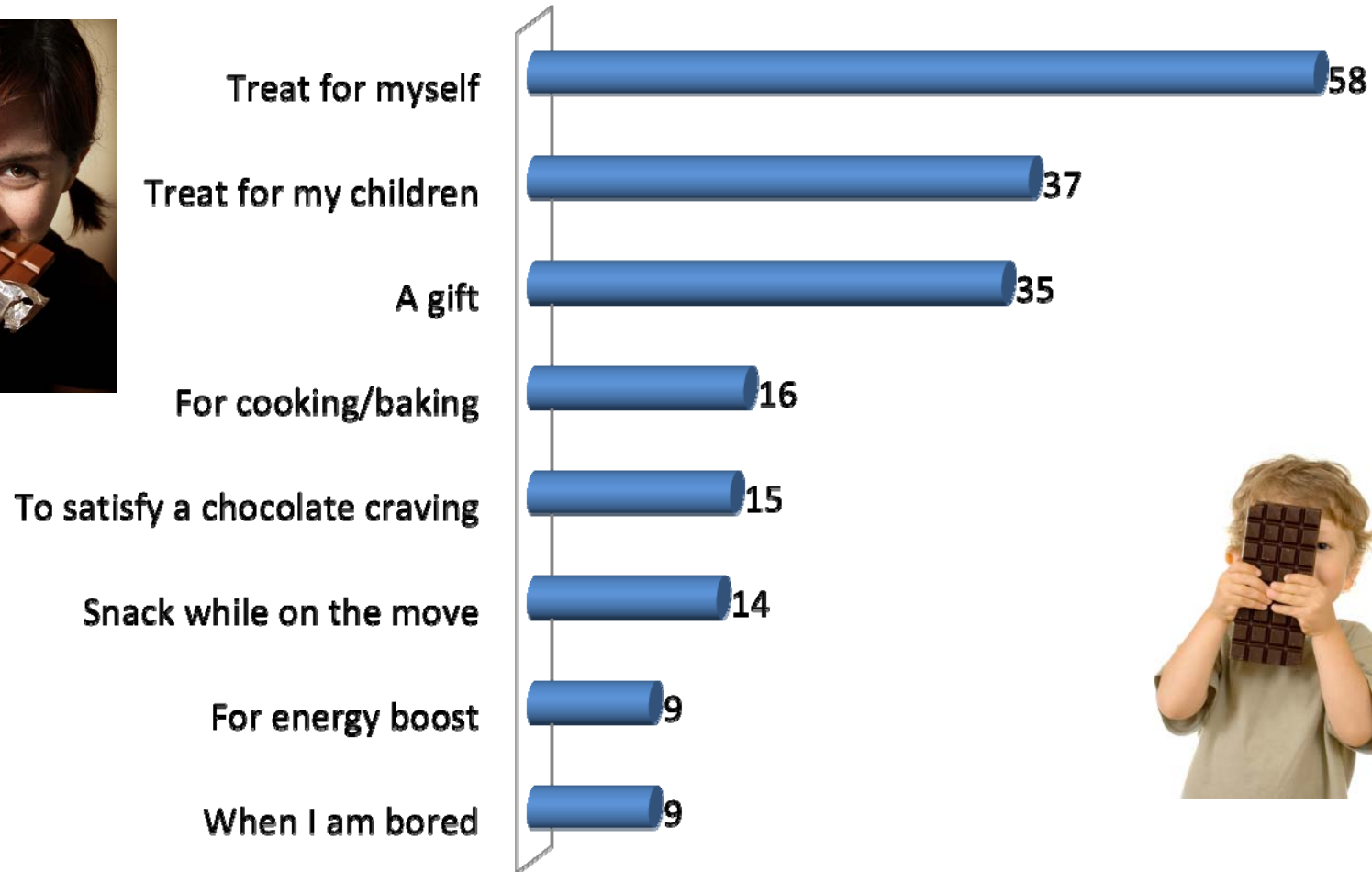
Chocolate – what’s happening?

- The market is not recession-proof, but it does appear to be recession-resistant
- Some impact on sales of premium chocolate
- NPD focus has been on core brands, relaunches, reformulations and extensions, rather than entirely new products
- Focus is on pleasure, not (overt) health
- Fairtrade grows and expands

NPD focus in chocolate, last two years



Why do consumers eat chocolate?



Chocolate – focus on “better for you” reformulation

An advertisement for Mars chocolate bars. The background is black. On the left, there is white and yellow text. On the right, there is a glowing yellow oval containing text and an image of a Mars bar. At the bottom left, there is a red button with white text.

45% less saturated fat*

At Mars, we are in the chocolate business, and enjoying chocolate is something we want people to feel good about.

That's why, whilst we will never compromise on taste, we are also committed to making our products even better. We have invested millions of pounds and thousands of man hours to reduce the saturated fat in our bars, whilst keeping the taste absolutely the same. We are proud to be the first chocolate company to achieve this. Mars, the nation's favourite bar, now has 45% less saturated fat (per 100g) than the average of the top 25 chocolate brands.

[For more details...](#)

** than the average of the top 25 chocolate brands per 100g*

Get more details about the nutritional information of our products

*Same Delicious Taste
45% Less Saturated Fat**



Mars, Snickers, Milky Way, Topic with 15% less saturated fat than the previous recipe
Promoted as 35-45% less saturated fat than the average of the top 25 chocolate brands per 100g

Chocolate – smaller, lighter, darker



Mars' Twix Fino, crispy milk chocolate wafer with caramel, 94 calories per piece



Nestlé's Kit Kat 70% Dark, Fairtrade certified and made with 70% cocoa solids

Chocolate – ethical, sustainable



Mars' Galaxy, Rainforest Alliance certified



Cadbury Dairy Milk, Fairtrade



Premium, organic, Fairtrade chocolate from private label (Co-op and M&S)

Sugar confectionery – what's moving?

- Only seeing modest growth
- Products for kids represent a major segment
- But one fraught with difficulties around targeting and advertising

- “Natural” formulations growing, but not as important as other categories

- Still scope for greater premiumisation and more products with adult appeal



Products for kids

- Is the message “natural”, or value? Or both?



Bassetts's Jelly Babies, made with real fruit juice and containing only natural colours and flavours

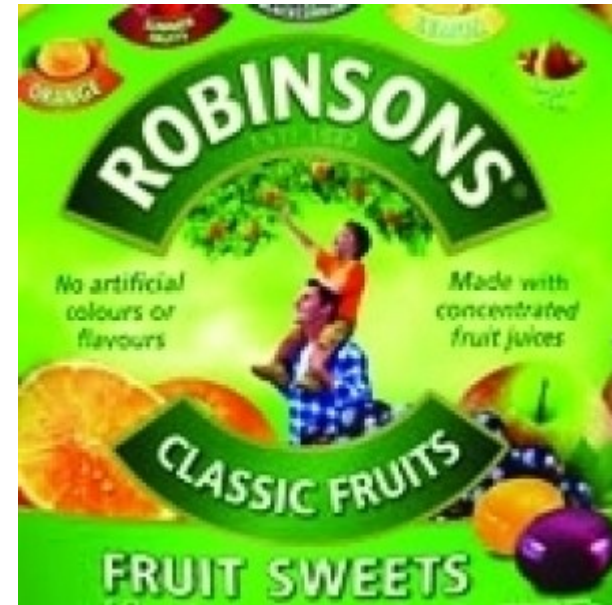


Swizzels Matlow's Chew Crew assorted sweets, 240g big value pack priced at £1

Products for teens, adults, families



Wrigley's Extra Chewy Mints, refreshing mini mints with a sweet crunchy shell and a soft chewy centre, in peppermint, spearmint, sweet mint and cool mint flavours



Robinsons Classic Fruit Sweets, based on Britvic's drinks, made with concentrated fruit juices, free from artificial colours and flavours

Cakes and biscuits – what's moving?

- For cakes, it's all about small is beautiful...
 - Individual cakes and cake bars up 27% last five years
- For sweet biscuits, the market polarises further:
 - Everyday treat biscuits up 26%
 - Healthier biscuits up 24%



Small is beautiful – individual cakes and cake bars



Mr. Kipling Raspberry Ripple Slices, no artificial colours or flavours and no hydrogenated fat.
Launched April 2010,
cumulative sales £1.9m



McVitie's Galaxy Mistletoe Kisses cake bars, Christmas edition cake bars covered in smooth Galaxy milk chocolate

Biscuits – further polarisation, from everyday treats...

- Everyday treats account for c. 15% of the biscuits market
- But represent fastest growing segment in last three years



Cadbury Crunchie Biscuits,
milk chocolate biscuits
topped with crunchy
honeycomb pieces, filled with
a melting honeycomb cream.
Launched February 2010,
cumulative sales £6m



Fox's Chocolatey... Vanilla
Cream or Orange filled
shortcake biscuits covered in
milk chocolate.
Launched June 2010,
cumulative sales £1.1m

...to healthier options

- Healthier options account for as much as a quarter of the biscuits market



McVitie's Go Ahead! Red Cherry Crispy Slices, "perfect for those looking for a little bit of something sweet under 60 calories per slice". Launched January 2010, cumulative sales £2.3m



McVitie's Lights Rich Tea biscuits contain 30% reduced fat and are free from hydrogenated vegetable oil, artificial colours and flavours

Conclusions and points for the future

Sustainability

- How motivated are consumers?
 - 46% of UK consumers consider Fairtrade an important factor when buying food & drink
- The industry pushes Fairtrade and Rainforest Alliance more mainstream
 - But there's still scope in cakes, biscuits, sugar confectionery
- Where will the differentiation be in the long-term?
 - It's part of a complex picture, and consumers don't buy on ethics alone



Conclusions and points for the future

Why do “healthy”? And how?

- These are markets driven by indulgence
 - But permissibility is key
- Consider “additives”, as well as fat and calories
 - More than half of UK consumers always or sometimes avoid “additives” in food (versus 65-70% avoiding high fat and sugar)
- Is the answer “health by stealth”?
- It’s worked for savoury snacks:
 - Understated health positioning
 - Reformulation that removes consumer choice...

But finally...

- Let's not forget it's about fun!



“Green apple flavoured peas and orange sherbet flavoured baby carrots”

For more information



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