



IRI Pulse Report Confectionery

Welcome to the Pulse Q3 2013 edition for confectionery. We hope you find it useful. Please do not hesitate to contact us if you have any questions or comments at EU.Marketing@IRIworldwide.com.

Q3 2013

IRIworldwide.eu



IRi

Growth delivered.

About the Report

- This confectionery report is one of ten super category reports designed to show high-level comparison and analysis for retail markets across major countries in Europe.
- This report contains data gathered from around Europe. This market was consolidated into one super category.
- The report highlights key metrics such as total sales figures, market trends, category shares, winners and losers for Europe and for individual countries.
- The data has been sourced from IRI retail databases and Eurostat, the statistical branch of administration for the European Commission.
- The countries included in the report are: France, Germany, Italy, the Netherlands, Spain and the United Kingdom (U.K.).
- The market channels used for each country in this report are as follows:

Country	Channels used
UK	Hypermarkets, supermarkets, drug stores and impulse outlets
ES	Hypermarkets, supermarkets, hard discounters and drug stores, including the Canary Islands
DE	Hypermarkets, supermarkets, hard discounters and drug stores
NL	Hypermarkets, supermarkets, hard discounters and drug stores
IT	Hypermarkets, supermarkets, small self service, hard discounters and drug stores
FR	Hypermarkets and supermarkets

- For analytical purposes, the data sourced from available retail databases has been consolidated to provide consistent results. However, for some countries it has not been possible to source data pertaining to certain categories. When this occurred, it has been documented in the notes section found at the end of the report.

On the Radar

Low price chocolate categories, take home products and family packages are guiding confectionary performance.

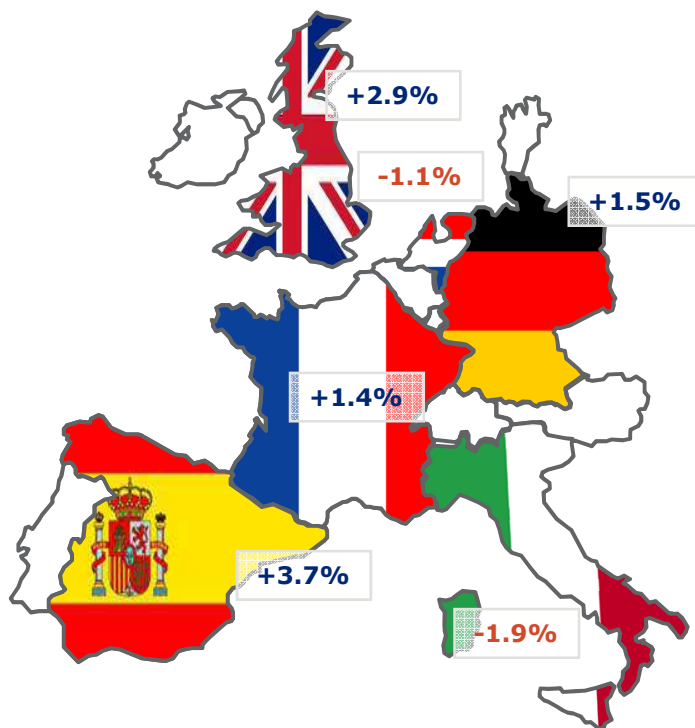
ECONOMIC FIGURES INFLUENCING CONSUMER BEHAVIOR

	POPULATION IN MILLIONS		UNEMPLOYMENT (%)		AVERAGE 12 MONTHS INFLATION RATES		GDP IN MILLIONS (€)	
	Jan. 2012	Jan. 2013	Sep. 2013	Average 2012	Sep. 2013	Average 2012	2012	2013 (Estimate)
France	65.3	65.6	11.1	10.2	+1.2	+2.5	2 032 297	2 059 358
Germany	80.3	80.5	5.2	5.5	+1.8	+2.4	2 644 200	2 694 499
Italy	59.3	59.6	12.5	10.7	+1.8	+3.5	1 565 916	1 568 388
Netherlands	16.7	16.8	7.0	5.3	+3.1	+2.8	600 638	604 459
Spain	46.8	46.7	26.6	25.0	+2.3	+2.3	1 049 525	1 051 076
United Kingdom	63.4	63.8	7.5	7.9	+2.7	+3.7	1 901 001	1 854 920

Source: Eurostat, September 2013

GLOBAL TRENDS

TOTAL CONFECTIONERY VALUE SALES AND % CHANGE VS. PRIOR YEAR

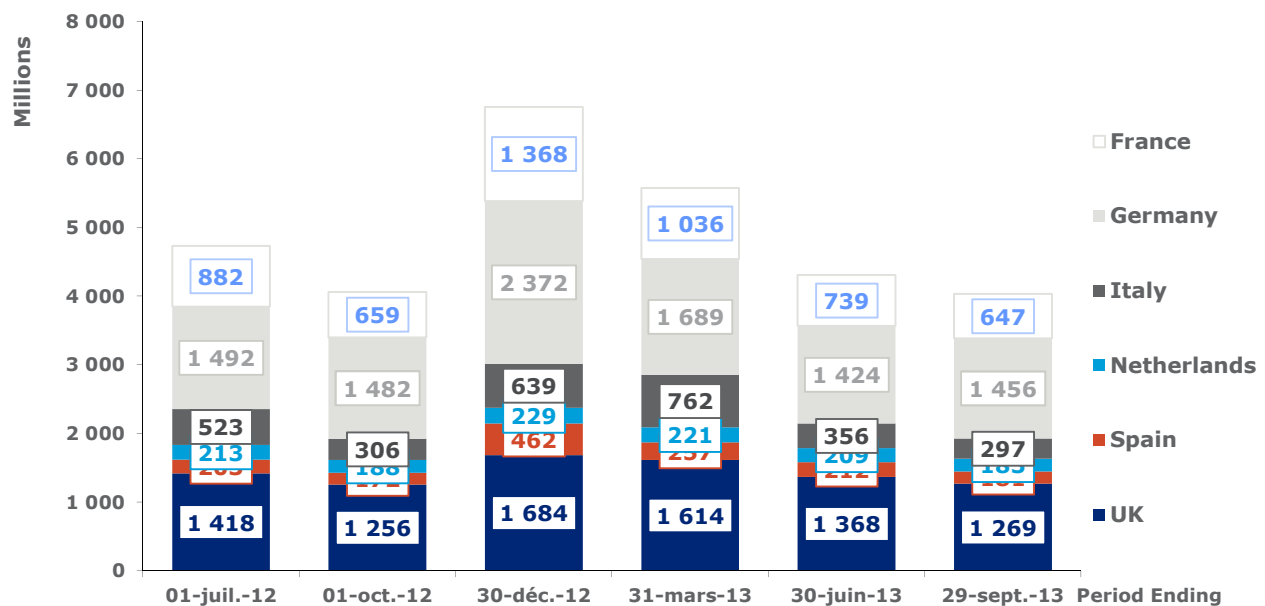


VALUE SALES IN MILLIONS (€)	
Total EU	20 676
DE	6 942
UK	5 936*
FR	3 790
IT	2 054
ES	1 112
NL	842

*based on an exchange rate of €1.150 to the pound

TOTAL EUROPE +1.5%

TOTAL CONFECTIONERY VALUE SALES FOR THE LAST SIX QUARTERS

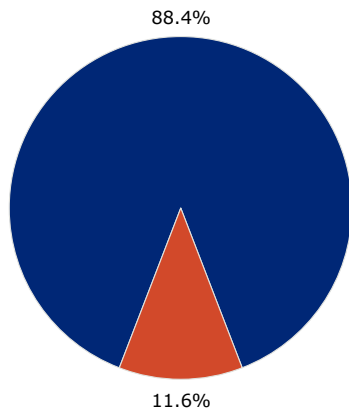


Source: IRI retail databases; Period ending 29 September 2013



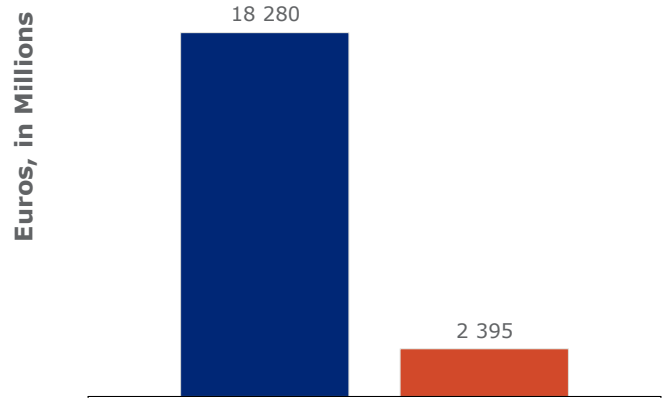
Europe

CATEGORY SHARE OF VALUE IN THE LAST YEAR



■ Non Seasonal Confectionery

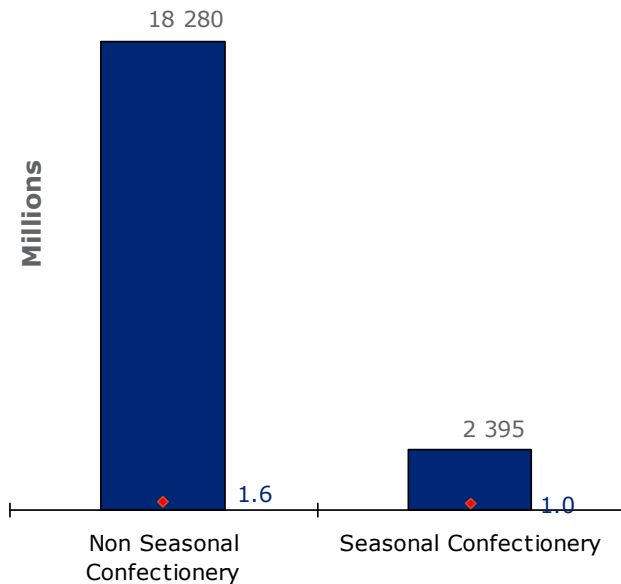
CATEGORY VALUE SALES IN THE LAST YEAR



■ Seasonal Confectionery

TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change vs. year ago



■ Total € Sales ◆ % € vs. YA

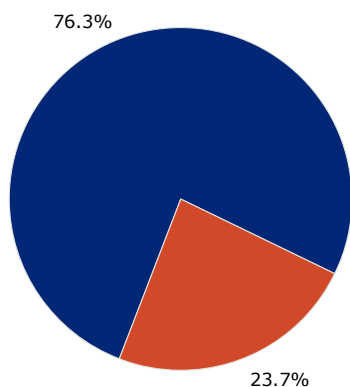
KEY TRENDS

- Chocolate confectionery, tablets and bite sizes are common growing categories across Europe.
- Take home packages and family products are performing better than impulse products.
- Growth across Europe is driven by new product innovation led by main manufacturers such as Mondelez with its brand Milka.
- Ferrero is growing across several countries.

Europe includes: France, Germany, Italy, Netherlands, Spain and United Kingdom

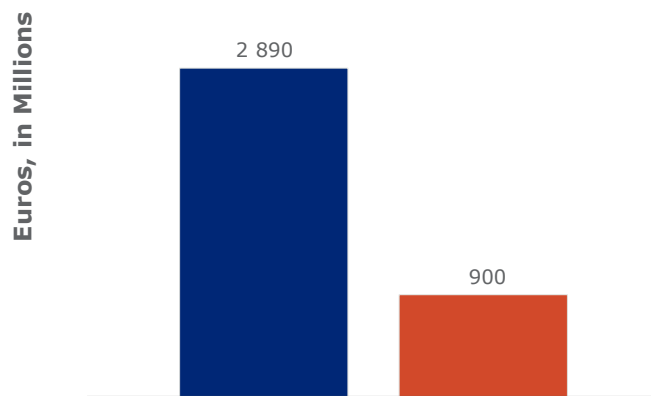
Source: IRI retail databases; Period ending 29 September 2013

CATEGORY SHARE OF VALUE IN THE LAST YEAR



■ Non Seasonal Confectionery

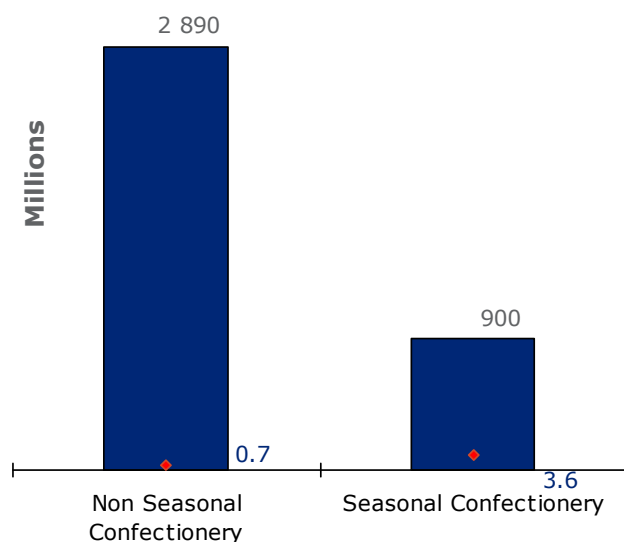
CATEGORY VALUE SALES IN THE LAST YEAR



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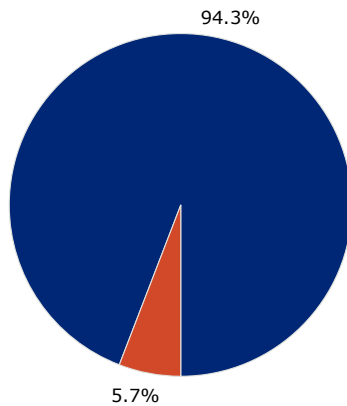
- Seasonal confectionery performed well, driven by Ferrero. Ferrero's winning strategy is based on both keeping investment in advertising and launching new formats of its blockbusters for Easter 2013.
- Non-seasonal confectionery suffered from a reinforcement of the crisis and the declining of children concepts, such as Kinder Surprise. However, bite sizes are well, thanks to a more active promotional drive. Bars are just flat, due to a bad performance of Ferrero and Kinder Bueno.
- Tablets are in decline because of less innovations from Nestlé and Milka. Lindt keeps going well thanks to its premium offer.

Source: IRI retail databases; Period ending 29 September 2013



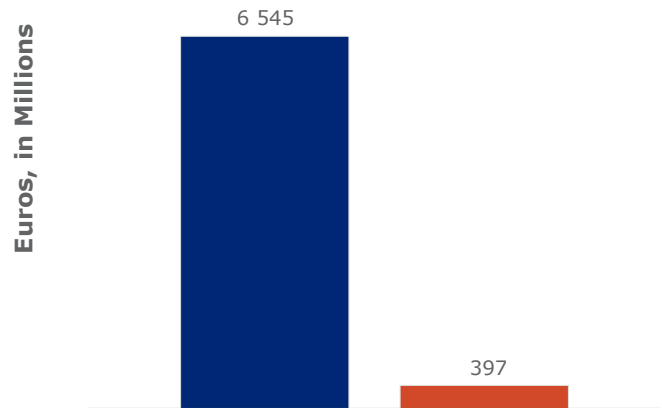
Germany

CATEGORY SHARE OF VALUE IN THE LAST YEAR



■ Non Seasonal Confectionery

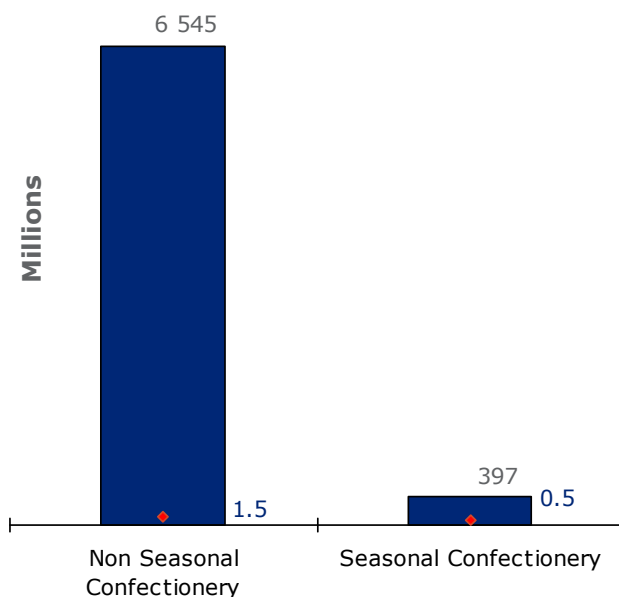
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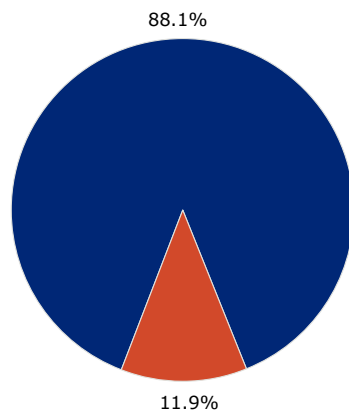
KEY TRENDS

- Volume declined overall, whereas value gains came mainly from higher prices – a trend which will continue into next year – as many chocolate manufacturers already are confronted with higher prices for cacao butter and other ingredients.
- Volume growth continued for the savory snacks segments, the biggest volume driver overall. In contrast, all chocolate categories continued to decline, especially chocolate bars, which lost due to declining promotion sales of some of the big players.

Source: IRI retail databases; Period ending 29 September 2013

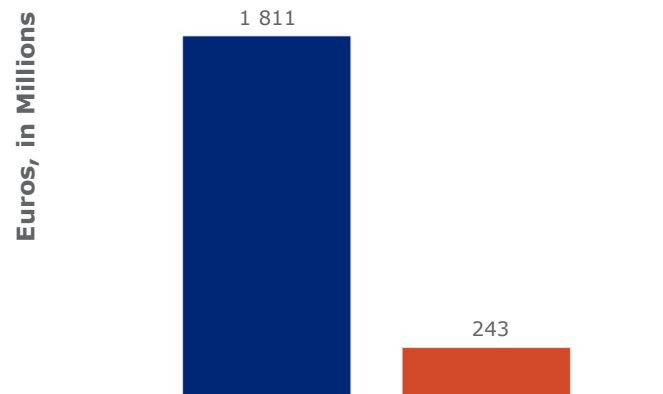


CATEGORY SHARE OF VALUE IN THE LAST YEAR



■ Non Seasonal Confectionery

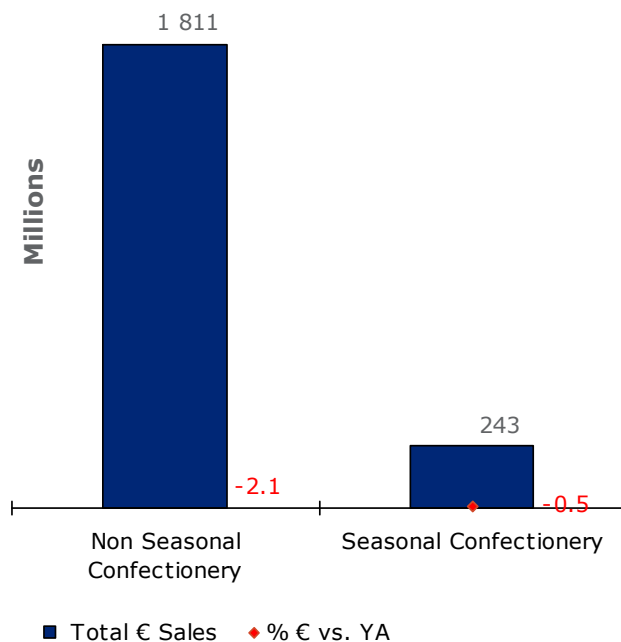
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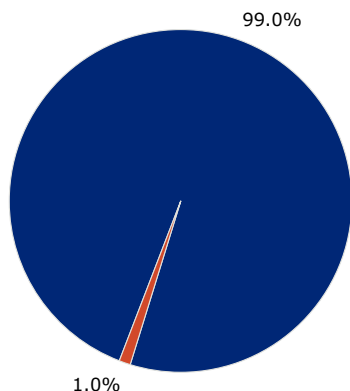
- Confectionery expenditure in both seasonal and non-seasonal categories declined.
- Chocolate tablets confirmed its positive trend both in value (+5.4%) and in volume (+3.3%), and is the least expensive category in terms of euro/KG.
- Snacks are declining both in volume and value.
- Mondelez's Milka performed very well, thanks both to its promotional strategy and innovation in tablet, snack and bite size categories.
- Chewing gum showed the fastest value decline (-9.1%) due to advertising and a drop in new product development investment.
- By the end of Q4, with the majority of sales being generated at the end of the season, we will see if and how the crisis will affect Christmas confectionery sales.

Source: IRI retail databases; Period ending 29 September 2013



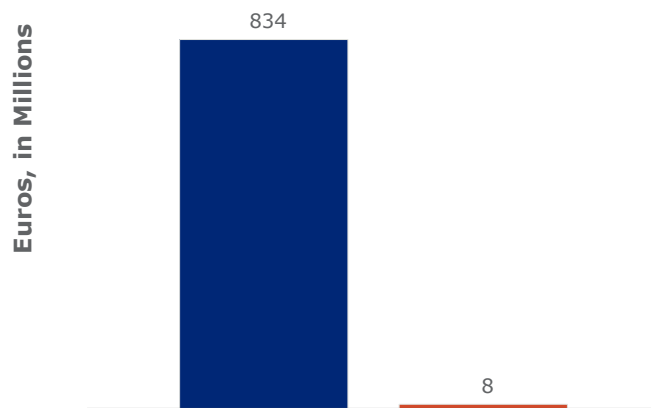
Netherlands

CATEGORY SHARE OF VALUE IN THE LAST YEAR



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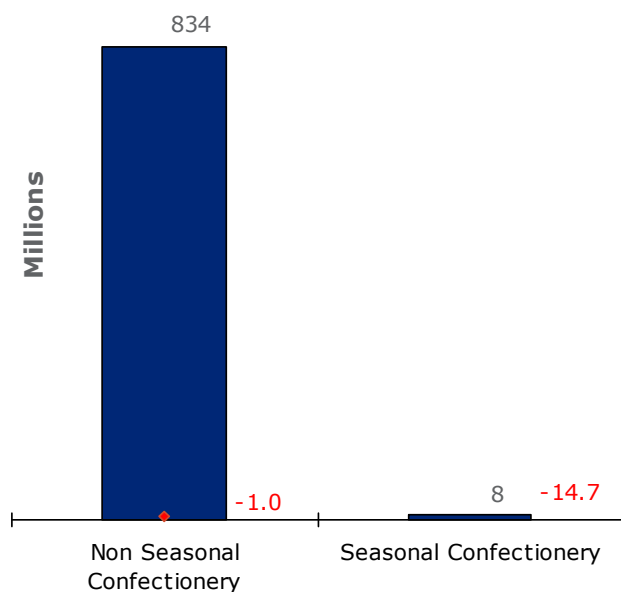
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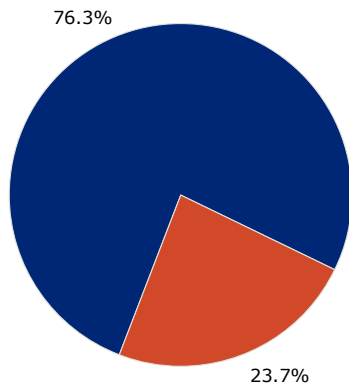
- Total supermarket sales in the third quarter of 2013 grew by 1.4%.
- Total confectionery had negative growth. Results of Q3 were worse than the moving annual total (MAT) and year to date (YTD).
- Currently, there are only two categories with positive growth, namely throat drops and the more relevant liquorice.
- The biggest absolute loss in value came from chocolate. All types had negative sales, with the exception of bars and tablets. Brands which did show growth in Q3 were Milka, Ritter Sport, Tony Chocology, Bros and Lonka.
- The candy category grew on MAT and YTD, but sales have fallen in Q3. Toffee/bonbon and boiled sweet/lollipops are responsible for this.

Source: IRI retail databases; Period ending 29 September 2013



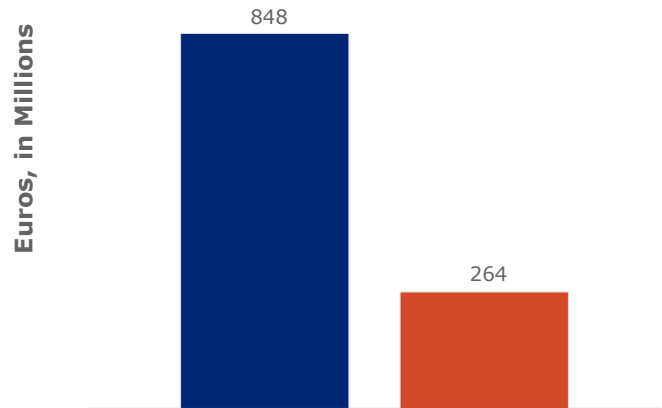
Spain

CATEGORY SHARE OF VALUE IN THE LAST YEAR



■ Non Seasonal Confectionery

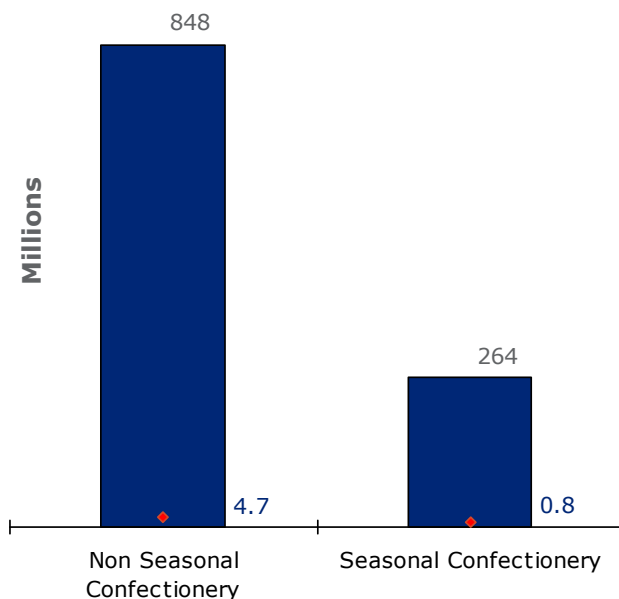
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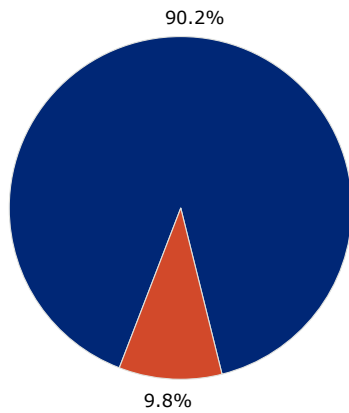
- The confectionery market is in a good shape, in spite of four years economic crisis, and is experiencing growth across the FMCG market (0.5%).
- This positive trend in value was driven by chocolate tablets and candies, the two biggest categories. All leading manufacturers performed well in value. Gum and chocolates decreased in value.
- Sweets grew by 23.3%. This category has an important presence in the impulse channel, but in the last year, the retail channel has gained more weight. Private label has gained more presence, which has resulted in lower category price.

Source: IRI retail databases; Period ending 29 September 2013



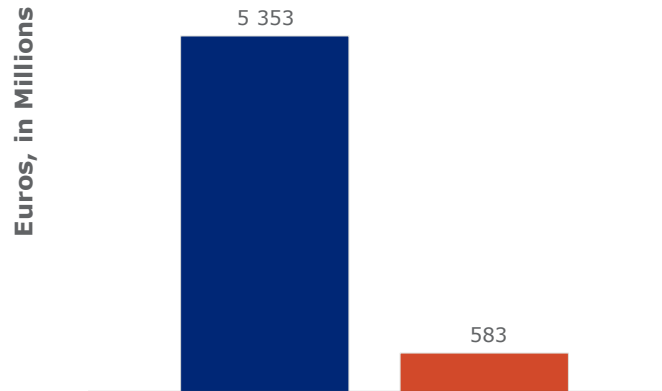
United Kingdom

CATEGORY SHARE OF VALUE IN THE LAST YEAR



■ Non Seasonal Confectionery

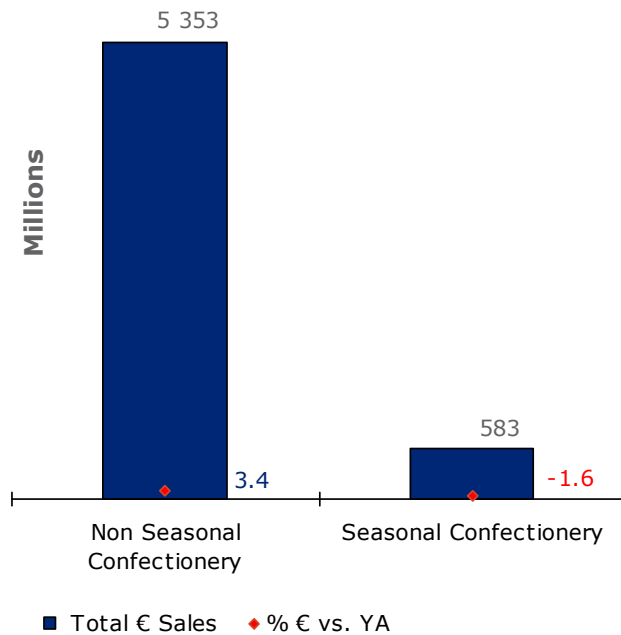
CATEGORY VALUE SALES IN THE LAST YEAR



■ Seasonal Confectionery

TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change vs. year ago



KEY TRENDS

- Confectionery continued to show growth in the U.K. through the non-seasonal sector.
- Growth within non-seasonal confectionery was mainly driven by the take home format, where promotions with display have dominated, but the level of promotions is starting to reduce. The Office of Fair Trading Promotional guidelines are starting to have an effect, as retailers such as Sainsbury's and Tesco reduce the amount of promotions to ensure that products are not at a promoted price for longer than their everyday price.
- New product development remains a major driver for non-seasonal confectionery growth, particularly in chocolate. Cadburys Marvelous Creations, Maltesers Teasers and Kit Kat Chunky Limited Editions are notable examples.
- Seasonal confectionery saw marginal declines, but this is likely to stabilize by end of Q4 as seasonal sales become increasingly back-weighted with the majority of sales being generated at the end of the season.

Source: IRI retail databases; Period ending 29 September 2013

Final Notes

Notes on Category Definitions for Countries

Due to the diverse products found in individual countries across this market, it was necessary to consolidate the available data into the categories in this report. In some cases, it wasn't always possible to align products across all six countries, hence the need to highlight any anomalies in the report. Those exceptions are listed below:

Confectionery

- The Netherlands and Italy data in this report includes toffee products, whereas the other countries do not.

Resources

To gain insight into opportunities across specific categories, segments, channels or retailers, contact your IRI client service representative regarding custom analyses leveraging the following resources:

- **IRI InfoScan Census®** is a syndicated retail tracking service that enables manufacturers and retailers to acquire industry insights used to make better business decisions. IRI InfoScan Census utilizes the data that IRI collects from grocery, drug, and mass merchandise retailers to provide the most comprehensive and accurate syndicated data offering in the FMCG sector. With access to accurate, granular detail by category, geography, measure, and time period, clients have the tools needed to develop marketing and sales strategies based on product performance, distribution, and promotion responsiveness. All data about alcohol comes from **IRI InfoScan Census®**.
- **IRI Consulting** provides strategic insights and advice, leveraging a variety of data sources, predictive analytics, enabling technologies, and business analyses to help FMCG manufacturers and retailers address significant sales and marketing issues effectively.

FOR MORE INFORMATION

Please contact Cristina Lazzaroni, Consultant, IRI at **Cristina.Lazzaroni@IRIworldwide.com** or + 39 02 52579 333 with questions or comments about this report.

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