

# WHY CHOCOLATE'S STILL A SWEET SPOT

Chocolate bar limited editions shine light on manufacturer performance, while nutritional bars capitalise on indulgence cues.

By IRI Client Growth Partner Sally Elstub.

Confectionery sales were strong in the latest MAT, up 0.3 per cent and one per cent seasonally adjusted, with total revenue hitting \$313.8 million, despite growing pressure from macro societal trends that are influencing shoppers, and making them avoid or cut back on sugar.

In addition, these results come in spite of the fact consumers are increasingly seeking functional benefits from the food they enjoy, which suggests confectionery might be negatively affected.

P&C confectionery trends differ from grocery, with sugar (including gum, mint, singles, novelty and kids) declining year on year by 0.5 per cent versus 3.1 per cent growth in grocery. Chocolate (including bars, block and box hang sell) grew by 2.1 per cent in P&C, turning around the prior year's muted performance (down 2.8 per cent), while grocery chocolate sales stagnated, down 0.5 per cent. Manufacturers and retailers who capitalised on permissible indulgence and 'FOMO' trends made headway.

## Battle to sustain NPD rotation

Chocolate bars, the largest confectionery segment, grew by 1.8 per cent. However, manufacturer performance within the segment showed significant disparity between the dominant players. Mars (down 8.2 per cent) and Mondelēz (down 3.7 per cent), which, between them last year, represented 75 per cent of the bar segment, now contribute just 69.5 per cent combined. Nestlé has capitalised on this dip through its KitKat brand by successfully introducing a range of limited edition, distinctly indulgent flavours such as 'Choc Fudge Sundae', 'Red Velvet Whirl' and 'Cookie Dough' to grow share by 4.8pts, registering growth of 25.3 per cent.

For Mars, declines were driven by the removal of special edition flavour 2pks, which couldn't be offset by the positive

## Key findings

- **Flavour rotation** – especially important within established segments where lapping prior-year limited editions proves difficult.
- **Indulgence** – while health and moderation trends prevail, overtly decadent snacks entice shoppers looking for small, permissible indulgences.
- **Display** – capture impulse purchases through positioning of category through the use of hang sells.

sales of the Mars Bar 'Brownie' NPD. Similarly, Mondelēz's special edition flavour rotation could not match that of last year.

## Increased competition from 'indulgent' nutritional bars

The 'healthy lifestyle' positioning of functional (protein) bars such as Bounce, Optimum, BSC and Fulfil may be dissuading shoppers from buying traditional chocolate bars. Nutritional bars have made phenomenal headway, registering double-digit growth year on year within snacking (up 24.4 per cent in the latest MAT to \$29.7 million), with indulgent cues from chocolate confectionery being borrowed to denote their palatability. Top selling flavours include 'Cake Bites Birthday Cake', 'Choc Caramel & Nougat' and 'Rocky Road', which indicates that indulgent flavour profiles transcend categories well and continue to appeal to shoppers with a sweet tooth.

## Merchandise capturing impulse purchases

In-store, there are highly substitutable alternatives to traditional sugar confectionery for sweet-toothed consumers to choose from, such as chocolate, flavoured milk and protein bars. This makes visibility and display of the sugar confectionery category and in-store location a primary concern for retailers and manufacturers. Hang sell displays allow flexibility in choosing a location in-store and are a good way to build baskets – hang sell confectionery

accounts for 21.3 per cent of sales across chocolate (up 1.5 per cent) and sugar (down 1.7 per cent). For sugar, this was the second year in a row of negative growth, representing seven per cent of total confectionery category decline. Nestlé NPDs within chocolate hang sell contributed to growth through KitKat, Milky Bar and Smarties line extensions.

## Performance not so sharp in mints and gums

Within the sugar category, gum and mints represent more than half the value sales (53 per cent), but both segments declined for the second year in a row (down 1.6 per cent and 1.3 per cent, respectively) and were the lead contributors to overall decline for sugar. Non-traditional flavour variants delivered growth, with Wrigley Extra and Eclipse 'Watermelon' the leading growing SKUs. However, this did not prevent overall decline.

It appears size does matter for gum, with bottles (Wrigley Extra and Mentos Bottles) delivering most of the growth, while traditional sevens and 14s packs, which make up the bulk of the segment, were hardest hit.

## About IRI

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