

# AS SWEET AS IT GETS

Consumers now have the best of both worlds, as the confectionery market adapts its offerings to include treats with a healthy twist • BY DOUG BURN

**D**espite the increasing interest in good-for-you snacks, candy and other confectionery treats are still in style with consumers with a sweet tooth. But that doesn't mean it's been business as usual for manufacturers. To help boost sales, many confectioners have adapted their offerings or added new product innovations to meet changing consumer tastes.

On the confectionery side, manufacturers are successfully adapting to growing public concern over bulging waistlines and worrisome rates of childhood obesity by incorporating nuts and berries and other healthful ingredi-

ents such as yogurt into new chocolate bars and panned products. The bagged candy category has also expanded dramatically in response to consumer demand for greater portion control. And confectioners are increasingly promoting the antioxidant properties of cocoa's flavanols in their current product offerings while developing new items with added nutraceutical properties. Even the makers of sugarless gums and mints are increasingly offering their wares as options for dieters seeking an alternative to mindless munching between meals.





### TAPPING THE HEALTH HALO

Alan Whitteker, vice-president of Sales for Abbotsford, B.C.-based Brookside Foods, noticed an abundance of new products with fruit and nuts at last June's All Candy Expo in Chicago. Recognizing a trend, Brookside expanded its selection of panned chocolate into a wider array of fruit and nuts, including chocolate-covered blueberries, cranberries, cherries, almonds and cashews. The new products have been very successful with consumers, says Whitteker, "because we all enjoy decadent treats, especially when an indulgence comes with a pretty decent health benefit."

With production facilities in Abbotsford, B.C. and Saint-Hyacinthe, Que., Brookside is a high-end confectioner (Whitteker positions Brookside between Cadbury and Lindt in terms of price and quality, meaning the company is benefiting from the overall trend to premium chocolate), and operates the largest panning facility in Canada and possibly in North America. Its Chocolate Bowl brand was also ranked number 1 in the bagged chocolate fruit and nut category two years ago by ACNielsen. This year, as well as expanding its offerings of dark chocolate, Brookside is introducing an organic chocolate range.

In January, Brookside also grew through the

acquisition of Winnipeg-based Krave's Candy Co., makers of the popular Clodhoppers fudge and graham wafer clusters. Co-founder Chris Emery was named vice-president of Marketing for all Brookside brands in Canada. Kraves co-founder Larry Finnson had previously left the company to pursue other entrepreneurial opportunities.

### PREMIUM GOES MAINSTREAM

According to Rudi Blatter, CEO of Lindt & Sprungli (Canada), the North American trend to premium chocolate only appears to be recent because retailers have begun to display imported chocolate more prominently in the last year or two. In fact, says Blatter, "the premium market has been developing over the last six or seven years." A glance at Canadian imports of chocolate confectionery over the last decade confirms this trend. From 2000 through 2005, imports from Belgium, Switzerland, France and Germany (the leading exporters of premium chocolate) have increased by 11 per cent annually. In fact, in January sales were up 22 per cent over the same month in 2005.

With the growing popularity of the premium chocolate category, Lindt is expanding its marketing focus beyond drug stores, where it



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is a category leader, to include supermarkets and mass merchandisers. Even within drug stores, Lindt's role is changing, with products now located at or near checkout lanes. Previously, the Lindt brand was most popular with consumers – typically female and older – who recognized the value of premium-priced gourmet chocolate enough to look for them. Now Lindt products compete with Kit Kat, Coffee Crisp and other domestic confections at the checkout, where impulse purchases – typically by male and younger shoppers – are more common.

Blatter says Lindt has successfully negotiated this transition in drug stores and is ready to take on supermarkets and mass merchandisers. The advantage, he says, is that Lindt has particular strength in seasonal confections, something that's recognized by large retailers who rely on seasonal promotions for Christmas, Easter and other holidays to build store traffic. Earlier this year, Blatter expanded Lindt's Canadian offerings with the addition of three lines of chocolate based on origin-specific cocoa from Cuba, Ecuador and Madagascar.

**PORTIONABLE AND PERMISSIBLE**

Unlike the soaring sales of premium chocolate, the trend to future consumption and bagged chocolate candy is less dramatic but no less consequential for the industry. Despite the 40-per-cent annual growth rate for premium chocolate, total sales to the end of

**Retail Sales of Confectionery:  
52 weeks ending Jan. 21, 2006**

(All channels, unless otherwise specified)

	Value to Jan. '06 v. Jan. '05 \$ Millions	Value Change v. Jan. '05 Per Cent	Unit Change Per Cent
Chocolate, Singles – Immediate Consumption	\$432.4	- 2%	- 1%
Chocolate, Boxed – Future Consumption	\$196.6	+ 3%	+ 3%
Chocolate, Multi-Pack – Future Consumption	\$84.0	+ 20%	+ 13%
Candy – Immediate Consumption	\$72.5	- 3%	- 6%
Candy – Future Consumption	\$297.9	+ 5%	+ 7%
NPF* Fruit Snacks	\$127.4	+ 3%	+ 5%
NPF* Cereal Bars	\$124.2	+ 9%	+ 8%
NPF* Granola Bars	\$254.2	+ 12%	+ 11%
Dietary Bars**	\$31.3	- 26%	- 22%
Energy/Nutritional Bars	\$55.2	+ 55%	+ 55%
Breath Fresheners	\$61.6	- 4%	- 5%
Cough Tablets	\$98.2	+ 1%	- 5%
Licorice	\$52.7	+ 2%	- 6%
Gum	\$396.5	+ 4%	+ 1%

\*NPF: Nutritious Portable Food

\*\* Grocery + Pharmacy + Mass Merchandiser

Source: ACNielsen MarketTrack, 52 weeks ending Jan. 21, 2006

January are just under \$40 million, or less than two per cent of Canada's \$2-billion chocolate confectionery market. In contrast, while sales of multi-pack chocolate for future consumption are growing at half the pace, the category is worth twice as much. Similarly, an ever-growing proportion of popular chocolate bars such as Cadbury Caramilk is being offered in pouches of mini and bite-size pieces alongside bags of Hershey's Kisses.

"The pieces business is driven by expanded product availability, both for traditionally bagged confectionery such as our M&Ms and for bars such as Snickers that are now available in miniatures and in fun-size," says Rankin Carroll, director of Marketing for Confectionery at Bolton, Ont.-based Effem Foods. Carroll explains that increasing sales of the bars in these smaller formats are incremental, that is, they are not cannibalizing sales of the full-size bars. "The pieces benefit from being fun and shareable for kids,

**CANADA'S CONFECTIONERY MARKET**

**Shipments 2003:** \$3.1 billion (62 per cent chocolate, 38 per cent non-chocolate).

**Domestic market 2003:** \$2.5 billion.

**Exports 2003:** \$1.7 million (55 per cent of shipments).

**Imports 2003:** \$1.1 million (45 per cent of domestic market).

while moms feel better knowing they can control portions,” he says. “Because it’s portionable it’s permissible.”

Other major confectionery makers have also added portioned-packs to their lineups. In January Cadbury Adams Canada launched Cadbury Minis, bite-size versions of its Cadbury Caramilk bars and Cadbury Peanut

Butter bars, in 200-g bags. Martin Parent, vice-president of Total Confectionery, explains: “With sales of take home bags outpacing category growth by eight per cent, Cadbury Minis are the perfect small indulgence at home, at the office or on the go.”

The small but growing portion of confectionery being sold for future

consumption reflects new thinking in the merchandising of confectionery. Although over 80 per cent of single serving (35- to 60-g) chocolate bars are still sold as singles for immediate consumption at checkout counters, multipacks of two or more are gaining market share. Surprisingly, this hasn’t happened through increased sales in the confectionery aisles of supermar-

**TO SNACK OR NOT TO SNACK**

**N**PD Canada’s latest *Eating Patterns In Canada* report confirms that consumers are increasingly interested in nutritious snacks. And related NPD research shows that our snacking patterns are changing.

Since 2001, the proportion of Canadians reading nutrition and ingredient labels on confectionery, yogurt, potato chip, granola bars and other snack foods has risen to 38 per cent from 31 per cent. And in the last four years, fresh fruit and vegetables overtook “other sweet snacks” such as cookies, doughnuts and other non-confectionery sweet treats as preferred snack items. Today, fruit and vegetables are consumed on 23 per cent of all snack food occasions, as compared to 21 per cent for “other sweet snacks,” 17 per cent for salty snacks, 14 per cent for confectionery, 14 per cent for “other snacks” including yogurt, granola bars and cheese, six per cent for frozen sweets such as ice cream, and four per cent for crackers.

We’re also snacking earlier in the day. While early and later afternoon still account for a third of our snacking occasions, a four-per-cent increase in our snacking at lunch or earlier in the day has been balanced by a proportionate decline in our snacking at dinner and after dinner. And in 2005, for the first time in at least five years, Canadians actually snacked less frequently than they had in the previous year. From 2001 through 2004, snacking frequency increased by five per cent annually to reach 10.3 snacks per week. In 2005, however, snacking frequency fell five per cent to 9.8 snacks each week.

Finally, NPD notes that 47 per cent of respondents in 2005 “mostly or completely” agreed with the statement, “I am looking for a greater variety of nutritious snacks.”

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kets, but through the creative use of secondary displays throughout supermarkets and other large retailers. As a result, shoppers are discovering multi-packs of their favourite bars, and, says Carroll, are making “impulse purchases” for “future consumption.” For the 52 weeks ended Jan. 21, sales of chocolate bars in future-consumption formats grew by 20 per cent, while sales of single bars for immediate consumption actually declined.

Current concern over diet and health, and particularly snacks and obesity, are not about to fade away. Confectioners have shown, however, that they can adapt to even these challenges with innovative offerings, while still serving the enduring demand for fat, sugar and flavour. [EC]

#### NOT JUST FOR COLD SEASON ANYMORE

Flavour profiles of cough tablets have improved so much over the years that sore throat sufferers were increasingly buying them outside the September-to-March cough and cold season. The only shortcoming for most cough tablets was sugar. But now that Halls – Canada’s best-selling cold tablet with a 67-per-cent market share – has expanded its sugar-free lineup, sales are soaring.



According to Martin Parent, vice-president of Total Confectionery for Cadbury Adams Canada, sales of sugar-free cough tablets are growing by 19 per cent per year. Growth has been led by 29-per-cent growth for Halls Sucrose Free Black Cherry – the largest sugar free cough sku – as well as Halls’ new Oxygen lineup (launched in September) of Ruby Red, the number-3 sugar-free cold product, and Ocean Blue, the number-5 product in the same category. “With 40 per cent of sales in the cough category coming during the summer months, Canadians are looking for everyday soothing throat comfort year round, and Halls Oxygen provides the perfect relief,” says Parent.

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