

Healthy sweet alternatives and speciality chocolates lead the market



Sweet talk

your way into the customer's basket

BY LISA DEWBERRY

As the economy recovers, many shoppers are still mindful of their spending on luxury goods and have less discretionary spend at their disposal. However, regardless of their financial position, sweets and confectionery are still seen as an inexpensive everyday treat customers will fork out for. Brands should commit to offering great customer value and retailers should take advantage of this by offering a variety of brands of confectionery in their aisles. A separate dedicated section for healthy sweet alternatives and a separate gifting section with confectionery that is suitably themed to match relevant holidays each month will also boost sales.

Capatilise on nostalgia

According to Anne Hutchison, spokesperson for Kraft, the trend of nostalgia is especially

prominent in the sweets category since people enjoy reminiscing about their favourite childhood treat. Brands that can tap into emotion successfully should see good results and retailers can benefit from this trend by stocking their shelves with confectionery products that the 20-, 30-

and 40-year-old customer previously enjoyed during their childhood. The recent re-launch of the Bakers Boudoir finger biscuit is a perfect example of a brand capitalising on nostalgia.

Some other noteworthy trends currently sweeping the sweets and confectionery category both locally and internationally include stress-eating, healthy choices and affordable luxuries. Hutchison says there are many trends happening in the category, but one of the current major focuses concerns customers not wanting cheap products but preferring affordable value.

"Customers are keen on getting better value offers from the brands they know, love and trust as a result of the difficult economic times. Brands that can get this right reap the rewards. In an increasingly busy and stressed world it is known that people reach for a sweet treat when feeling pressured. The brands of sweets that understand a stressful mood and offer perceived benefits such as relaxation, escapism or added energy may be able to capitalise on this," she says. Researchers have also proven that eating chocolate causes the brain to release chemicals that make people feel good.

Healthy sweet alternatives are key

Another area of focus in the sweets and confectionery category is healthy choices. Customers are being more mindful of what they're eating and are more conscious of ▶



The sweets and confectionery aisle should include a wide variety of brands of sweets and confectionery neatly packed to meet every taste, making it more likely for customers to purchase.

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choices they're making regarding the selection of sweets and confectionery.

Everyone knows someone looking to lose weight or trying to eat healthier foods and this comes into snacking. "However it's important to remember taste is still critical and sweets are seen as an indulgence. Brands that pursue health and well-being at the expense of sweet satisfaction should be warned as this may not achieve the results intended," says Hutchison.

When it comes to healthy snacking, a key area of focus that retailers need to think about is the positioning of healthy snacks in store. Gerhard Wentzel, national sales manager for P.V.M, says Pick n Pays, Spars and forecourts have a dedicated health section where energy and health bars are placed, whereas Makros merchandise these products under the confectionery department. "This category of product is growing and there is a growing trend in putting these products in a separate dedicated section, but customers do still visit the confectionery aisle to find these products. We try to cross-merchandise our products where possible as we find we have better sales this way," he says.

Paul Barnett, executive chef for Pick n Pay on Nicol, says health and sports bars at their store are placed with the nutritional lines and supplements, while all unhealthy sweets and confectionery are kept in the confectionery aisle. "A massive range recently introduced to the store is Natures Choice, a speciality health range made up of 100% bio-friendly and gluten-free super foods. The range includes products such as goji berries, black strap malais and agave nectar and offers customers healthy alternatives for snacking," says Barnett. People still want to snack but are looking for healthy alternatives and some other brand leaders for healthy snacking that their store offers include USN and P.V.M.

Health and sports bars on the way up

According to Jan Wegelin, research manager for BMI, health bars experienced 4.5% growth during the base year with Gauteng continuing to consume the greatest volumes countrywide. Health bars represent a convenient meal replacement

solution and have the addition of 'natural or wholesome' ingredients believed to drive sales. These bars are expected to grow at higher rates in 2011 and 2012 and have shown consistent year-on-year growth mainly due to the healthy eating trend that has been growing in popularity over the years. The growth seen in this category could be attributed to regular innovation and reformulation, as well as new brands and flavours which generate consumer interest.

Sports bars experienced 17.5% growth in 2010 experiencing the greatest average growth per annum since 2000 when compared to both count lines and health bars. These bars are expected to show lower growth rates in the future with 4.0% expected in 2011 and 1.3% expected in 2012. Factors leading to increased consumption across the board were price promotions, product extensions and new packaging designs.



There is a growing trend in putting health and energy bars in a separate dedicated section.

Hutchison says growth in sales of confectionery bars over 2010 and 2011 are partly linked with performance of the economy as well as tailored marketing programmes for brands and consumers. "To make confectionery bars more attractive to customers so they buy them, Kraft tries to have a clear understanding of the customer they are targeting and the environment the customer shops in so that they can develop brand plans that make customers' choices easier. Consumers need to love the brand and then be able to buy the products easily," says Hutchison.

Boiled sweets dwindle

In South Africa, boiled sweets are the most lucrative market within sugar confectionery with over one quarter of both volume and value totals. Wegelin says boiled sweets continue to play a major role in the sugar confectionery category with a 26.7% contribution to total volumes in 2010.

However, during 2010 the category shrunk by 2.9% and is yet to recover. Hutchison confirms that boiled sweets are one of the largest segments within the sweets and confectionery category showing declines over the past year.



Boiled sweets continue to play a major role in the sugar confectionery category, however, during 2010 the category shrunk by 2.9% and is yet to recover.

"This is partly due to more innovation in other technologies such as gums, jellies and the slightly old-fashioned image of boiled sweets taking place. Another reason for the decline is that most boiled sweets are sold through the informal channels and growth over the last year has been experienced in retail, however one should not write off this category as it's a large important segment," says Hutchison.

Niche offerings within the category include liquorice, other sugar confectionery as well as éclairs. Candy Tops is one manufacturer fighting against the shrinkage of the category by introducing innovative new products such as Creamy Toffee Chocolate Éclairs to their Creamy Toffees range. Nicky Rudy, marketing manager for Candy Tops, says this product was a natural line extension and believes it offers customers the best of both since it combines the creamy toffee and the chocolate éclair making it uniquely positioned in the market. Creamy Toffee Chocolate Éclairs has given Candy Tops the opportunity to diversify their range and fill a niche identified by the consumer offering a premium product to bridge a gap.

There is also a growing trend towards sugar-free sweets such as the sugar-free hard-boiled candy offered by Caring Candies, and it is expected this will rejuvenate the category in future. The growth trend in this category is typical of products in the maturity stage of the product life cycle and brand focus should be directed at keeping consumers

interested through activities such as flavour and packaging innovations. Retailers should concentrate on ensuring they have the latest flavour of sweets and confectionery products and that they keep shelves stocked with products in the latest packaging.

Toffees, caramels and chews steady while gums and jellies go up

The toffees, caramels and chews category maintained its position as the second most popular product in sugar confectionery, showing healthy growth of 5.1% in 2010. The category is, however, expected to grow at slower rates in the medium term due to the increase in ingredient prices. Local manufacturers are facing stiff competition from cheaper Indian and Brazilian imports preferred by some outlets who focus on the bottom line.

Gums and jellies are expecting a positive 2012 as they return to 2006 levels of growth. The category remained stable from 2009 with 1.5% growth recorded and is expected to show higher growth levels in 2011. The good performance of this category is attributed to the health benefits of jellies communicated to consumers by manufacturers such as Maynards who introduced fat free Mini Jelly Babies.

Chewing gum volume goes down but value increases

Chewing gum experienced a volume decline of 4.2% which is the greatest decline since 2000, however it is still more



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valuable in Rand terms because of the price increase seen during the base year. Future volumes for chewing gum are expected to remain stable with a marginal increase of 1.4% expected in 2011. The expected growth in this category is due to new flavour introductions and packaging reinvention seen in the last quarter of 2010 expected to attract new customers. One manufacturer aiming for growth in the gum category is Cadbury who came up with an innovation called Stimorol TasteTwist, a flavour-changing gum introduced in April, which gives customers the chance to experience a sequential flavour change from fruit to mint.

Chocolate slabs under pressure

Due to political unrest in the Ivory Coast, the world's largest cocoa producer, the price of chocolate slabs is expected to rise

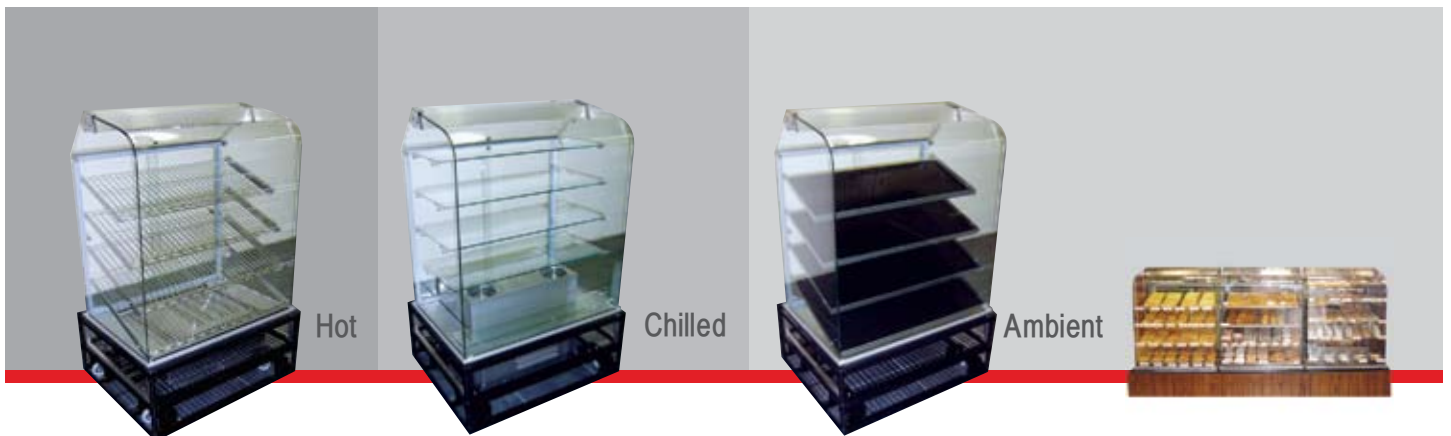
in 2011, despite remaining fairly constant during 2010. The price of cocoa hit a new high in February driven by a ban imposed on cocoa exports by Alassane Outtara, president-elect of the Ivory Coast, in a bid to oust Laurent Gbagbo, former president of the Ivory Coast, from controlling key sectors.

"The ban, which was expected to be lifted on 15 March was extended to the end of the month. The rise in ingredients costs has already seen chocolate giants reducing slab sizes both internationally and locally, in order to remain profitable," says Wegelin.



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He adds that chocolate slabs also lost some share to speciality chocolates in the base year reflecting a 3.7% share decline from 2009 levels. The chocolate slabs category returned to near pre-recession levels in 2010. The market for slabs is expected to experience marginal volume decline in 2011 and to maintain stable volumes in 2012.



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Good performance for speciality chocolates

Katherine Wilson, trade marketing manager for Lindt, says there is currently a trend to buy into premium chocolates as people have better disposable income since the recession. "However it should be noted that chocolate was the one product that was in fact recession proof and remained a part of people's lifestyle. During the economic downturn, people still bought into chocolate as a comfort as it is one of the smaller affordable luxuries in life," says Wilson.




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One of the ways which Lindt is keeping on top is by diversifying their range through the introduction of Lindor balls and slabs and through new innovations in flavour and pack sizes. "Lindt not only has 100g slabs now but there are also 50g slabs and the company has introduced a new range of petit deserts and various luxury deserts including Crème Brûlée, Tiramisu and White Mousse," says Wilson.

Growth in the speciality chocolate market was experienced across all three categories, with boxes, packets and novelty chocolates experiencing 38.5%, 16.2% and 36.3% growth respectively. The category is expected to remain stable in the medium term.

Pick n Pay on Nicol aims to be unique in the sweets and confectionery department by ensuring they have a range of grocery lines and a basket full of products that can only be found at their particular store. One example of a brand unique to their store is DV chocolates, an imported range of chocolates considered trade and environmentally friendly, brought in when the store opened six months ago.

Wegelin says several factors contribute to the good performance of the speciality segment. There was an increased focus from manufacturers on boxes and novelty chocolate due to a growing demand for authentic South African chocolate in the foodservices market. There was notable growth in the import market with increased volumes across speciality chocolate categories, resulting from increased threats of cheap imports. New product launches in the boxes and packets categories by smaller manufacturers also contributed to higher volume growth in 2010. "The pricing issue will possibly be the biggest challenge facing most speciality chocolate manufacturers in future as they strive to balance the price and quality perception of their products," says Wegelin. 



Ways for retailers to boost sales

Attractive confectionery aisles

Retailers should make sure there is good visibility of leading and ordinary brands with enough space to be easily seen and selected by shoppers from shelves. The aisle should include a wide variety of brands of sweets and confectionery neatly packed to meet every taste making it more likely for the customer to make a purchase.

Capitalize on impulse buying at checkouts

Shoppers of confectionery usually have a repertoire of about four items they would usually select and shop on impulse within these choices. Their choices are more than likely to fall within the leading brands of top selling products and they are not likely to drift from one checkout to another in search of a particular brand. Ensuring there is consistency in layout and availability with the right brands in place from one checkout to the next will increase the likelihood of a purchase by the customer.

Include a separate gifting section

There is always a holiday or celebration of some kind on the calendar, whether it be Mother's Day, Freedom Day, Valentine's Day, St Patrick's Day, Halloween or an ordinary birthday celebration. Retailers can benefit from all the holidays on the calendar by ensuring they have a specialised gifting section which includes sweets and confectionery to fit the theme of the holiday celebrated that month.

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