Snacking and Treating

Mid-2017 Review

LARRY LEVIN Executive Vice President, Thought Leadership

ECRM

IRi Growth delivered.

Treating and snacking choices have evolved - so let's make sure when people treat, they choose candy

Today's Discussion

Category Trends

New Product Launch Success

Diving Deep into Shopper

Top Macro Trends

The Future: Seizing the Opportunity

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The Consumer Landscape:
Dynamic Change, Enormous Opportunity for Growth

Shoppers are more diverse than ever

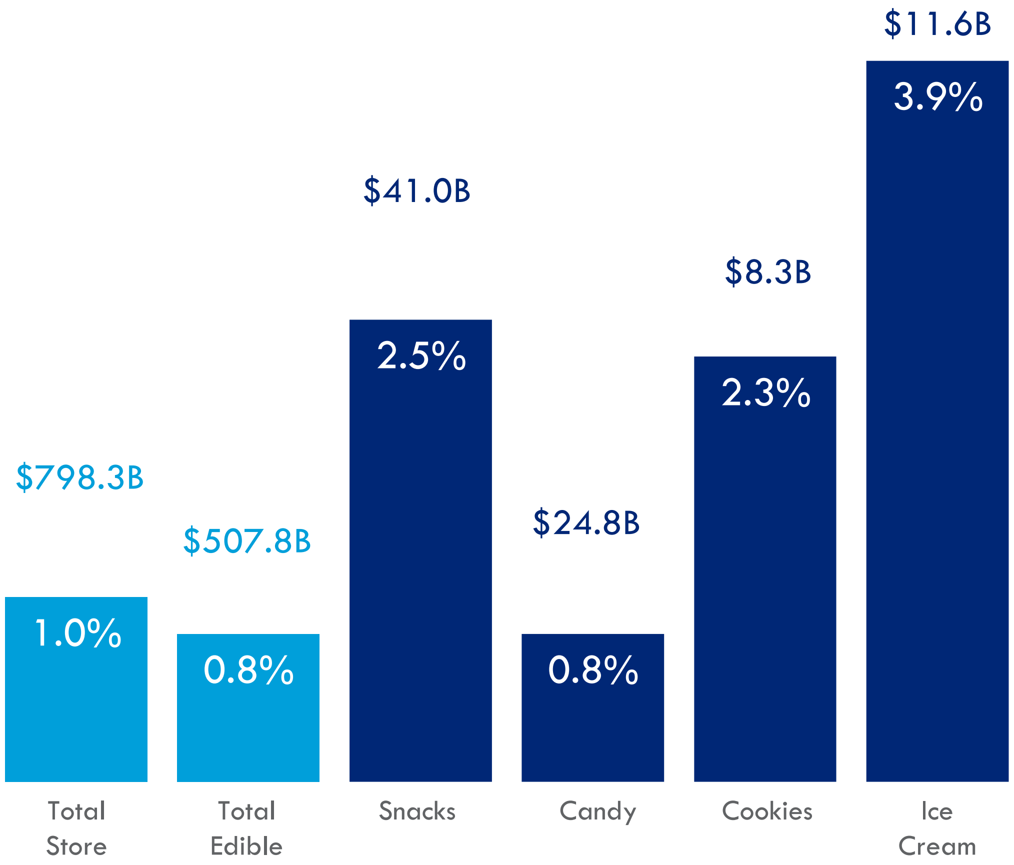
…with increasingly varied needs

…in a fragmenting retail landscape

…with dramatically more complex media stimuli

…requiring personalization

Relatively Speaking



The Sweet Story

Delivered **$25B** in CPG sales; 6% of total sales driven by new products

Slight increase in trips; big growth in Mass, C-store and Dollar

Chewy delivers strong growth with more HHs buying and more trips

Continued growth in mid-market

Candy Manufacturers

SALES PERFORMANCE LATEST 52 THROUGH APRIL 15

70%
of sales
$17,465

Top 4 Manufacturers

27%
of sales
$6,625

Other National Manufacturers

3%
of sales
$667

Store Brands

IRi ECRM

Candy Manufacturers

CONTRIBUTION PERFORMANCE LATEST 52 THROUGH APRIL 15

Top 4 Manufacturers	Other National Manufacturers	Store Brands
+0.3%	+2.4%	-1.3%
23%	82%	-5%

Top Candy Manufacturers

SALES PERFORMANCE LATEST 52 WEEKS ($MM)

HERSHEY'S
$7,062
33% of Sales

MARS
$5,444
26% of Sales

Nestlé
$1,078
5% of Sales

Lindt
$1,291
6% of Sales

Top Candy Manufacturers

Growth Contribution

MARS +$85

PERFETTI van Melle +$66

HERSHEY'S +$49

HARIBO +$44

Top Performers Drive 80%: Candy

$5.3B

Chocolate bar/box/bag
>3oz

$4.3B

Chocolate bar/box/bag
<3oz

$3.4B

Non-chocolate
chewy candy

$3.5B

Seasonal
packaged candy

$2.6B

Sugarless gum

Key Growth Leaders: Candy

+5.6%
+1.8 pen

Non-chocolate
chewy candy

+3.5%
+0.6 pen

Chocolate bar/box/bag
<3oz

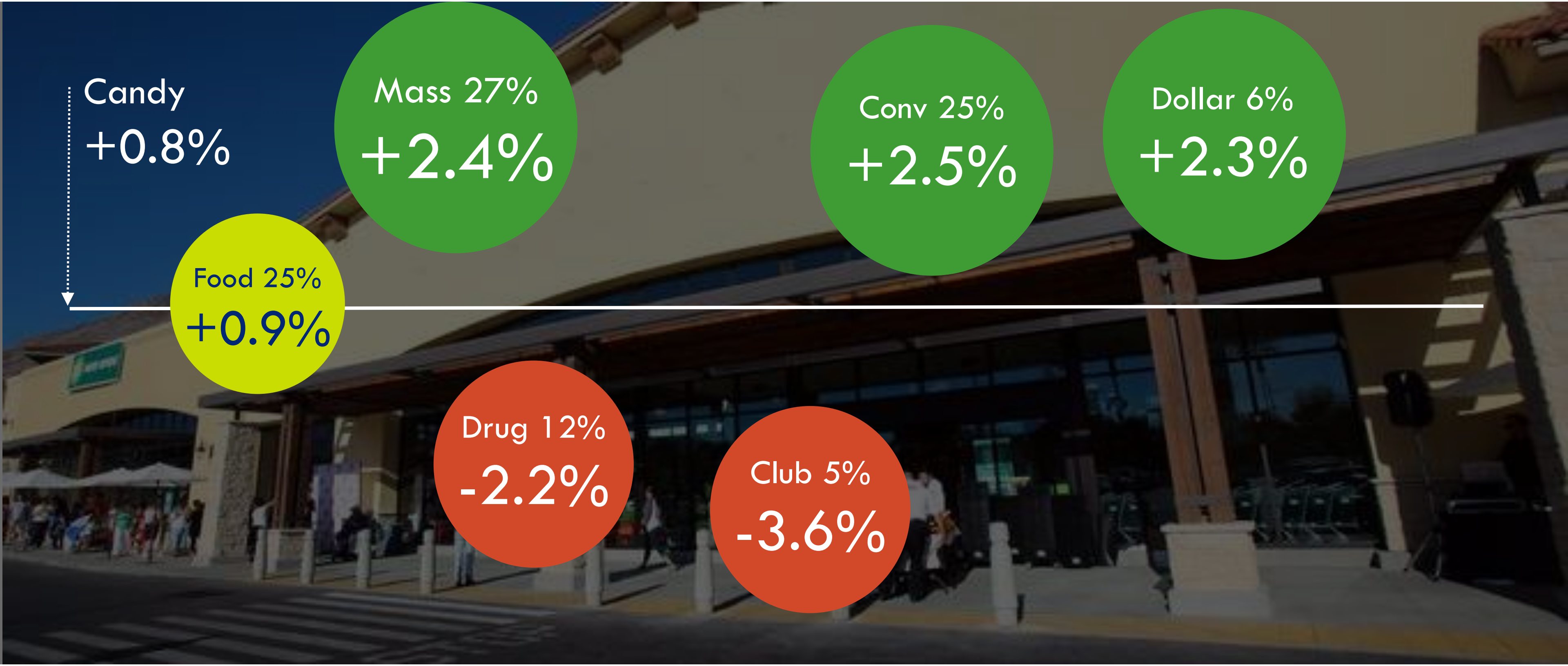
+2.9%
+1.2 pen

Plain mints

+1.8%
+1.3 pen

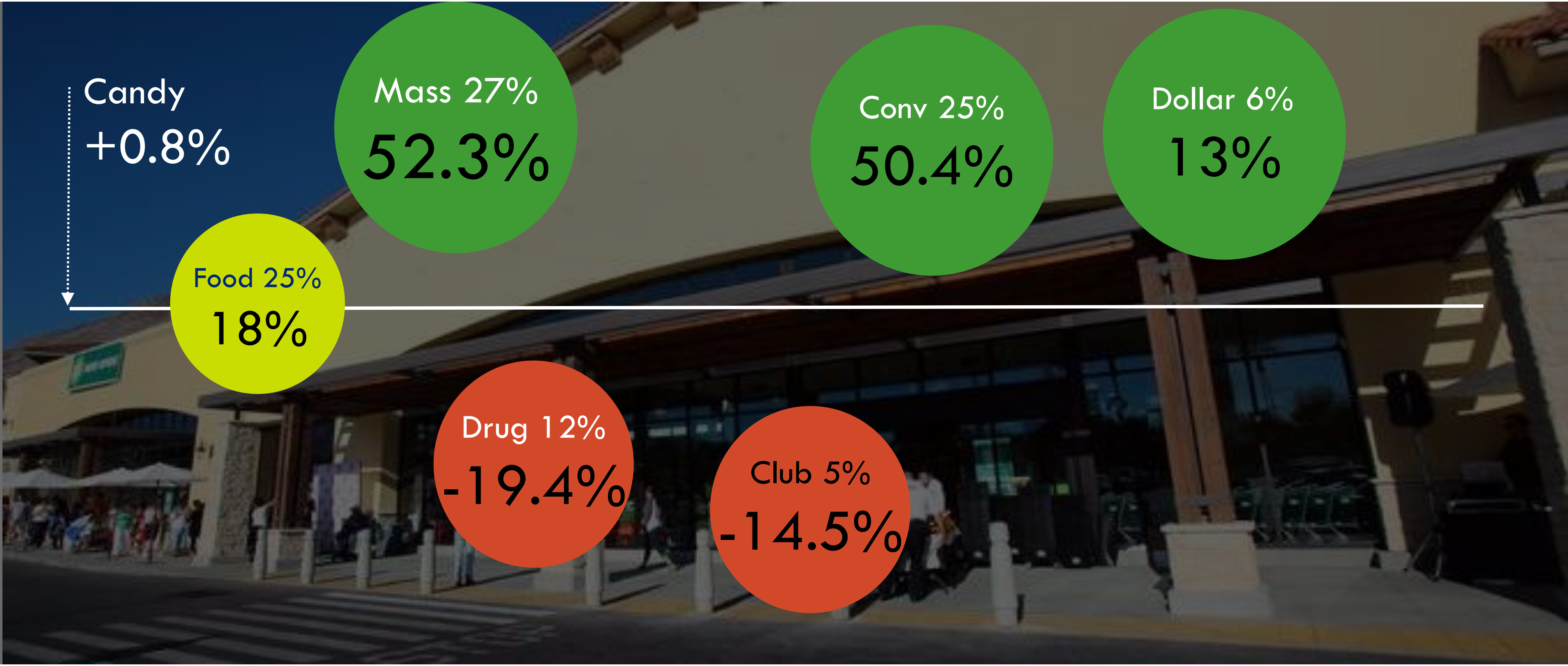
Chocolate bar/box/bag
>3oz

Channel Shifting



IRi ECRM

Channel Contribution to Growth: Three Channels Double their Share!



Snacking: Crunching the Numbers

Delivered **$41B** in CPG sales; nearly 9% of total comes from new products

Steady amount of trips

Growth in all Channels

Mid-market winning in snacking

Crunching the Numbers

RTE Popcorn top mover (Up 17%)

54% of Snacks growth was contributed by Salty Snacks

Snack Manufactures

SALES PERFORMANCE IN 2016

53%
of sales
$21,449

Top 4 Manufacturers

38%
of sales
$15,483

Other National Manufacturers

9%
of sales
$3,829

Store Brands

IRi ECRM

Top Snacking Manufacturers

SALES PERFORMANCE IN 2016

PEPSICO
15,437
38% of Sales

General Mills
$2,573
6% of Sales

kraft foods
$1,434
4% of Sales

Kellogg's
$2,004
5% of Sales

Snack Manufacturers

CONTRIBUTION TO 2016 GROWTH

+1.8%

33%

Top 4 Manufacturers

+5.1%

65%

Other National Manufacturers

+0.7%

2%

Store Brands

Top Snacking Manufacturers

Growth Contribution

PEPSICO
+$546

HERSHEY'S
+$85

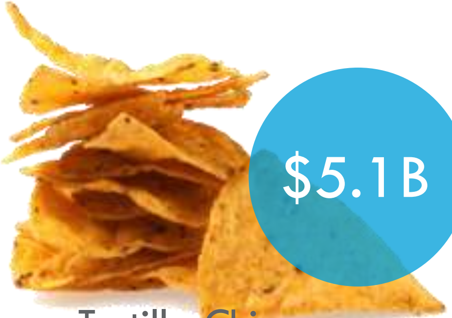
GRUPO BIMBO
+$75

QUEST NUTRITION
+$67

IRi ECRM

Top Performers: Snack

Potato Chips



Tortilla Chips

Other Salted Snacks

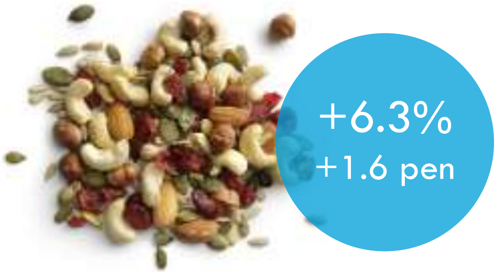
Nutritional Bars

Key Leaders: Snacks

RTE Popcorn/
Caramel Corn

Apple Chips

Cheese Snacks



Nutritional Snacks
/Trail Mix

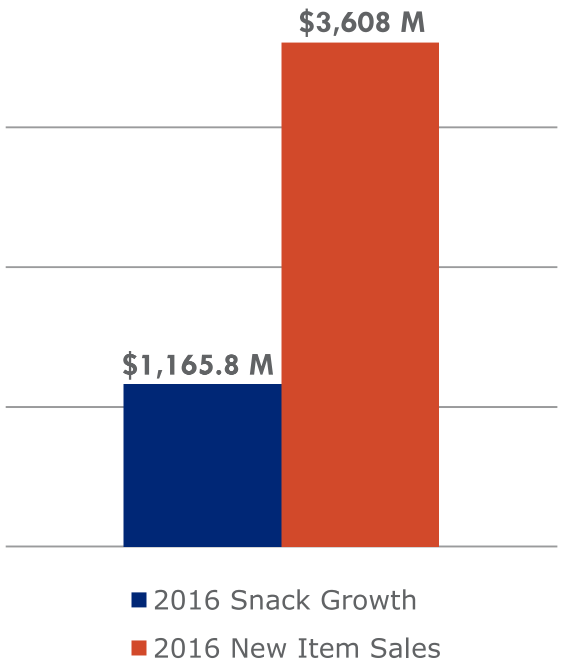
Jerky

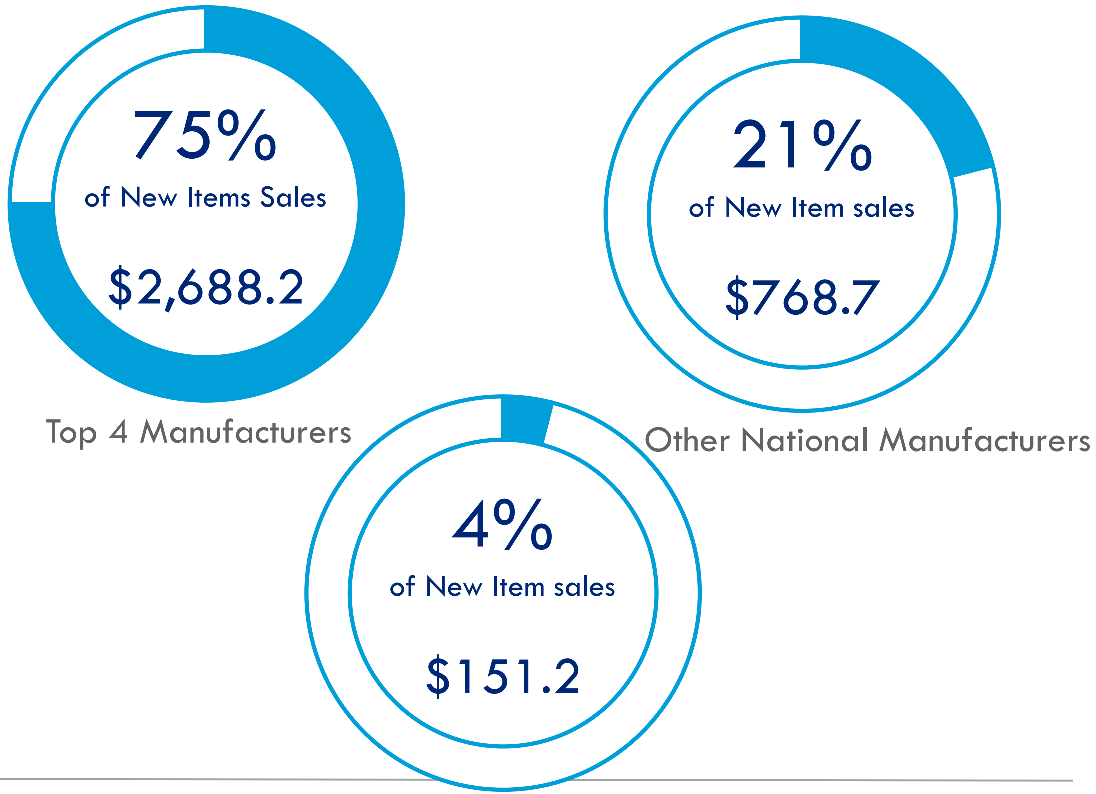
Nutritional Health Bars

Channel Shifting

Innovation in Snacking

Innovation in Snacks





Store Brands

Diving Deep Into The Shopper

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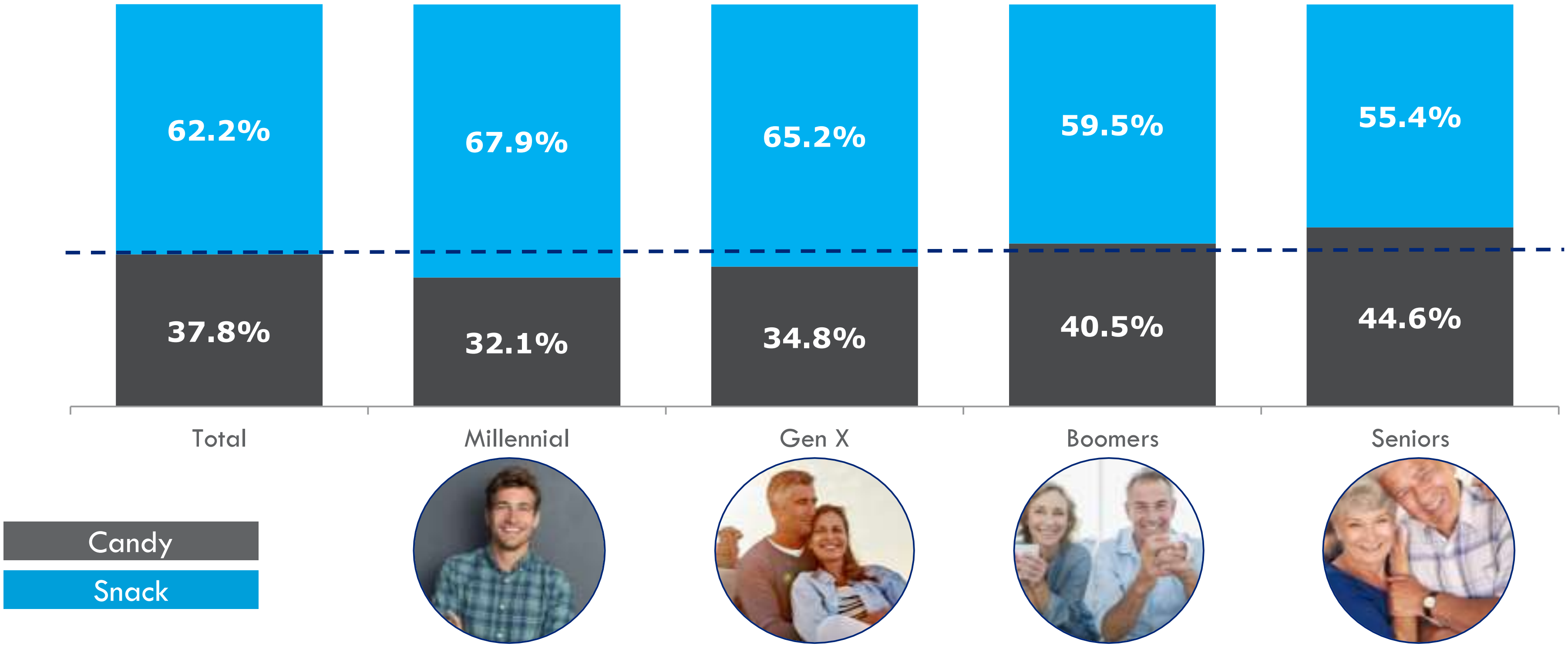
Growth delivered.

Snacking continues to be driven by younger generations; while Boomers and Seniors love their sweet tooth



Candy Purchasing Power

% of CPG Dollar Volume, Latest 52 Weeks

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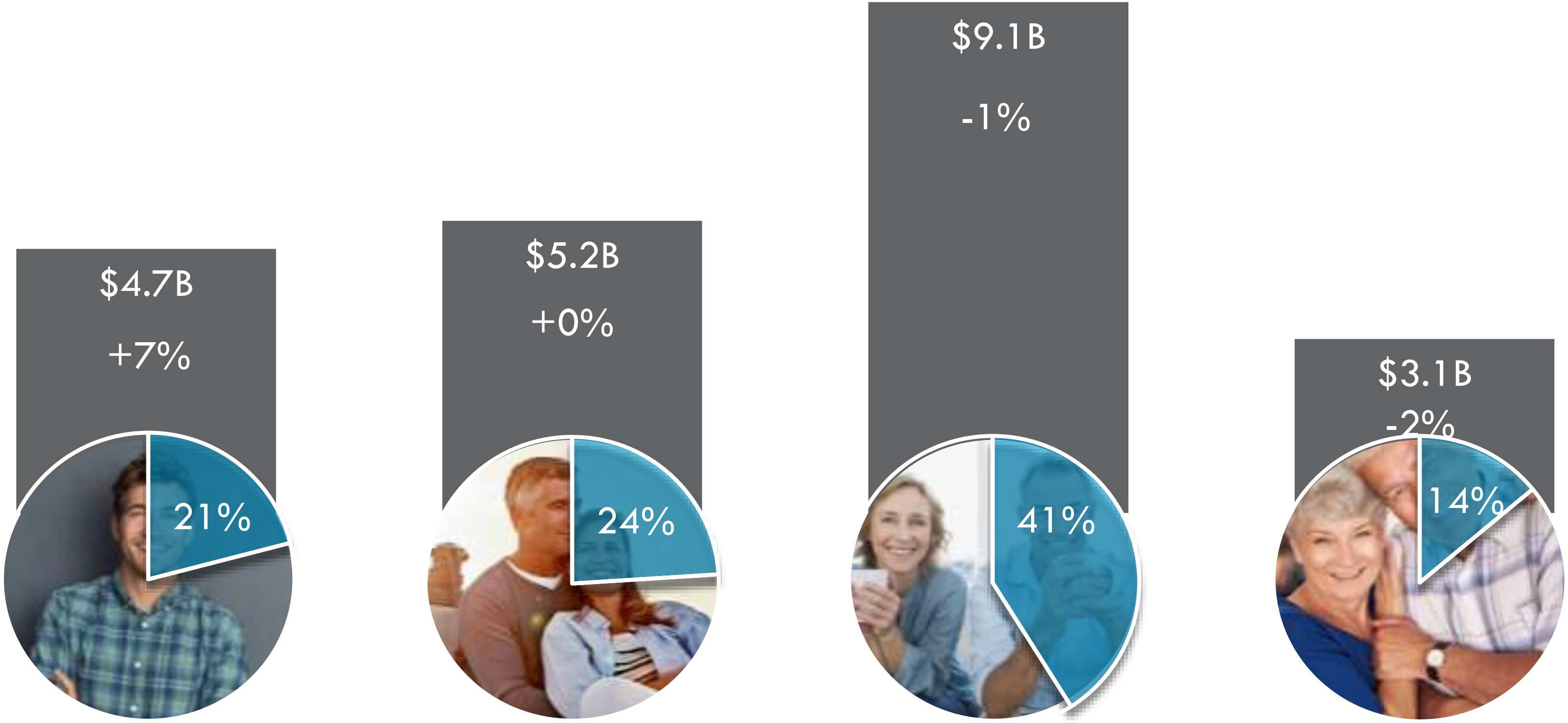
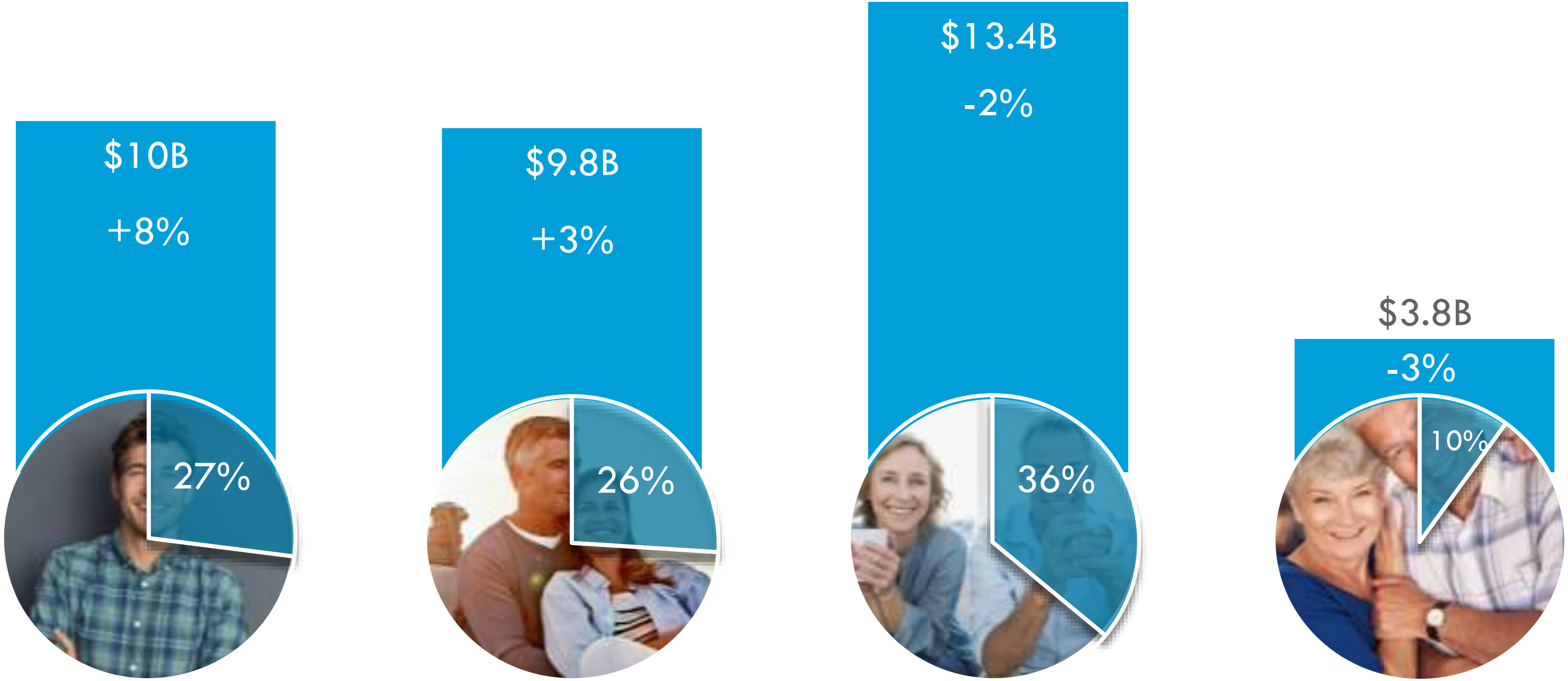


Snack Purchasing Power

% of CPG Dollar Volume, Latest 52 Weeks



Basket impact when Millennials purchase candy products

$68.53

in basket

$47.30

out of basket

Basket impact when Millennials purchase snack products

$82.77
in basket

$43.15
out of basket

Top Macro Trends

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Growth delivered.

5 macro trends driving treating and snacking consumption

Abundant and blurry choices

New dynamics of transparency

Getting personal with personalization

eCommerce legitimacy

Innovation in treating America

Abundant and blurry choices

Growth delivered.

Treating and Snacking serves multiple roles for consumers

CANDY

Treat/ Indulgence

Special Occasions

Celebrations

SNACKS

Hunger Satisfaction

Meets Daily Nutrition Goals

Provide Energy/Fuel

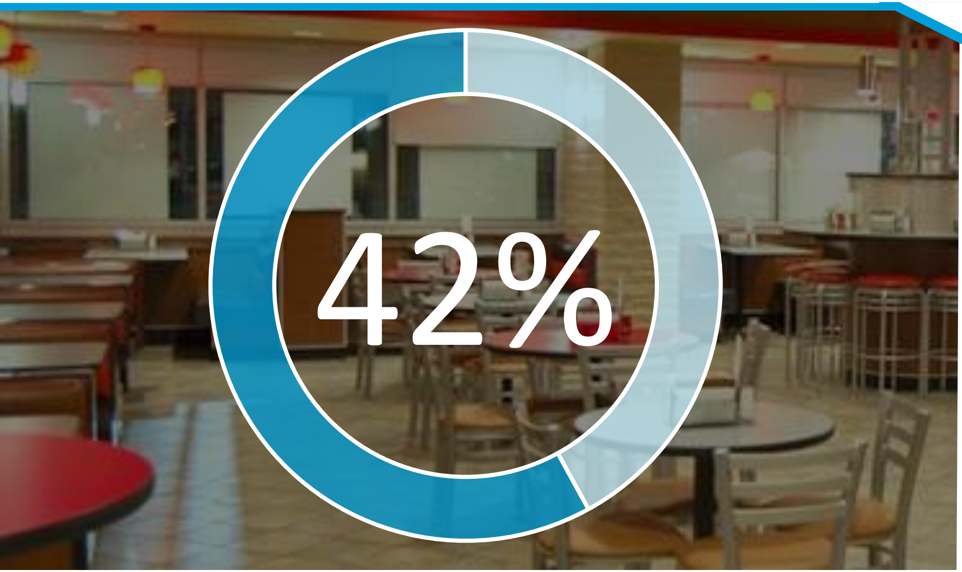
Source: 2017 IRI Snacking Survey

There are many places for consumers to meet their treating needs

More Specialty Candy Stores across the US | Vending Evolution | QSR/LSR Impact

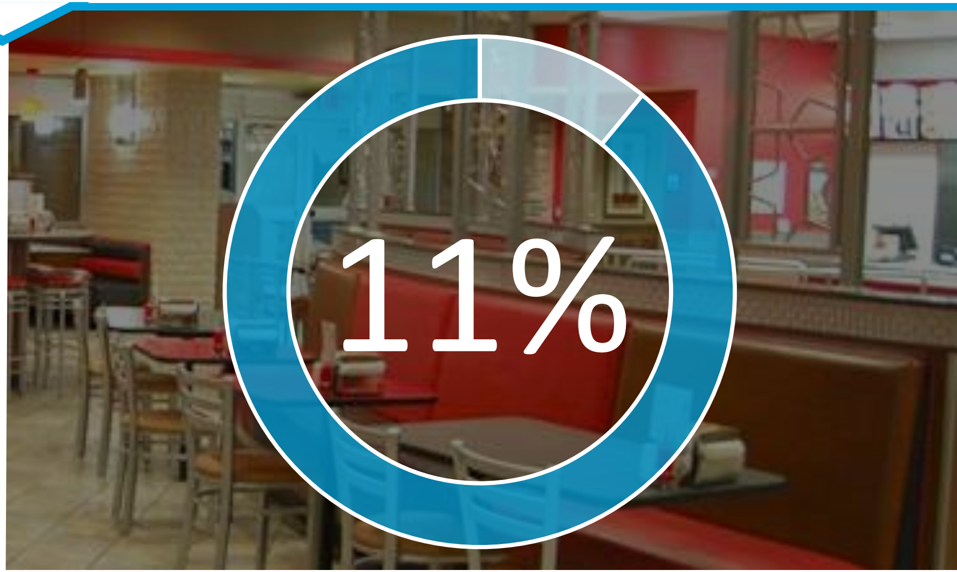
IRi ECRM

Quick Serve and Limited Serve are within consumers consideration set for treating and snacking



Of consumers go 1 - 2 times per week

Up 3 points vs. 2015



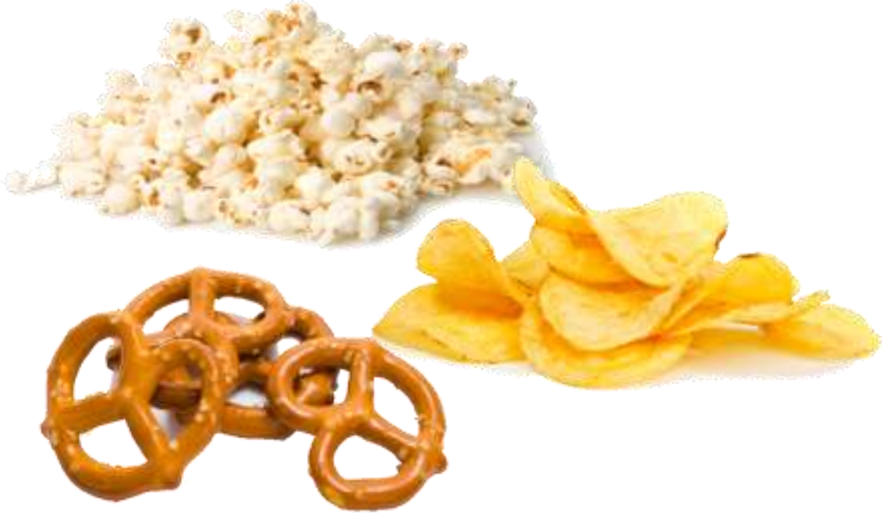
Of consumers go 3+ times per week

Up 4 points vs. 2015

IRi ECRM

Food & Beverage evolution includes confection ingredients that are impacting growth

PAST
distinct products



TODAY
blurred lines

Chocolate by the numbers

53%

of F&B categories contain chocolate

6%

of all Edible sales can be attributed to chocolate items

2.4%

chocolate

1%

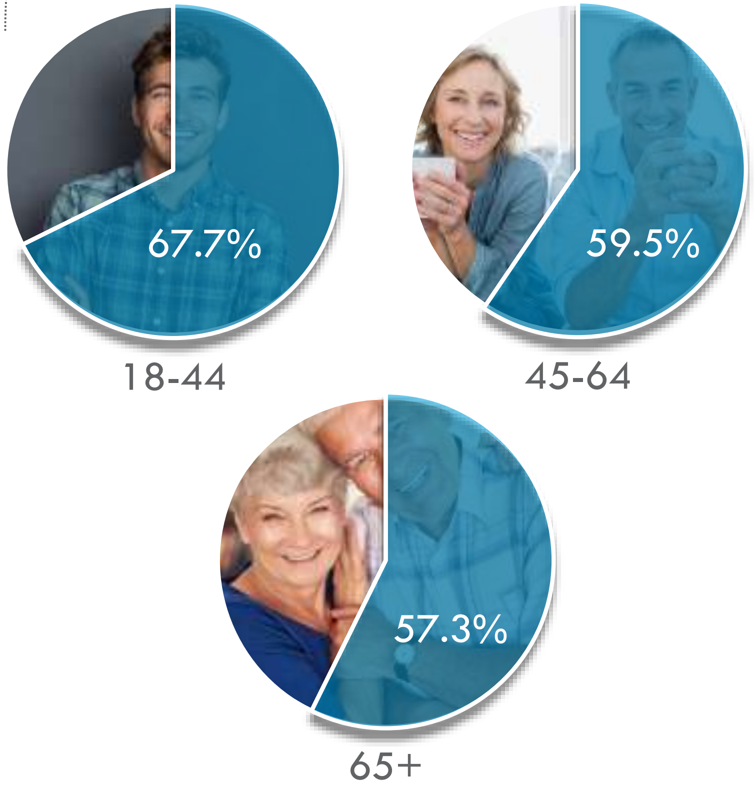
F&B growth

Products with chocolate are outpacing F&B growth

Cereal has a pocket of growth with chocolate flavored cereals

62.8% Total US

Consumers can get their chocolate reward in many ways impacting growth potential of candy



Source: 2017 IRI Snacking Survey: eating a snack that contains chocolate instead of having a candy bar is enough to give me my chocolate reward

New Dynamics of Transparency

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Growth delivered.

Transparency is critical with consumers equally focused on what is not in their food & beverage as what is in it, and where it came from

Transparent Packaging	Ingredient Simplicity	Claims & Certifications	Local & Authentic
			

53%

Of consumers state that product label and packaging influence their snacking decision

60%

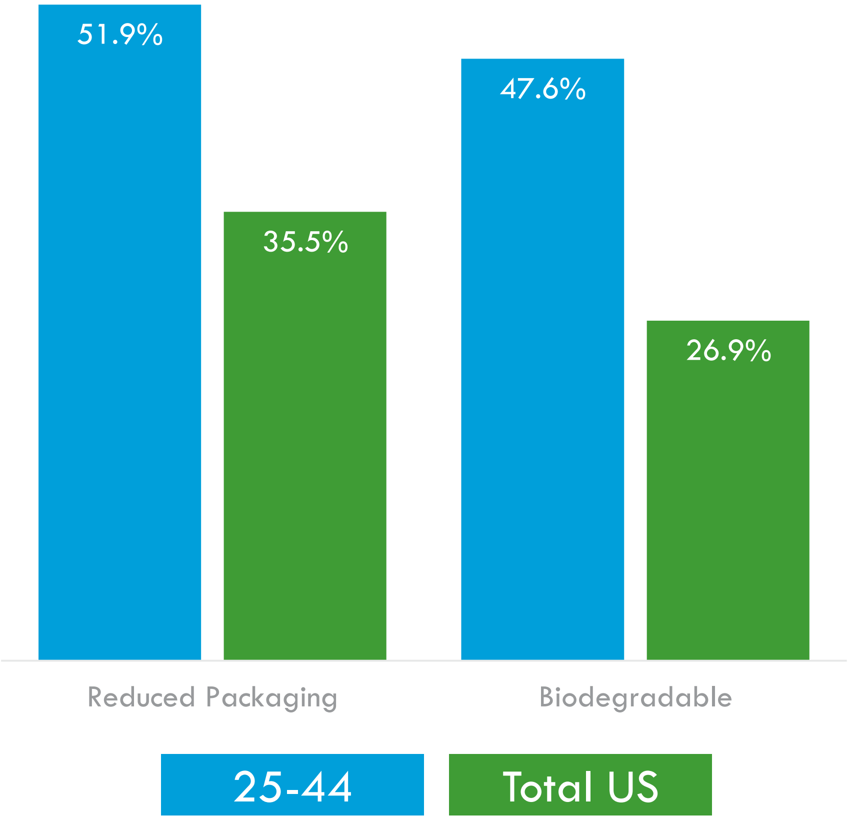
For 18-24

62%

For 25-35

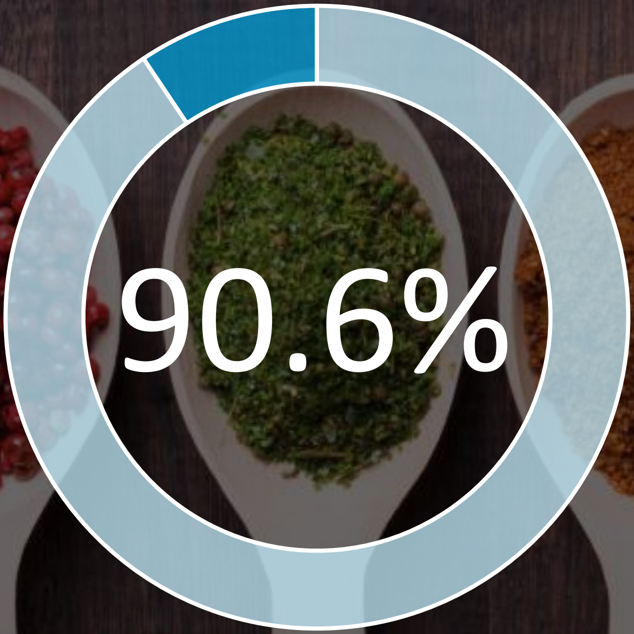
35%

of U.S. consumers want sustainable packaging



“Farm to” is even important in snacking selections as “local” evolves

One thing that almost all consumers agree upon is taste is paramount



of consumers state they choose snacks based on tastes they will enjoy

Getting personal with personalization

IRi
Growth delivered.

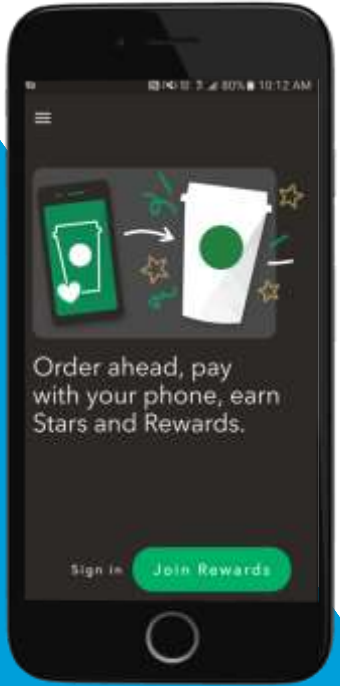
There is a very complex journey that Americans take and it is impacting how they plan, shop and consume

In an effort to capture attention, an explosion of ad exposures has resulted in "information overload" for consumers and marketing waste for marketers

500
average number
of ads consumers
viewed daily in 1970

5000
average number
of ads consumers
viewed daily in 2016

Retailers are creating 1:1 relationships with anyplace consumers through personalized campaigns leveraging new digital platforms



STARBUCKS MOBILE COMMERCE

CVS PHARMACY APP

KROGER APP

WALMART APP

Personalized Treating & Snacking are Evolving

BRACH'S PICK YOUR MIX

PRINTED WRAPPERS

"SHARE A…"

DESIGN YOUR OWN CANDY

GIFTING

eCommerce Legitimacy with Treats and Snacks

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Growth delivered.

We are at the center of a consumer buying revolution

This year, digital will influence

77%

of all retail sales

76%

of all shopping trips begin online

71%

of all product searches begin on retail sites

(55% on Amazon)

8x

CPG Online growth by 2022

War of the Worlds

VS

1% of CPG Sales

+25%

23% of CPG Sales

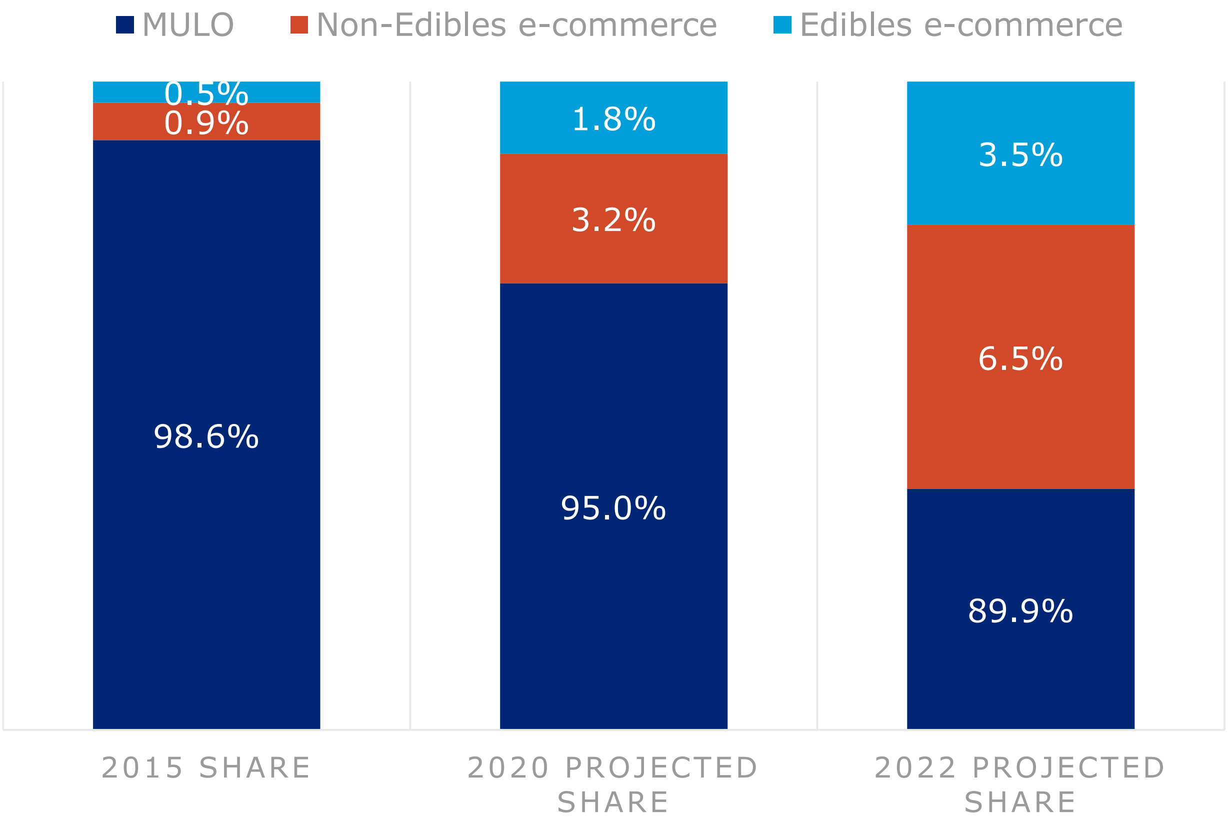
+3%

e-Commerce Sales for treating have a small base, but strong dollar trends

Non-Chocolate

Chocolate

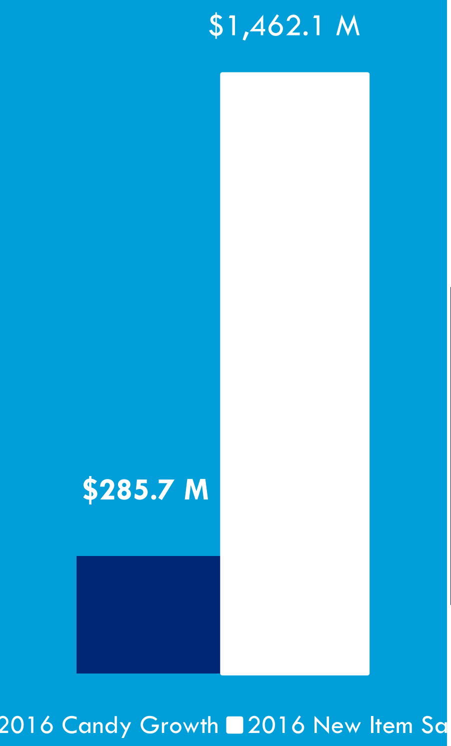
e-Commerce is a key driver of sales growth…
the path to $88 Billion



growing…with substantial upside!

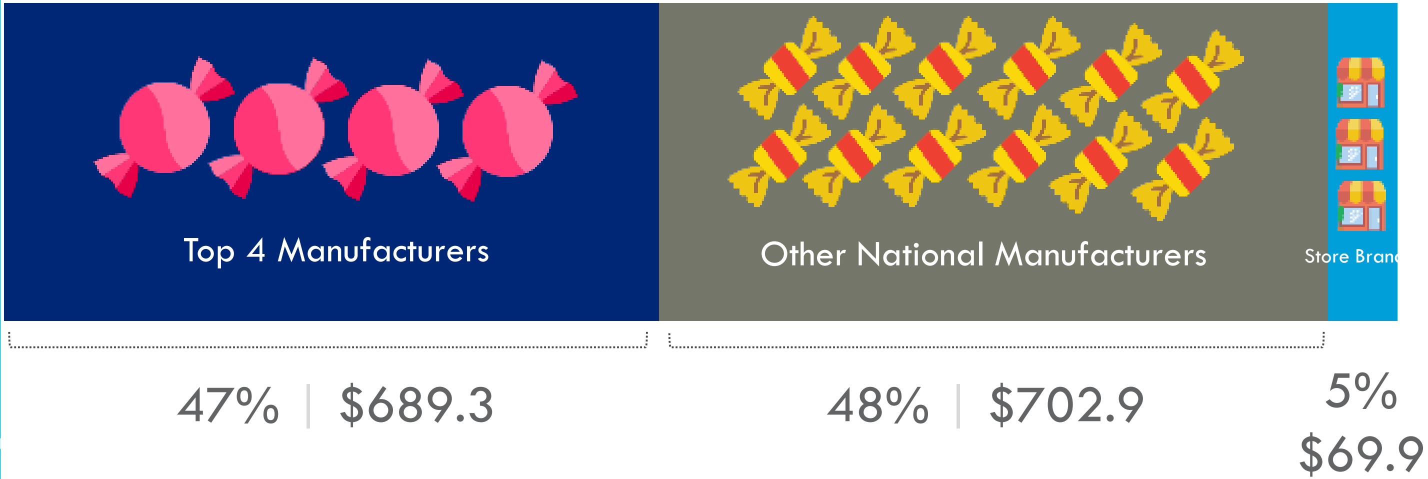
Innovation in Treating

Growth delivered.



Innovation in Treating

NEW ITEM SALES



Defining the Best of the Best

IRI'S NEW PRODUCT PACESETTERS GROWTH CRITERIA

New or Extended Brand,
or
Existing Brand in a New Category

30%
distribution starts the clock on year-1

+30%
distribution at completion of Y1

Top 100 Brand Launches
in Food and Beverage and Non-Food

New Products that Completed their First Year in Calendar Year 2016

Seven Deadly Sins of New Product Innovation

90%

of Launches Fail to Meet Critical Milestones

- **F** forecast
- **A** assortment
- **I** incremental
- **L** languish
- **U** unclear
- **R** retread
- **E** elusive

IRi ECRM

Though blockbuster products are few and far between

12,000

new brands were launched in 2016

200

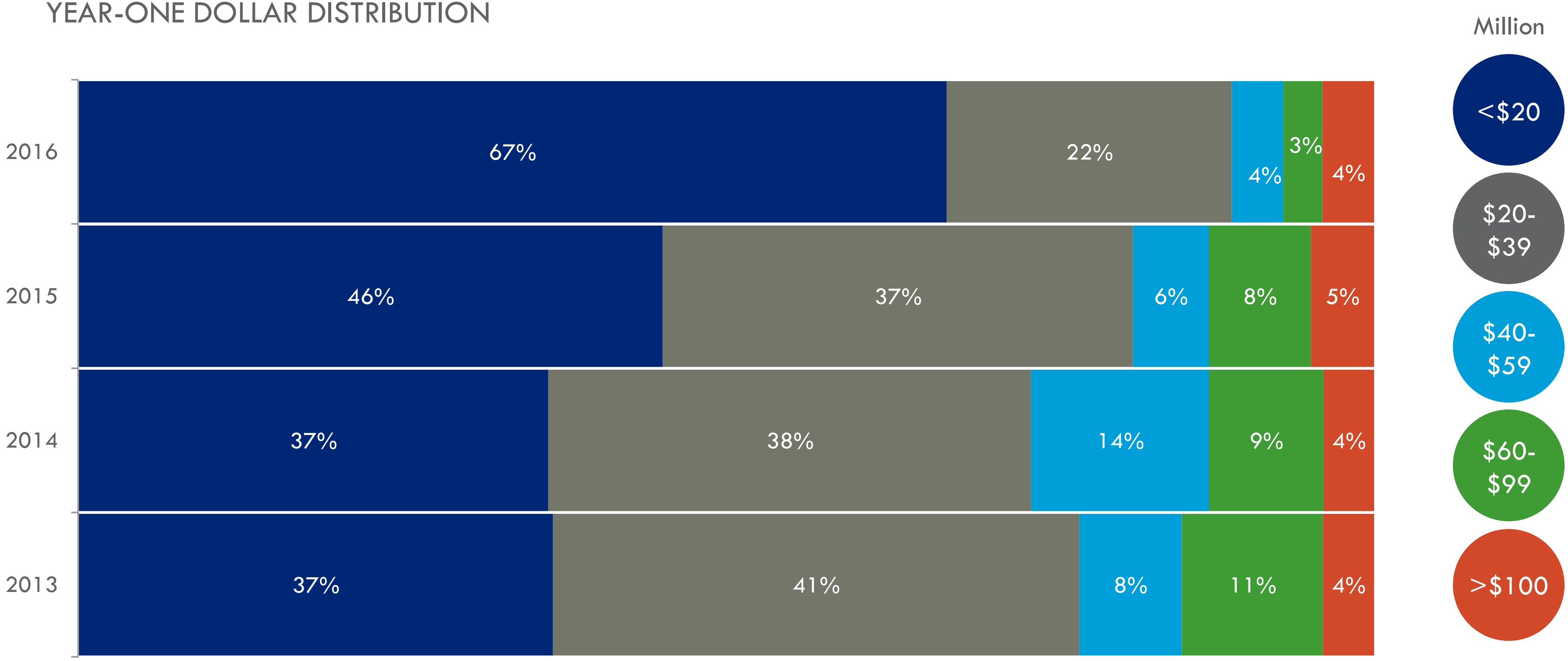
of these brands made IRI NPP status

8

of these brands achieved >$100M

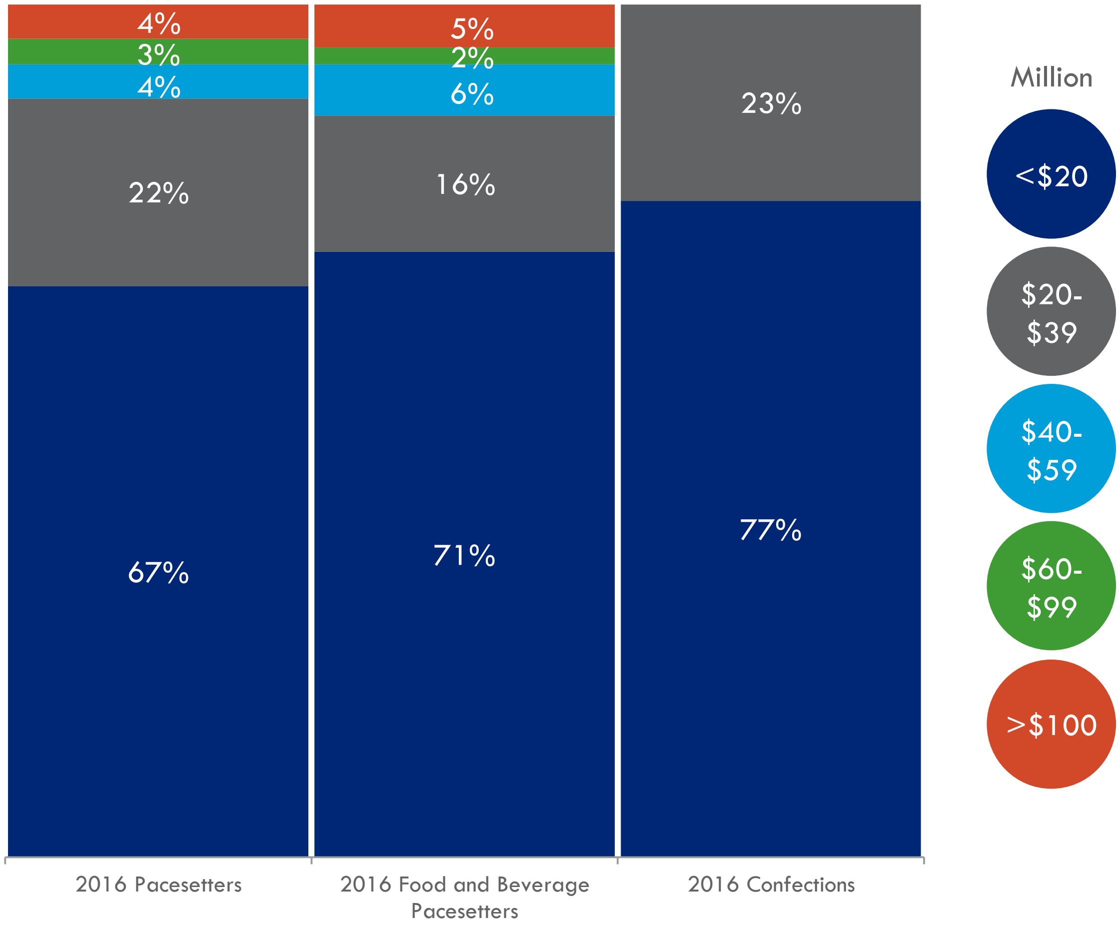
Blockbuster Products are Few and Far Between…

YEAR-ONE DOLLAR DISTRIBUTION



Note: Numbers may not add to 100% due to rounding

Confections manufacturers delivered **13 Pacesetters** with an average first year revenue of **$13.7 million,** with the vast majority under $10M

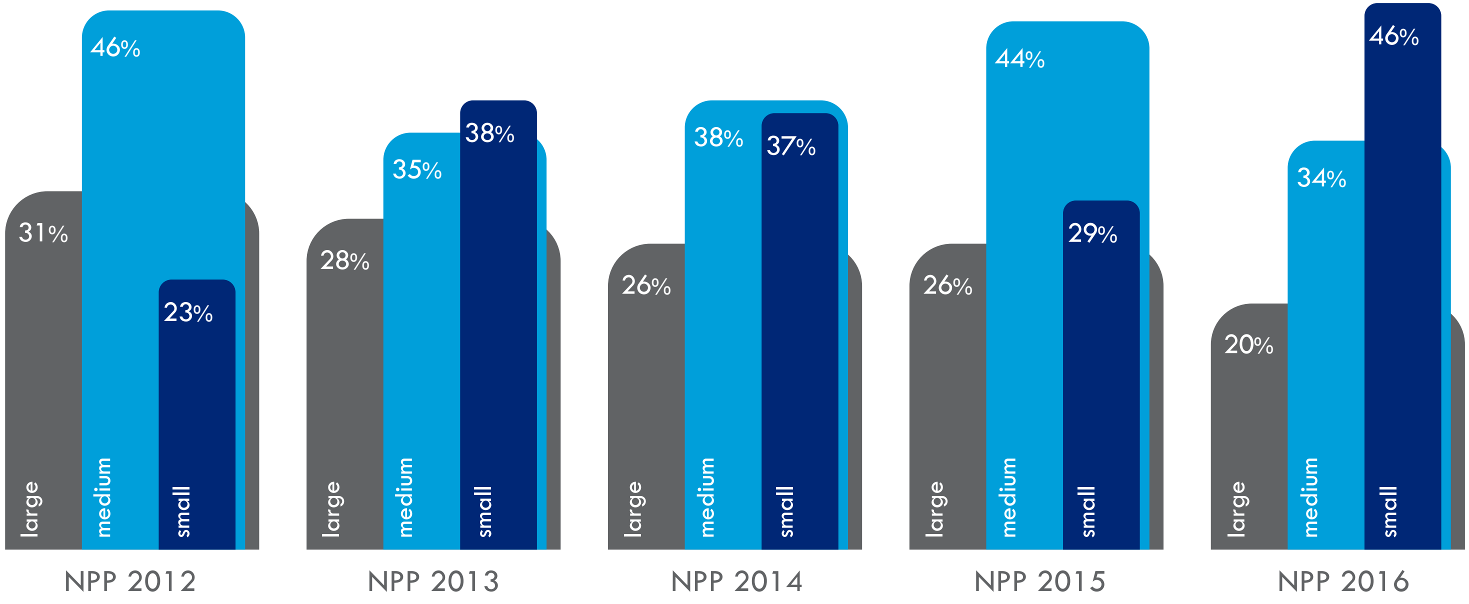


Note: Numbers may not add to 100% due to rounding

What’s Working?

Small manufacturers represented almost 50% of NPP manufacturer companies this year

SMALL COMPANIES AS % OF TOTAL NPP COMPANIES



Giving rise to a proliferation of new brand innovations, particularly across food and beverage aisles

FOOD & BEVERAGE

2004 - 2016
12%

2015
14%

2016
39%

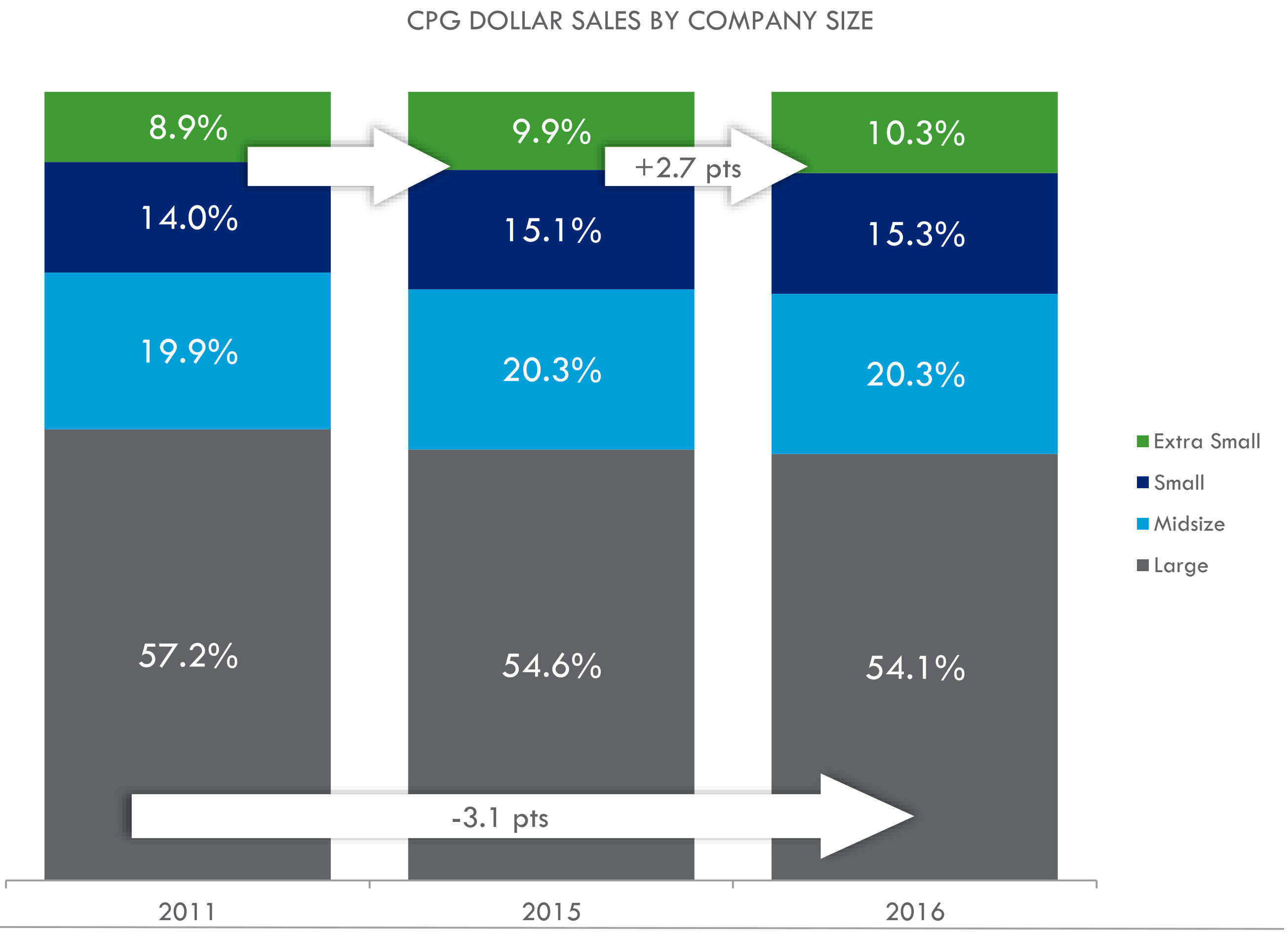
NON-FOOD

2004 - 2016
8%

2015
13%

2016
14%

…and helping smaller manufacturers capture a larger share of industry sales dollars



Source: *IRI/BCG 2016 Growth Leaders / numbers may not add to 100% due to rounding*

Key Themes Resonating with Consumers

Prevention

Personalization

Pizzazz

Who are the engineers of 2016's bridges to growth?

Growth delivered.

Five candy launches earned Pacesetter status amassing **$75 million** in year one sales

$25.7M

Hershey's Caramel

$24.2M

Snickers Crisper

$12.4M

Ice Breakers

$8.9M

Sweet Tart Drops

$8.1M

Juicy Drop Gummies

Will you still love me tomorrow?

Growth delivered.

Being a Pacesetter doesn't ensure long term success

Year 2 Principles

Minimally retain distribution and tell people you are there

Variety is the spice of life

Repeat, repeat, repeat

Do not underspend

Support in Year 2 Drives Disproportionate Success

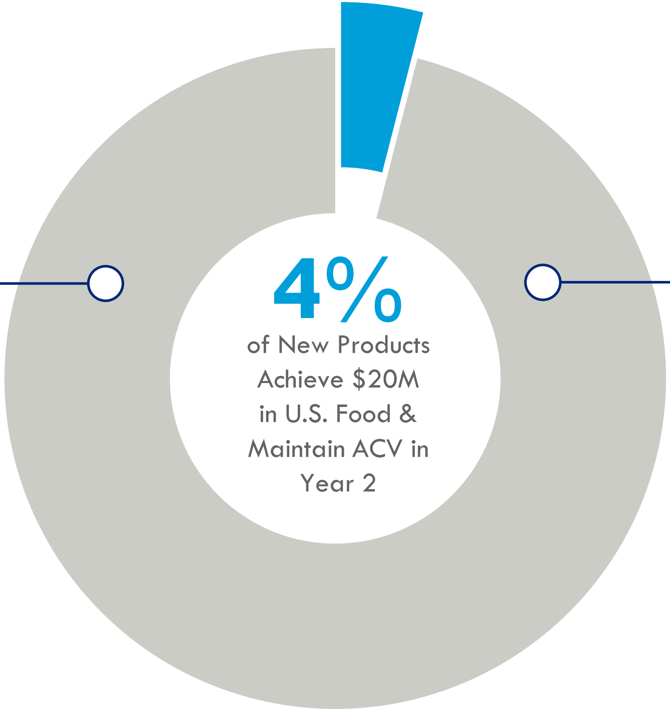
WHILE UNSUPPORTED PRODUCTS TRULY HAD TROUBLE FINDING THEIR WAY

24%

Maintained or Increased Media in Year 2

29% ↓ Sales Decreased

71% ↑ Sales increased



76%

Decreased Media in Year 2

36% ↑ Sales Increased

64% ↓ Sales Decreased

The Future: Seizing the Opportunity

Continue to capitalize on the successes the industry has gained in Dollar and C-Store, consider a strategy to regain strength in Mass where the overall industry is seeing growth

The Future: Seizing the Opportunity

Explore additional "holidays" throughout the year to promote and personalize messaging

The Future: Seizing the Opportunity

Innovate in and out of the “category” to increase sales in and out of traditional channels

The Future: Seizing the Opportunity

Communicate ingredients and sourcing in simple and effective ways

The Future: Seizing the Opportunity

Take personalization to the next level to capture consumer attention with additional 1:1 tactics

The Future: Seizing the Opportunity

Develop and/or enhance your eCommerce strategy to gain a larger share of the 7-year opportunity

Thank You!

LARRY LEVIN, Executive Vice President, Thought Leadership

IRi

Growth delivered.