



While grocery stores sold \$5.2 billion in confectionery in 2010, sources tell Candy & Snack TODAY that missed opportunities at checkout, and under-utilized feature displays could be costing retailers profits.

Missing Opportunities In Grocery

GROCERY STORES IN THE U.S. represent significant business for the confectionery industry. It is the largest channel for candy dollar sales and is shopped by nearly all consumers.

While the volume of business and consumer traffic make grocery stores an important place to do business, there are still barriers to selling effectively in these channels. NCA data found consumers spend less than 30 seconds shopping confectionery sections, yet 70 percent of all purchase decisions are made at shelf, which the association says underscores the need to "bring more structure to reduce the complexity of the purchase decision."

This point is stressed further, as consumers surveyed by the NCA in its *Expanding the Dimensions of Confectionery* report highlighted some dissatisfaction with how retailers merchandise candy. Respondents' comments include: "The candy section is confusing. It's difficult to find what I want," and "It's overwhelming. There's no organization to help you shop."

One of the largest merchandising mistakes in the category is disorganization, says Raymond D. Jones, managing director of Dechert-Hampe Consulting. He says it's better to have a well-organized section than one with clutter.

"Merchandising is not about throwing a bunch of stuff against a wall, it's about organization and promotion," Jones says.

To improve merchandising in candy aisles, Jones suggests retailers divide the category and put up signs to distinguish each segment. He claims that while consumers might not be in aisles looking for specific items, having signs up can draw them to a section and improve the chances of purchase. And candy sections need a lot of variety, as consumers will often skip a purchase if they don't find what they're looking for, Jones adds.

"Availability and price get people's attention," says David Tucci, executive director for Consolidated Sales Network, adding

availability can be shown by having products at multiple locations while feature prices highlight value.

He says variety is important to consumers, but this has to be balanced with giving consumers the brands they buy most often. Further, he says product selection helps to define a store and separate it from competitors, but stores have to be able to manage variety efficiently and that can help determine how much of each item the store can offer.

Interestingly, Jones says while consumers say they want variety, that doesn't necessarily mean they want more SKUs. According to research conducted by the company on magazine selection, consumers were presented with a section of 600 randomly grouped titles and a section of 360 titles organized with signs that defined the magazines into categories such as sports and knitting. The company discovered consumers claimed the categorized section with signage had the most variety, and consumers purchased more from these spots.

Untapped Potential In Produce

While most consumers shop the grocery channel, their confectionery shopping habits differ depending on what section of the store they're browsing, according to Jones.

"Only 25 percent of people go down the candy aisle," Jones says, adding that when shoppers enter the aisle, a high percentage of them buy. "The problem is location," he says, a notion echoed by many who spoke with **Candy & Snack TODAY**.

One solution Jones offers is placing the confectionery section in or near produce, where it will be seen earlier in the shopping trip. "Typically candy is an afterthought," he says. Further, at the beginning of the trip, consumers have more time to shop and more money available for shopping, Jones says.

"Produce is by far the most underused candy location in a store," says Tucci.

He says produce can be a valuable location because “that’s where you have the most money in your pocket in the whole store. You get conscious of how full your cart gets by the end of the store. And nobody merchandises better than produce people.” He says the impulse nature of candy purchases coupled with good merchandising can increase the likelihood of purchase.

Similarly, Tommy Scheiman, owner, B.A. Sweetie Candy Co., Inc., suggests grocery stores focus on building candy sets in produce sections, cutting down the size of aisle sets and building eight-foot sections near vegetables and fruits. He says candy in these sections can have twice the volume of sets elsewhere in stores. “It’s all impulse. People start in the produce section and see the colors, the selection and ‘boom,’ it’s in the shopping cart.”

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Displays, Checkouts Offer Options

Jones says displays are key to the category, and that includes off-shelf and points of interruption. “It’s messaging. The more you see something, the more confronted, the more likely you are to buy,” Jones says, adding: “Points of interruption are good, provided you have rationale.”

To this point, Debra Harris, director of marketing and analytics at Shankman & Assoc., suggests merchandising confectionery in themed displays tied to timely events, such as the Super Bowl and during holidays. She says retailers should cross-merchandise items in areas that reach target consumers, such as a candy display near boxed meals that can draw in moms’ attention.

Also, Harris suggests merchandising candy near items that pair well together, such as premium chocolate and wine. She says the company handles some business with Godiva Chocolatier, Inc., and it uses neck hangers placed on bottles of wine that offer discounts on Godiva products. “Having products next to wine where consumers can find it is important to capitalize on that opportunity in the moment,” she claims.

Shoppers of candy around the store work well, especially for seasonal candy for which

Scheiman recommends doing skid displays in secondary locations away from candy aisles and cross merchandising with other seasonal items, such as candy near Halloween costumes.

In addition to displays, data from the NCA also highlight the opportunity that exists to generate sales at checkout. Some 63 percent of shoppers bought gum or mints at checkout once per month or more, while 58 percent bought candy. That ranks well above the next highest purchase, which is magazines, at 34 percent.

Further, Dechert-Hampe finds 90 percent of grocery shoppers reported buying something from front-end checkouts during a six-month period.

To merchandise the most popular candy and snack items in stores, Jones says studies have shown putting candy and gum directly over conveyor belts at checkout is best. This, he says, is an improvement from racks that are placed to the right of the belt, where they are often behind consumers who are busy taking groceries out of their carts.

An important finding, Jones notes, is that consumers don’t change lanes once they’re at checkout. They get in the shortest line, and if they don’t find the candy they want they might be upset but won’t change lanes, he says.

Dechert-Hampe found if an item was not available at their checkout lane, 25.8 percent of consumers will buy nothing or delay the purchase, and 4.1 percent will stop at another store to find the item. Only 16.6 percent will switch lanes to buy the item they want.

Consumers don’t seem to be as price sensitive at checkout as they were once thought to be, Jones says. Whereas the notion had been consumers wouldn’t purchase anything that cost more than 50 cents at registers, items such as Almonds, with a \$2 SRP, have done well, Jones says. Some stores, such as Trader Joe’s, have organic candies that can retail for \$5 in these sections, he says. “The nature of impulse changes,” Jones says, saying now retailers can sell quite a variety of items in these sections that have more appeal than just price.

However, Scheiman says checkout is a tough area for new products to succeed, naming factors such as stocking fees and strong competition from proven items. He says it’s hard to justify taking out a proven item to test something new, and often the selection is based

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Dechert-Hampe Consulting

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on what will give the best return.

At checkout, "the cost of being in distribution is so great you have to have items that make it worthwhile to be there," Tucci says. Flavor additions to established brands make sense, he says, but new products can be risky. So he suggests getting new items at front ends in displays to increase trial.

Tucci says retail front ends are the place for single-serve, immediate consumption items, but he's seeing a trend with more stores offering larger sizes in an attempt to increase the ring.

Harris also advises not to put new items at checkout, saying consumers need time to consider new products they haven't seen before, and their time at checkout isn't that great.

Wait times have gotten shorter as retailers have added more lanes or implemented ways of moving consumers through faster. "Shoppers are in checkout lanes for less than 40 seconds. That's all the time a brand has," Harris adds.

Instead, she recommends having easy-to-shop racks with multiple facings of top items rather than a variety of single facings. She claims if shoppers can't find what they're looking for quickly on checkout racks they likely will not buy "because someone is behind them waiting."

Front ends are very important to grocery — "If it were a category, it'd be larger than virtually any other in the store," Jones asserts. Candy and gum are two major front-end sellers, he says, noting only beverage is bigger. He says after observing the checkout shopping habits of 2,000 consumers, it was discovered that 15 percent bought an item. Of those purchases, one third



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were candy. "When you start thinking about the number of shoppers buying candy, front ends dwarf aisles," Jones says, adding: "It's a small dollar amount, but would you rather have a fast nickel or a slow dime?"

New Items Drive Sales

While they might not all be suitable at checkout, new items are the key to successful candy sets in grocery, according to Scheiman. "You have to have new," he says, adding departments that stock primarily tried and true items can become stagnant.

He suggests placing new items next to high-volume sellers. "There's too much space allocated to volume items," he says, adding with new items, "you don't get the volume, but there's still an extra sale, and that's what we're all looking to do is increase the average sale."

New items are important to the confectionery category, and do a great deal in driving sales, Jones confirms. About one-third of all confectionery purchases are of items that have been on the market two years or less, he says.

To make sure grocery consumers can locate new items in stores, Jones advises highlighting these products with off-shelf displays. A good way to generate trial is to feature new items on a shelf near checkout, especially products that have SRPs of \$1 or less.

However, flat display fees can make being near checkout difficult for some companies. But if a company can afford the placement, it's a good place to promote new items, Jones says, so at the least retailers should call out new products in aisles with signage. "Tags that say 'new item' work. People tell us they look for them. Some look for new items but can't find them because there's nothing to tell them where to look," Jones says.

When it comes to selecting the right mix of candy for stores, Harris says: "There's a lot of emotion tied to candy," and suggests buyers

GROCERY BUSINESS UNRIVALED FOR CANDY SALES

GROCERY STORES IN THE U.S. represent big business. In total, the channel posted more than \$551 billion in sales in 2011, which is up 5.7 percent from the previous year, according to unadjusted figures from the U.S. Census Bureau.

This channel is also the largest retailer for candy, as data from the NCA show supermarkets sold \$5.2 billion worth during 2010, an increase of 4.9 percent from the year prior.

These stores are shopped by some 93 percent of consumers, according to Parker Hurlburt, vice president of research, Acosta Sales & Marketing, who notes the channel's main competition comes from mass outlets, which are shopped by 73 percent of consumers.

Looking closer at the data, Hurlburt says 34 percent of consumers buy candy from grocery and half buy salty snacks at grocery, giving the channel a slight edge in both categories compared with its closest competitor.

David Tucci, executive director for Consolidated Sales Network, says the impulse nature of the confectionery category is particularly beneficial in the grocery channel because these stores are shopped more frequently than other classes of trade.

Research from Dechert-Hampe & Co. backs his statement up, showing 47.7 percent of grocery shoppers make two or more trips to the store per week, and 25.7 percent go once weekly. **CST**

listen to their customers and understand who their shoppers are to better determine what they're looking for.

Syndicated data is a good place to see what items are growing and gauge trends, however: "In candy, sometimes you just have to take a chance and try something new. It's important not to get stuck in what the data say — address the emotional tie to candy," Harris says.

With new items, Harris suggests designating space on shelves for product introductions and not putting them on the same planogram cycle as other proven items. This can give retailers a place to put items after selling much of them in off-shelf displays and offer an opportunity to try new things without committing to the product being on shelf for an entire year.

To showcase new items, promotions that work well in this channel are those that increase the value perception — Tucci says this can be anything from price to buy-one-get-one offers — and putting items on display. He says there is no downside to promotions because "there's enough variety in the grocery candy section that you could promote new items every week and rarely double up. And margins are high enough that the risk of lower gross profit dollars is minimal. Compared to other categories that get promoted more aggressively, promoting the confection category is a money maker."

However, according to Jones, promotions establish an expectation among consumers, especially when dealing with price. As an example, he says while retailers

can boost sales with 3/\$1 promotions, consumers will wait for such deals. "If it's seen too often, when it goes back up to the regular price people aren't going to buy," he says.

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Consolidated Sales Network

Instead, Jones encourages secondary placement to get the product in front of consumers more often because of the impulse nature of the category. As an example, he says a study showed price promotions boosted sales 75 percent, but putting items on display gave a 150 percent jump in sales.

Dissecting The Demographic

Looking closer at grocery consumers, studies by Dechert-Hampe show shoppers are buying around 15 items and spending \$42.17 with each trip to the grocery store.

Parker Hurlburt, vice president of research, Acosta Sales & Marketing, says some 97 percent of households buy candy and snacks.

For 41 percent of households, it's the female head of household who is making the purchasing decisions.

Couples with children are the biggest spenders in the segment, followed by single

parents. The group buying the least amount of candy are singles younger than age 45 who have no children, he notes.

Looking at survey data, he says households with incomes less than \$45,000 are focusing on in-store deals — buying on sale, two-for-one deals — while higher income households are pre-planning and hitting multiple stores to find the better deals.

"The biggest reason people are buying candy and choosing between mass and grocery is price," Hurlburt says.

The cornerstone candy shoppers are women ages 24 to 48 with children. "Families are clearly more attuned to shopping for candy, as they are for most things," Jones says. Further, he says candy has somewhat of a more downscale demographic, as many consumer see candy as an inexpensive luxury that can be purchased rather than going out for dinner.

However, Jones sees an area of confectionery that grocery stores should develop, namely premium chocolate. He says the high-cacao products target upscale shoppers who typically avoided candy. Now, he says, they have an alternative that's more permissive.

To take advantage of the sector's momentum, Jones suggests using signage to highlight the better-for-you aspects of premium products as well as their location in aisles. He says considering candy aisles can be 24 to 40 feet long with hundreds of items, this can help consumers target certain items. **CST**



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