

Private Label candy

Many retailers are recognizing store-brand candy as a growing part of their business plans.

By Kate Parham

IN THE PAST, WHEN YOU'VE ENTERED THE CANDY AISLE AT YOUR preferred grocery store, the selection was overwhelmingly a well-known brand. Today, that picture is quite different. Private Label candy accounts for 4.3 percent of total candy dollars and 5.2 percent of total candy units sold, according to **The Nielsen Company's** report of the 52-weeks ending March 19, 2011, which includes **Walmart**.

What's more? Sales of Private Label candy grew 2.9 percent to \$483.9 million and 2.2 percent to 356.1 million units sold. "Candy and snack has been the one area, by and large, that wasn't extremely privatized," says Michael Schmid, managing partner and CMO at **Wolfgang Candy Company**. "So, there's a lot of room to grow."

But Private Label candy didn't just grow; it blew the national brands out of the water this past year. While chocolate candy snack size, gift box chocolates, novelty chocolate candy and sugar free chocolate candy saw a 60 percent decrease in dollar sales, Private Label chocolate candy (excluding chocolate miniatures) grew 11.7 percent during the 52-weeks ending March 20, 2011, according to **SymphonyIRI Group**, a Chicago-based market research firm, which excludes Walmart and Club stores.

"Once consumers upshift to a more premium flavor in chocolate they're less likely to go back to a lesser quality chocolate, because the flavor difference is pretty significant," says Bruno Montesano, president of **Agostoni Chocolate North America**. "As a result, we're seeing retailers who might have been cautious about going for a premium Private Label chocolate offering getting more brave about going up against national brands in this category."

For non-chocolate candy, the largest increase in sales came from Private Label licorice with a 42.39 percent increase in sales, followed by Private Label specialty nut/coconut candy with 15.59 percent increase. Private Label gum also saw a 4.92 percent increase. Least successful of all was Private Label breath freshener with 72.33 percent decrease in dollar sales, followed by Private Label sugarless gum with an 18.88 percent decrease in dollar sales and caramel/taffy apples/kits/dips with a 1.56 percent decrease in dollar sales.

Close Up: Chocolate

Chocolate is one area of Private Label candy that has seen a lot of change over the last year. "We're seeing more interest in Private Label chocolate offered in family-friendly, multi-piece retail packs," says Montesano. "We see mothers doing the shopping, looking for small pieces of chocolate they can include in their children's lunch boxes or to take away in their purse as an on-the-go snack."

Schmid, who recently rolled out an individually-wrapped, bulk chocolate program, agrees. "When I go into the bulk chocolate aisle at almost any retailer, it's typically not that sanitary. [The chocolates] usually aren't wrapped, it's easy to stick hands in there and contaminate the product and it's not presented that well," Schmid says. "But individual wrapping gives a very sanitary presentation and it's safe because you can trace ingredients back to the origin. Most bulk chocolate programs don't offer that level of food safety."

Another trend in the chocolate world is health-conscious chocolates, those with health supporting ingredients like

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probiotics or Omega-3s. "This is not a mass market trend, but we are seeing a lot of interest in the lifestyle of health and sustainability consumer demographic for this type of product," says Montesano, who recently announced a Private Label product line that features premium dark chocolates combined with BC30 probiotics from **Ganeden Labs**.

And finally, there is a trend with foodies who are always searching for new "wow" flavor experiences in chocolate. "Retailers looking at Private Label chocolate need to become brave and try to do something beyond the normal one dark, one milk, one nut bar initial assortment. They need to think outside of the box," says Montesano, who suggests offering organic chocolate, or chocolate with lemon or ginger, or caramelized almonds instead of just roasted almonds.

"The American palette for chocolate is quickly maturing and it's a lot like what we saw with coffee years ago and what we're seeing with beer, craft brews and different types of brews available even within regions of the country," says Schmid, who recently rolled out seven new premier chocolates that focus on origin.

Keeping Up with National Brands:

"The days where Private Label brands were considered inferior are long passed," says Schmid. "We're just as good if not better and consumers have grown to understand that and expect it." So when competing with national brands, you must price your products accordingly. Some retailers are "still hanging on to the legacy concept of Private Label must be lower priced than national brands," says Schmid. "Those retailers will probably never have or achieve a sustainable program."

Montesano recommends tracking the national brands with sale promotions. "When Private Label brands go on sale with national brands, both players make more sales. It's the natural result of all those "on sale!" messages bringing a consumer's attention to the category as a whole," he says. "It seems counter-intuitive, but in reality anything to make the customer stop for a second in the grocery aisle and ponder their options radically increases the likelihood that they'll buy."

It's all about getting noticed. Which also requires a smart assortment of SKUs, says Montesano. "Just offering knock-offs of national items isn't clever enough. The retailer's Private Label team needs to find the spot in the total category assortment that's underserved or missing."

Second comes packaging. "That first sale is made by what's showing on the shelf, so the retailer's Private Label team needs to be committed to doing great packaging," says Montesano, who has one retailer who took the radical approach of putting their store logo on the back of the packaging. "So instead of blasting out the shelf message "this is our store brand" they changed the presentation to say "this is a cool new product" and they allowed the "made exclusively for us" message to be secondary. This strategy subtly shifts the emphasis of the traditional Private Label to a premium."

And finally: quality. "If the first sale is made by packaging, the second sale is made by what's inside the package," says Montesano. "If consumers don't love what they're eating they're not likely to adopt this new Private Label chocolate bar as a "must have" treat for their shopping basket during their next store visit."

Sounds pretty sweet, eh? **PCB**