



**CORRELATING FORCES: THE ROLE OF 'PREMIUM' AND  
'SUSTAINABLE' IN DRIVING GROWTH WITHIN CHOCOLATE  
CONFECTIONERY**

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**ICCO 2016**

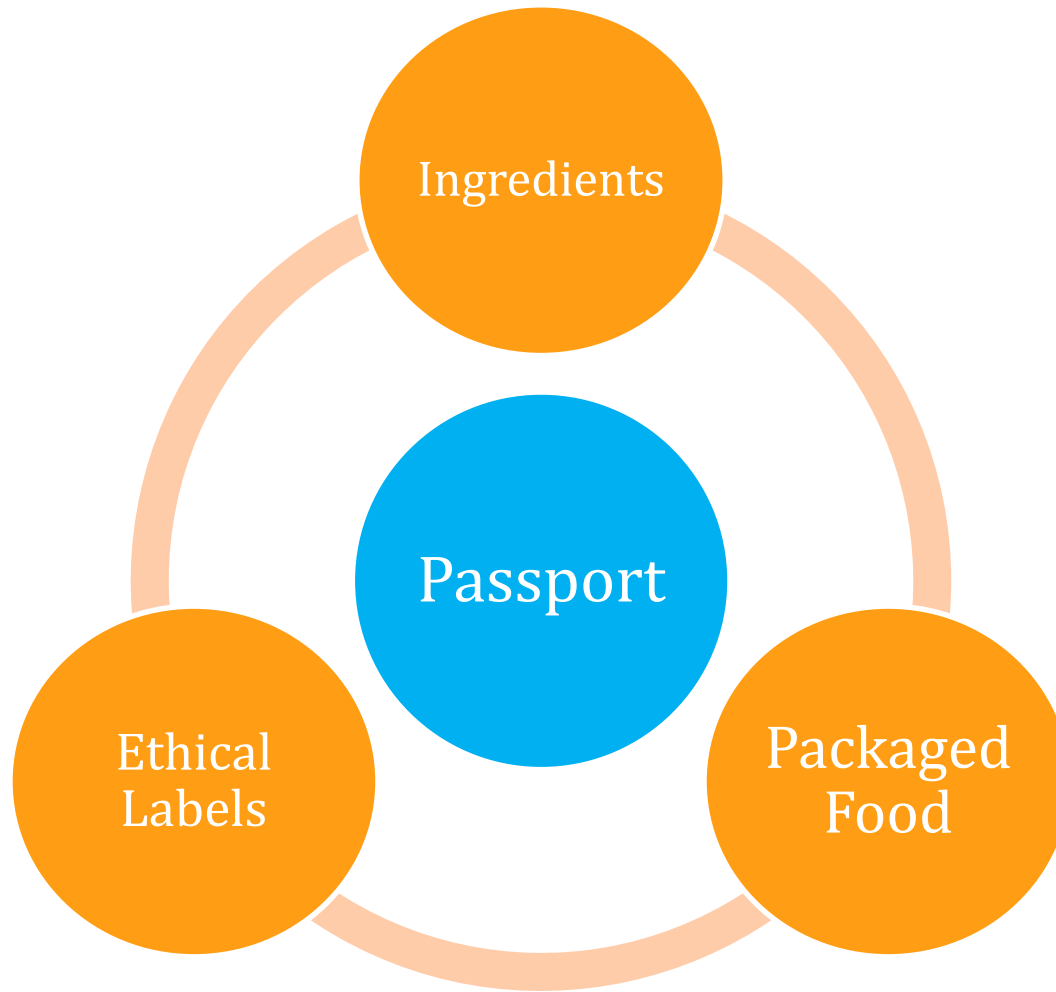
# About Euromonitor International

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# Passport Research



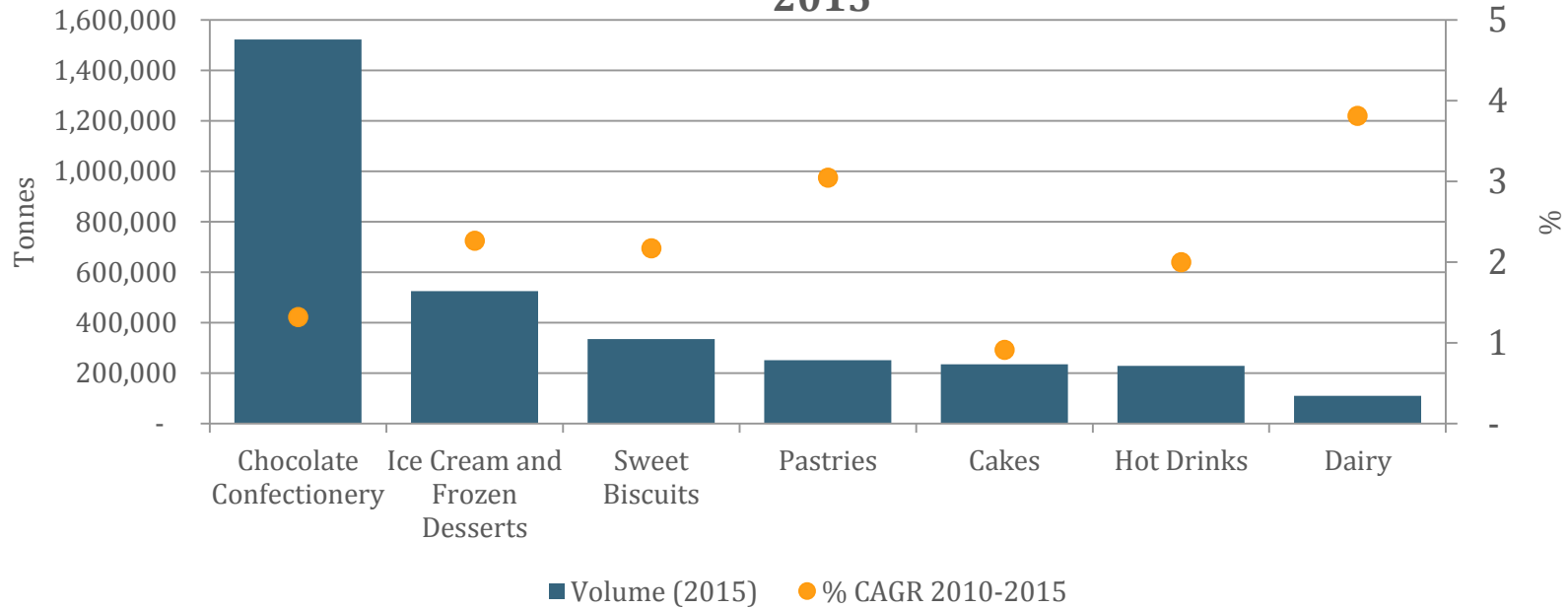
# THE CHALLENGES FACING CHOCOLATE CONFECTIONERY

DIVERSIFYING TO ANSWER DEMAND  
A SUSTAINABLE FUTURE?



# Chocolate confectionery dominates, but better growth elsewhere?

**Cocoa Ingredients: Global Volume and Growth by Application 2010-2015**



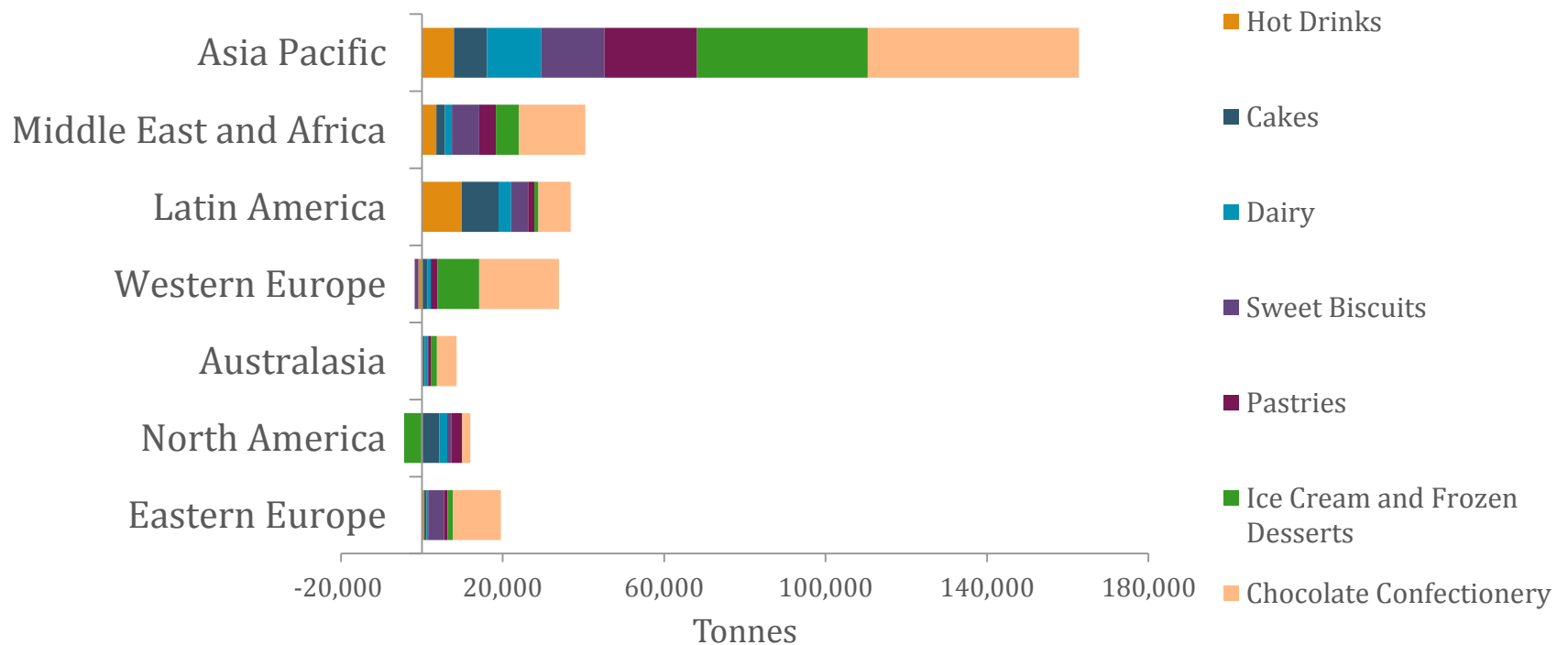
**Chocolate confectionery**  
45%

**Ice cream and frozen desserts**  
15%

**Sweet biscuits**  
10%

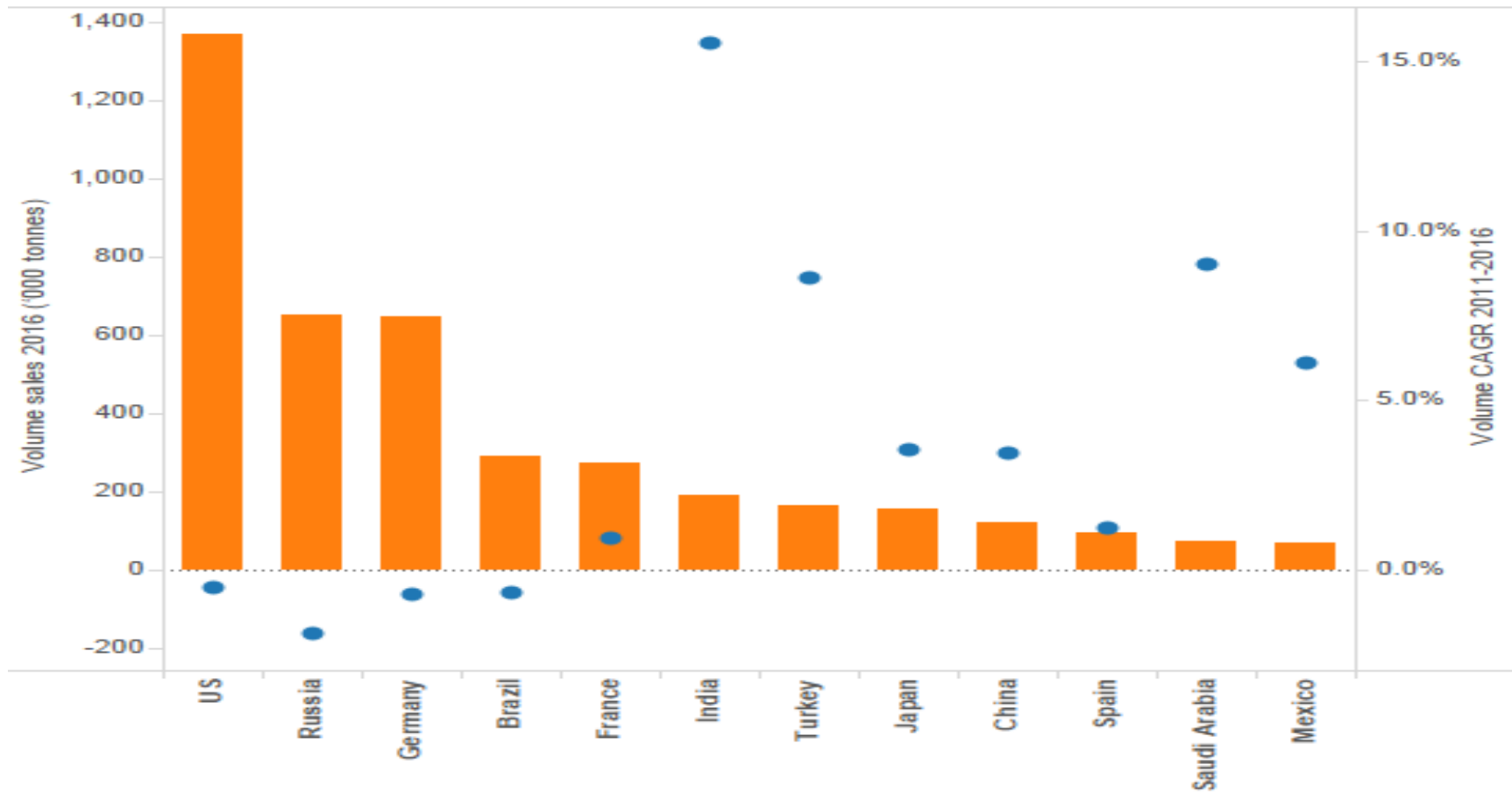
# Growth prospects and constraints

## Cocoa Ingredients: Absolute Growth by Main Applications and by Region 2015-2020



# Traditionally reliable markets faltering....

Leading Market Volume Sales 2016 and CAGR 2011-2016



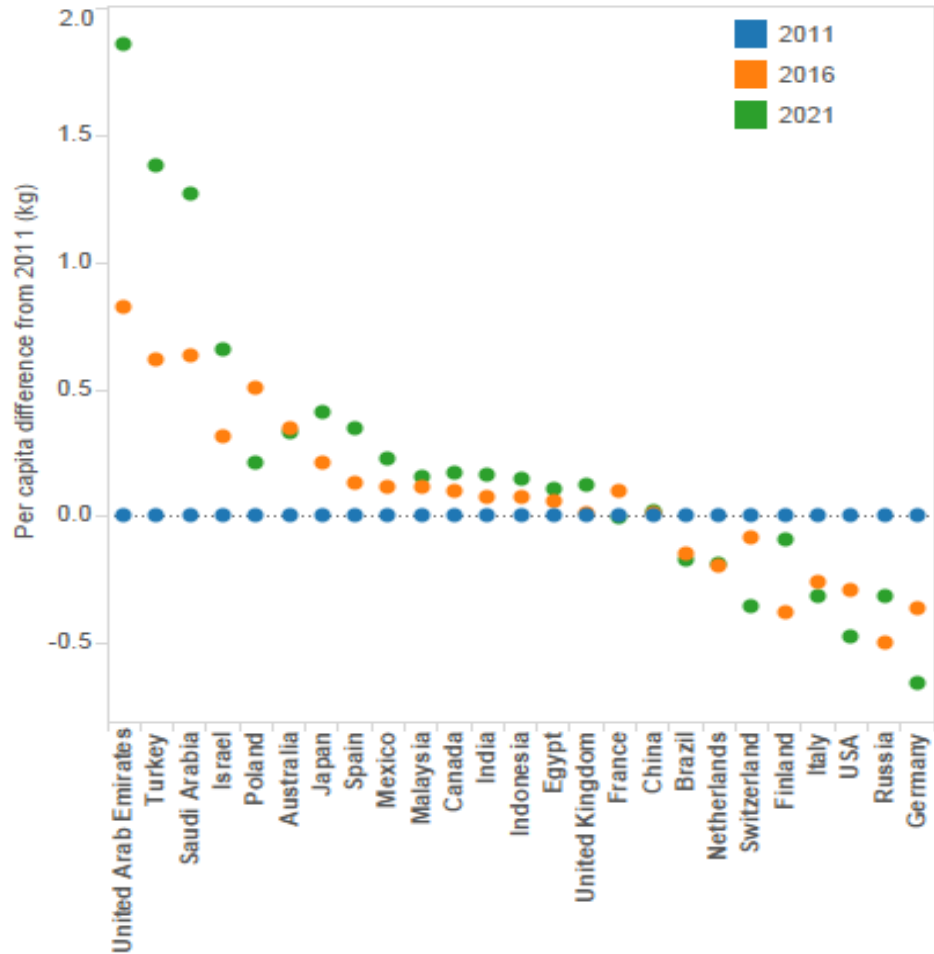
# Chocolate market in Middle East ripening?

UAE

Turkey

Saudi Arabia

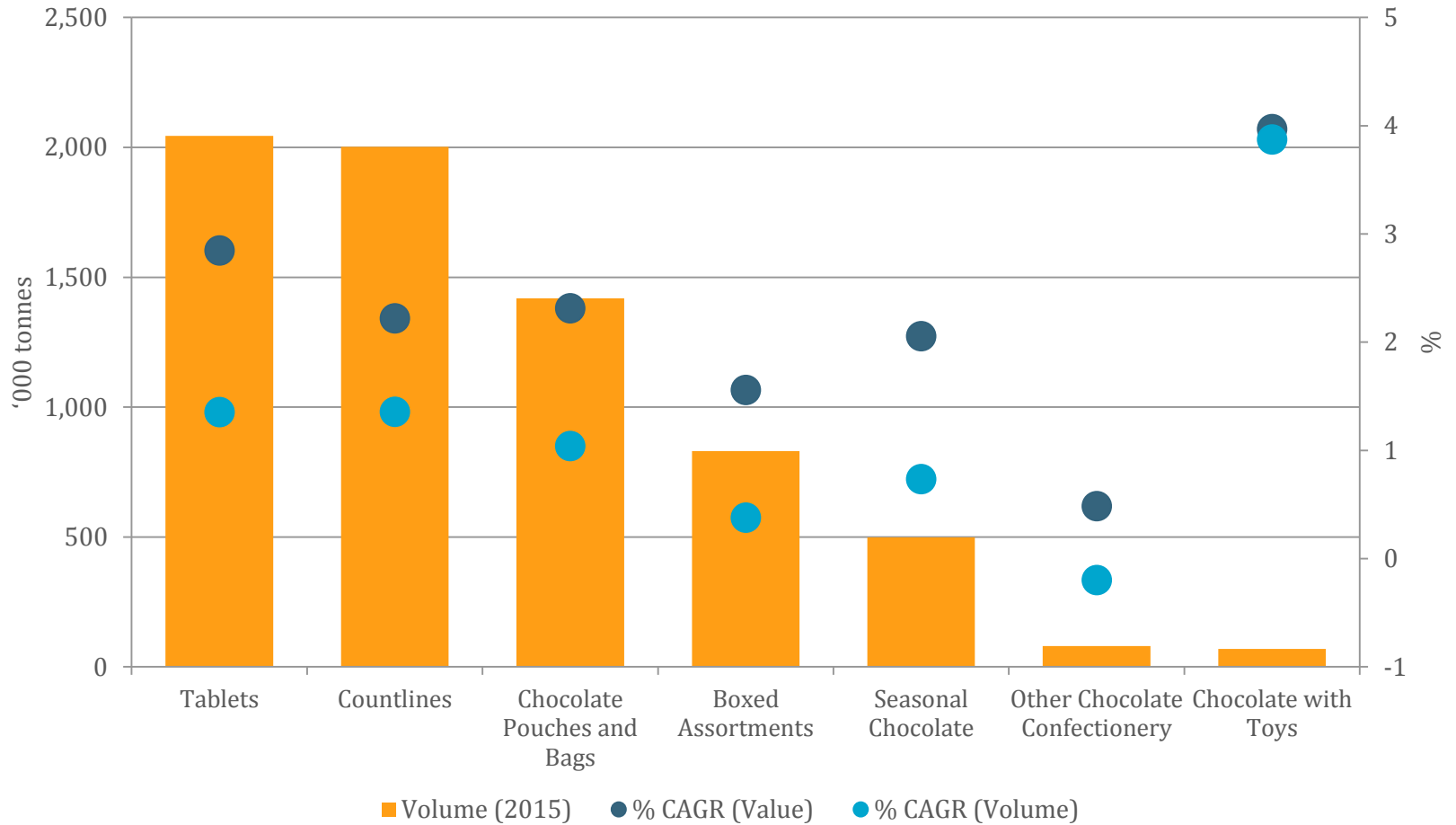
Per Capita Consumption (kg) Differences 2011/2016/2021





# Category characteristics.....

Chocolate Confectionery: Growth by Value and Volume 2015-2020  
(constant terms)



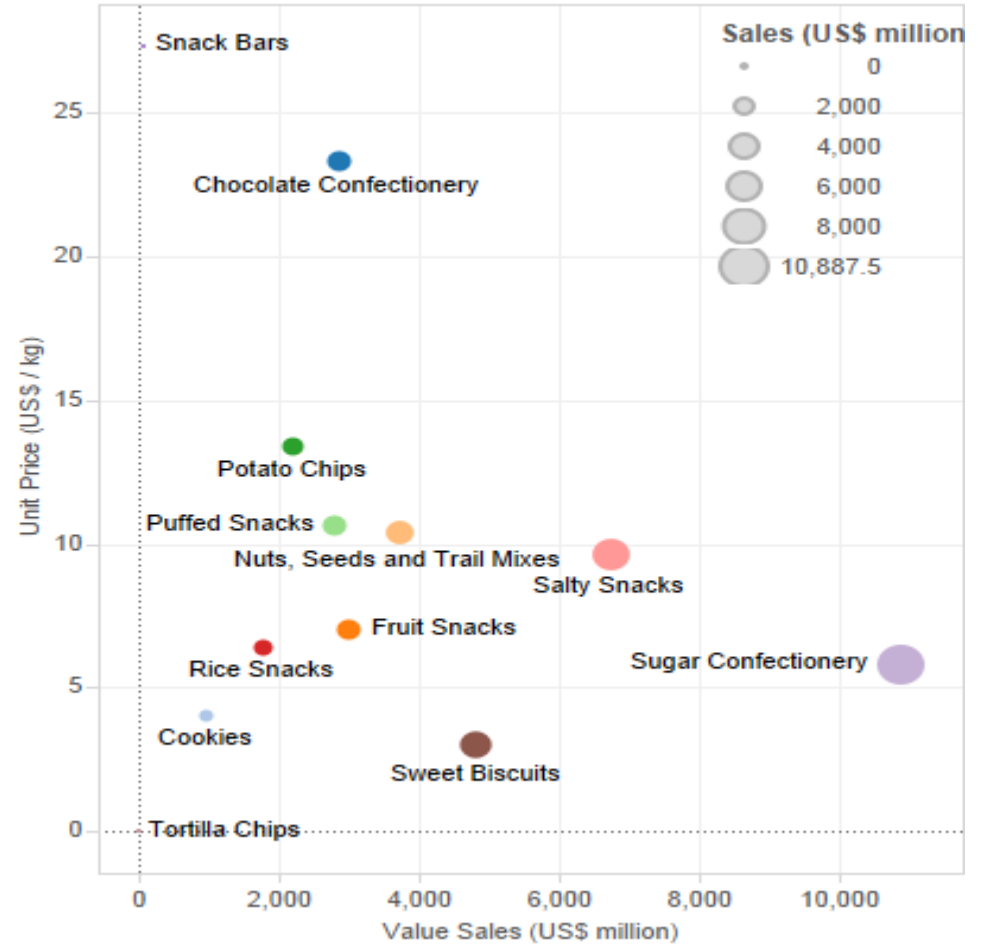
# Overcoming the lack of affordability challenge

Sugar confectionery vs. chocolate confectionery in China

Other categories continue to be mainstay of Chinese snacking

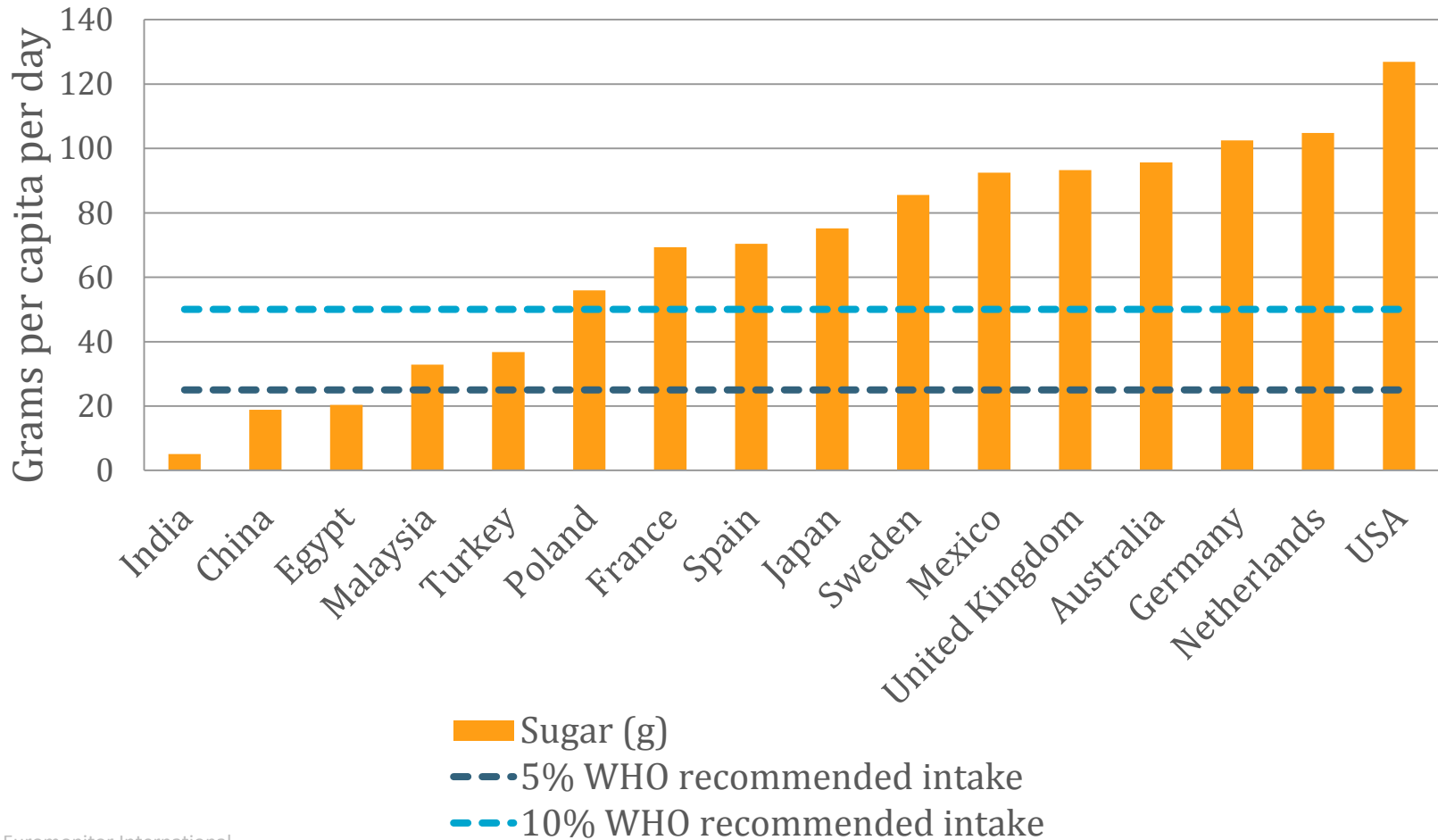
Until this is addressed, opportunity remains limited

Unit Prices of Snacks and Value Sales, 2016 (US\$ / kg)



# Consumers In Many Countries Buy More Sugar Than Is Recommended

## Daily sugar purchases compared to recommended intake, 2014



The challenges facing chocolate

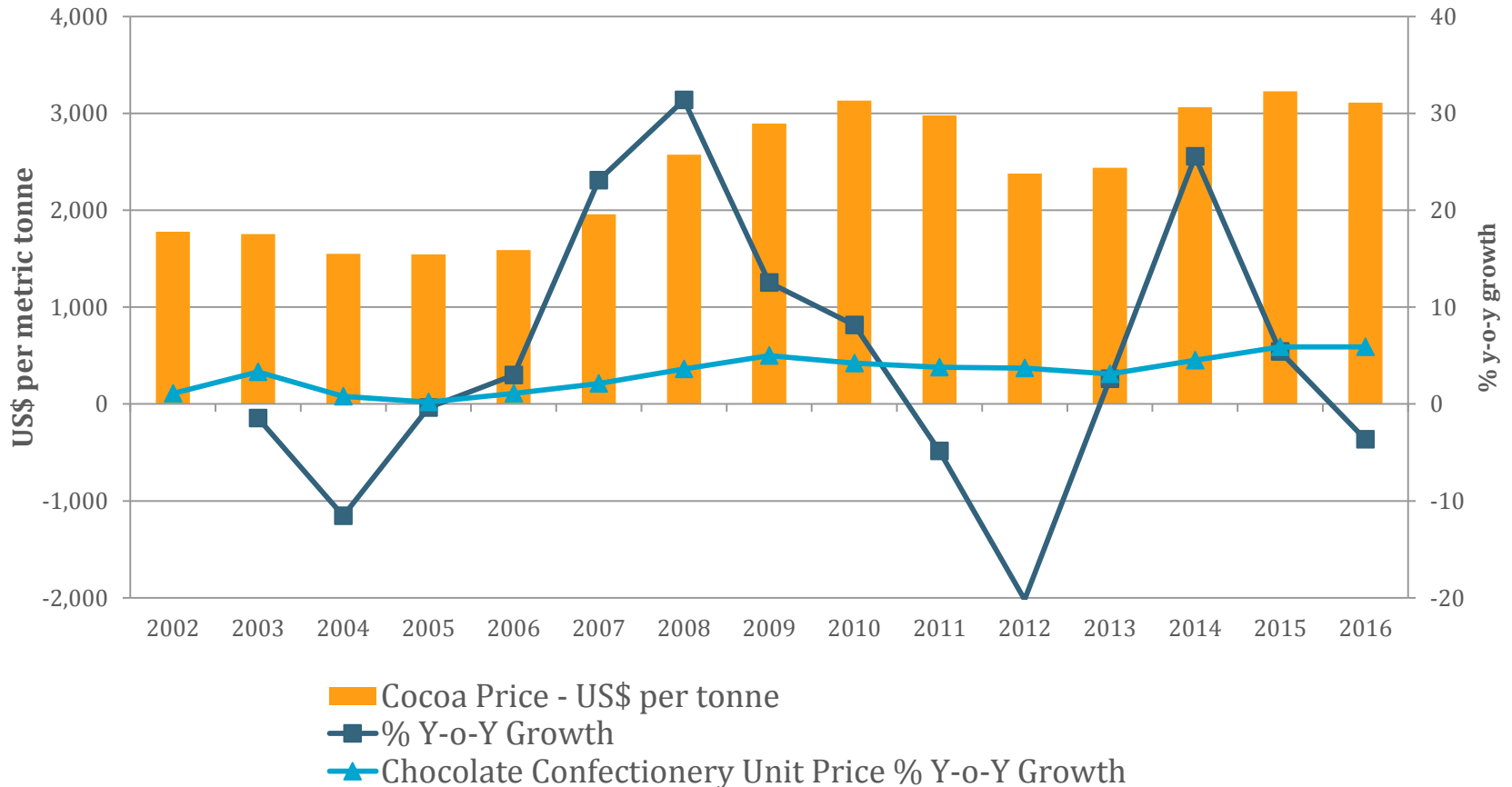
**Diversifying to answer demand**

A sustainable future?



# Cocoa price increases place pressure on unit prices

Cocoa Prices (US\$ per Tonne) and Chocolate Confectionery Unit Prices (US\$ per Kg)  
2002-2016

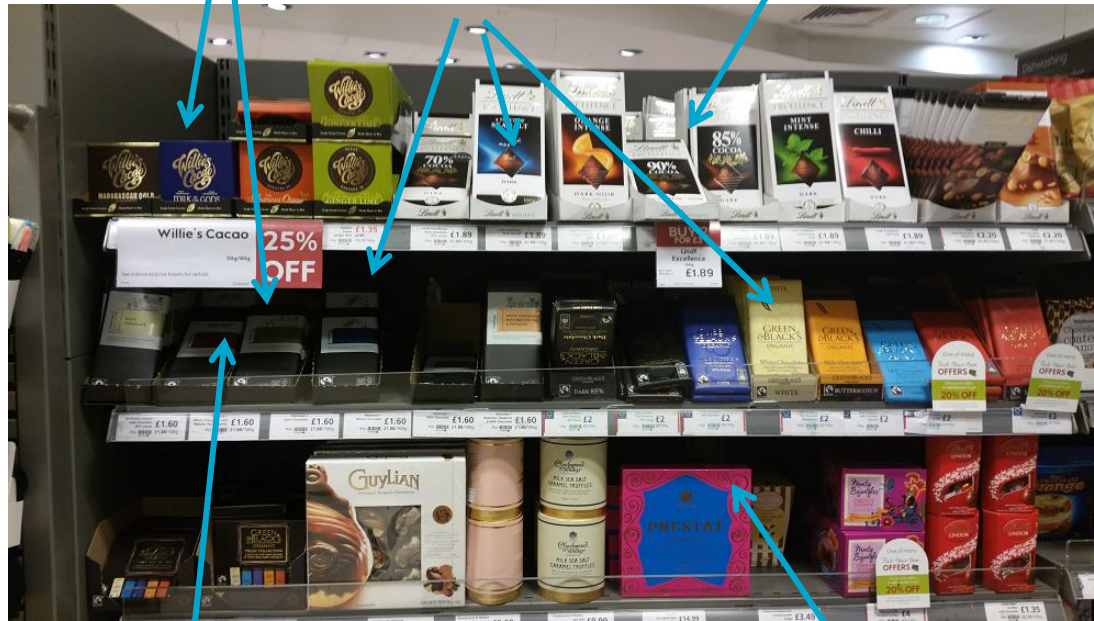


## Premium the name of the game in the West

Single origin

Diverse  
flavours (eg.  
mint, chilli)

High cocoa  
content (70-90%)



Private Label stealing  
market share

Big companies to  
redevelop and/or  
acquire

Premium private  
label products

Niche products  
(eg truffles) and  
manufacturers

# Mars: Extending the Snickers brand into the road less travelled

## Conventional Snacks

## Snack Replacements

Many chocolate confectionery brands have extended their brands into other snack categories such as snack bars and ice cream. Few, however, have ventured into dairy drinks or yoghurt. Snickers is perhaps the best case example in how far a brand can extend and has successfully leveraged its brand familiarity in snack replacement products.



Rest of Packaged Food



The challenges facing chocolate  
Diversifying to answer demand  
**A sustainable future?**





## Sample strategies

### Expansion

- Develop long-term outsourcing agreements and supply partnerships.
- Accelerate growth in Gourmet & Specialties Products business.

### Innovation

- Continually improve current portfolio of products and recipes.
- Focus on health properties of the cocoa bean and develop products accordingly.

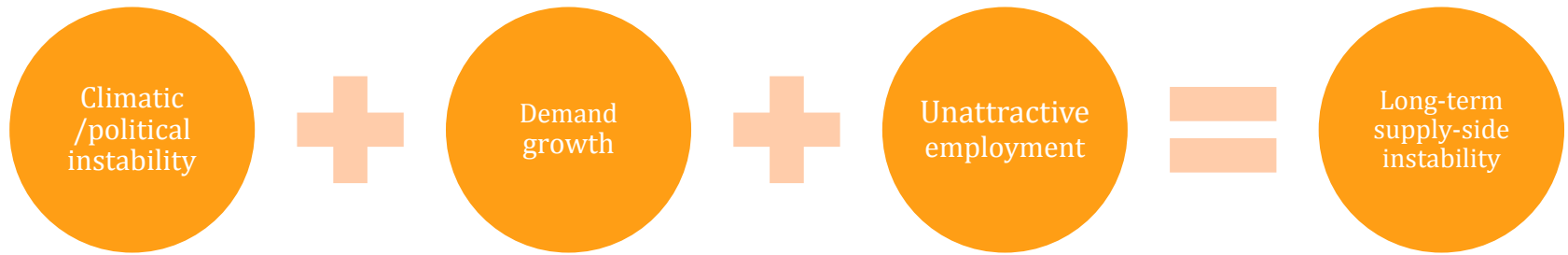
### Cost Leadership

- Improve operational efficiency, with a target of reducing manufacturing costs.

### Sustainable Cocoa

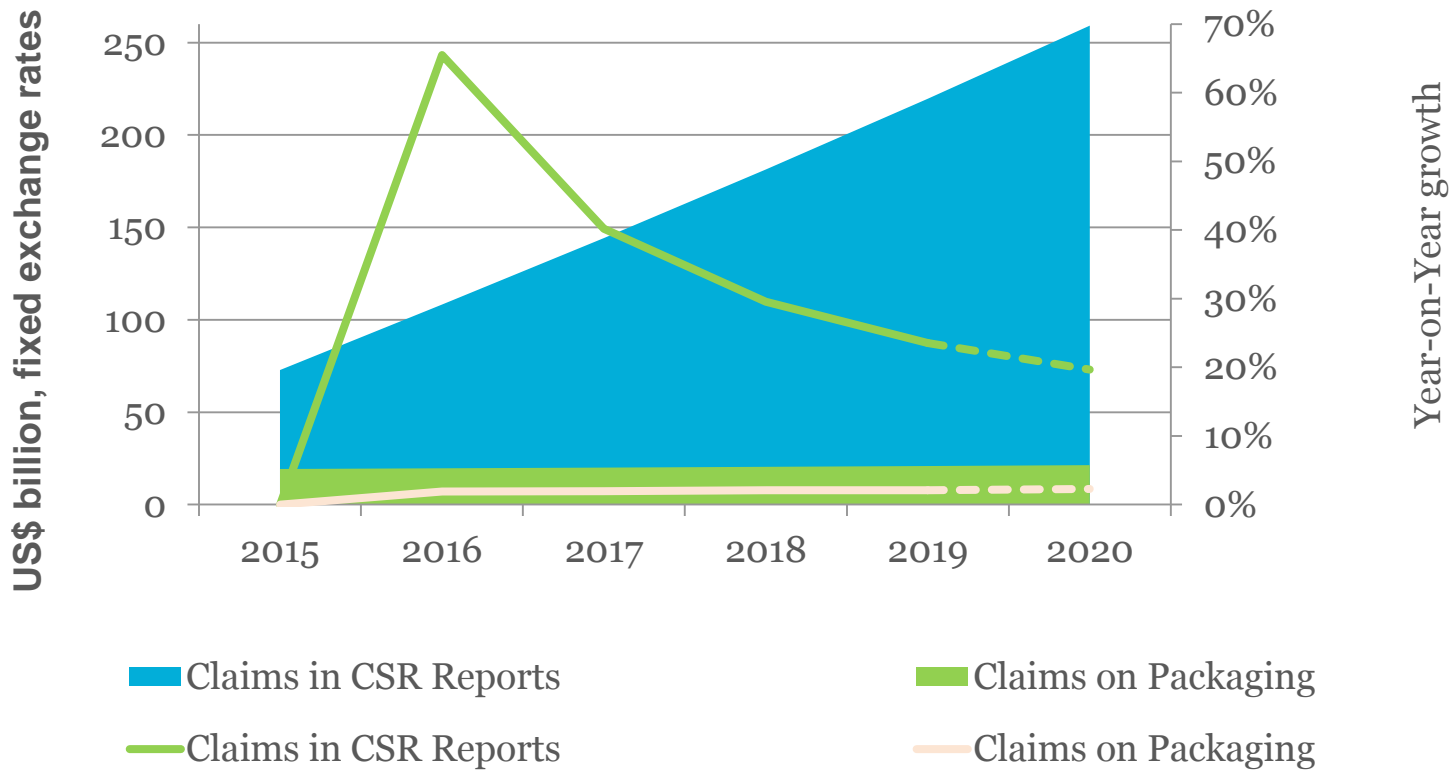
- Increase focus on mid- and long-term sustainability of the cocoa supply chain, securing the volume and quality of cocoa for the company.
- Achieved through sustainability initiatives to improve farming practices, farmer education and farmer health.

# Supply chain issues present long-term problems

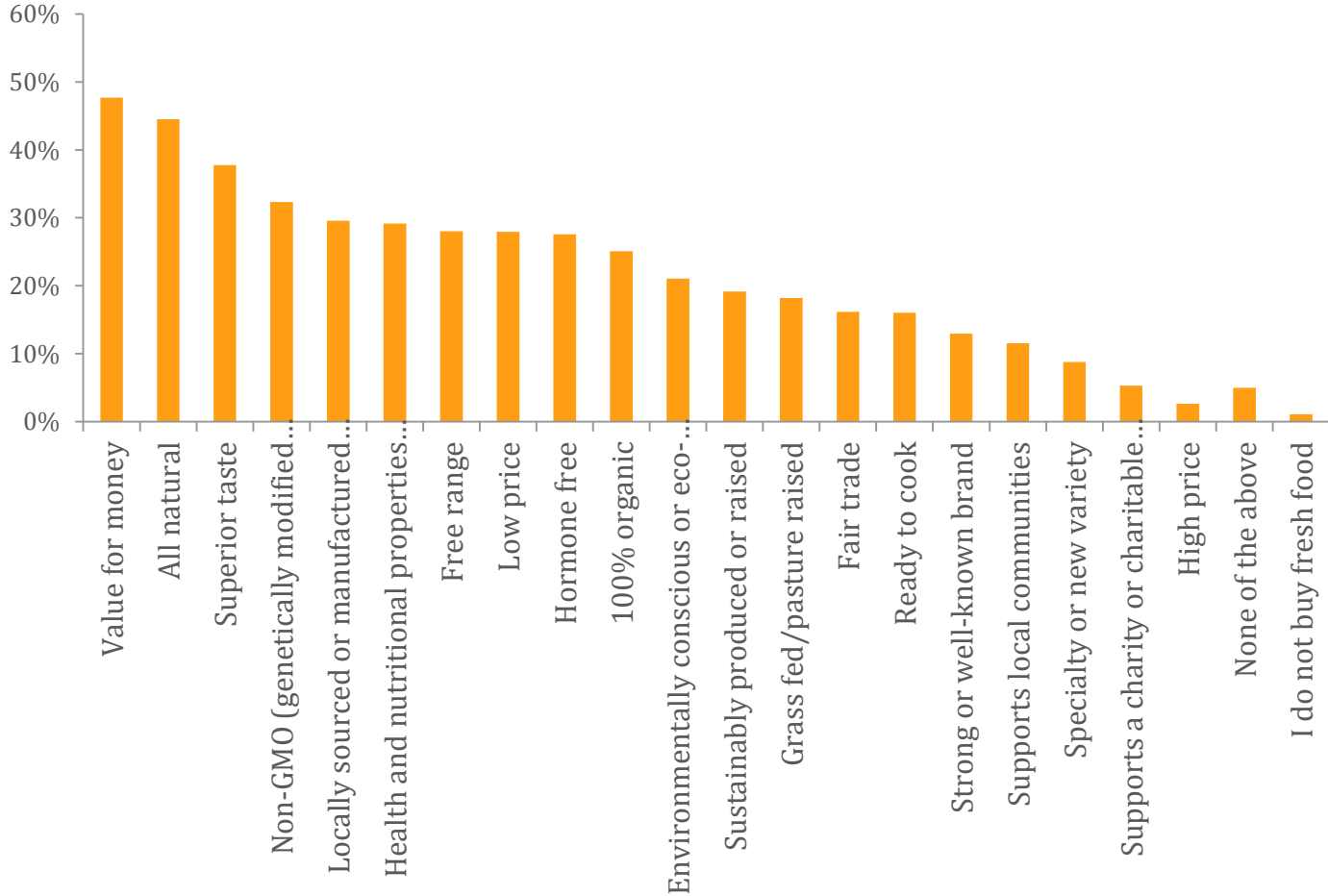


# The divergence of CSR and Packaging claims

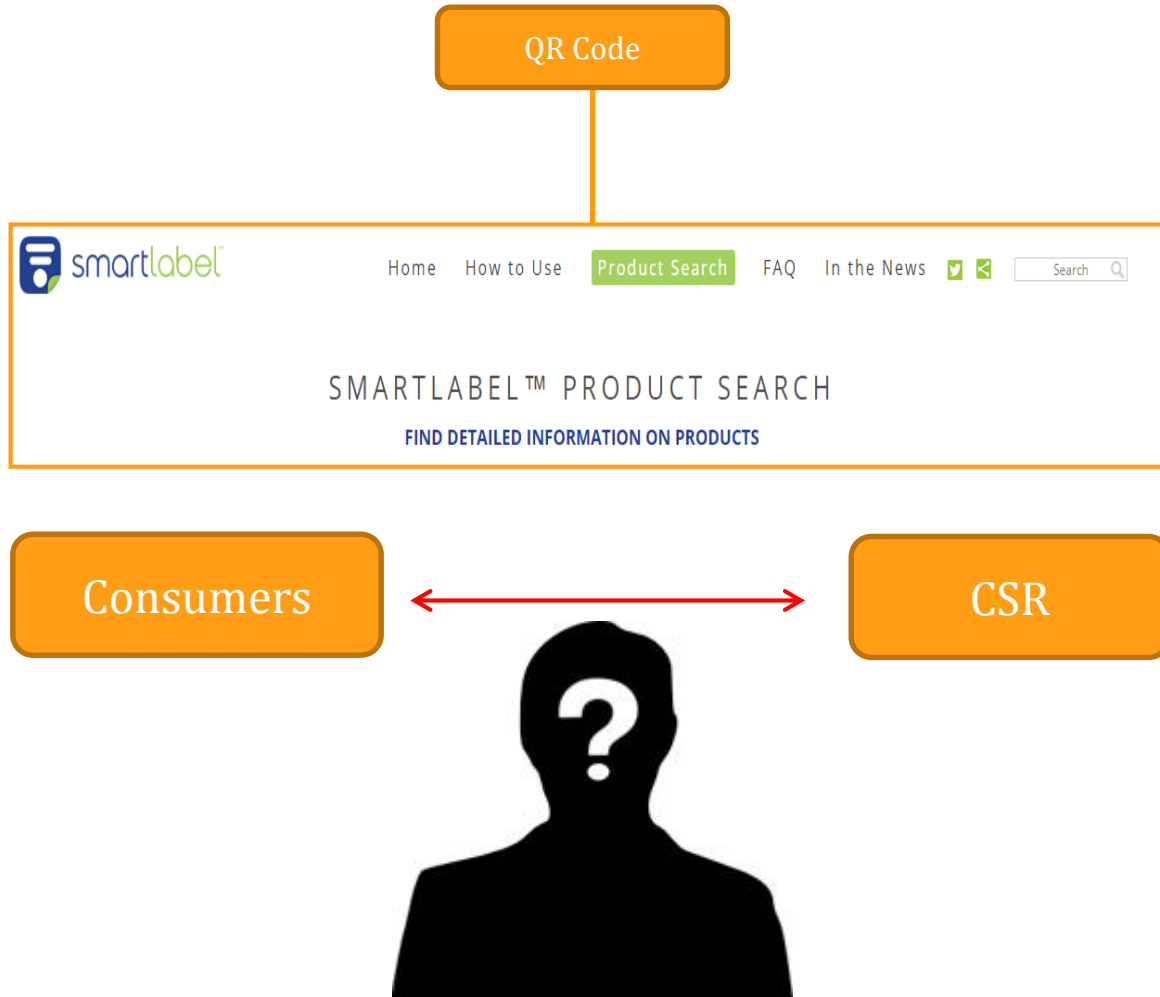
**Fairtrade, UTZ Certified and Other Sustainable Trade and Farming Schemes 2015-2020**



# What are consumers looking for?

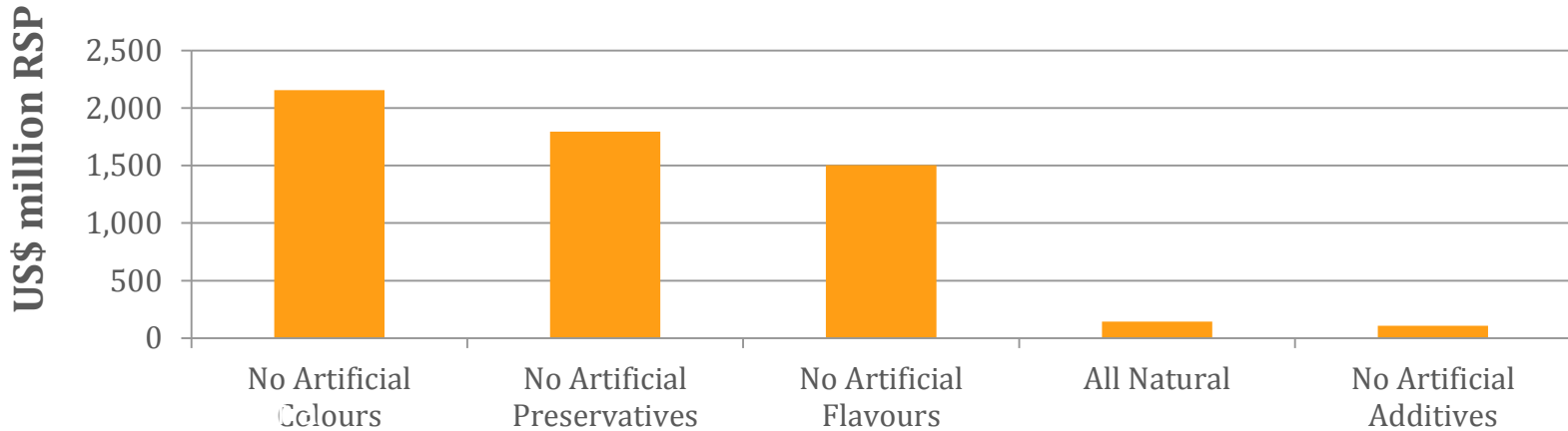


# The Future of Sustainability Claims?



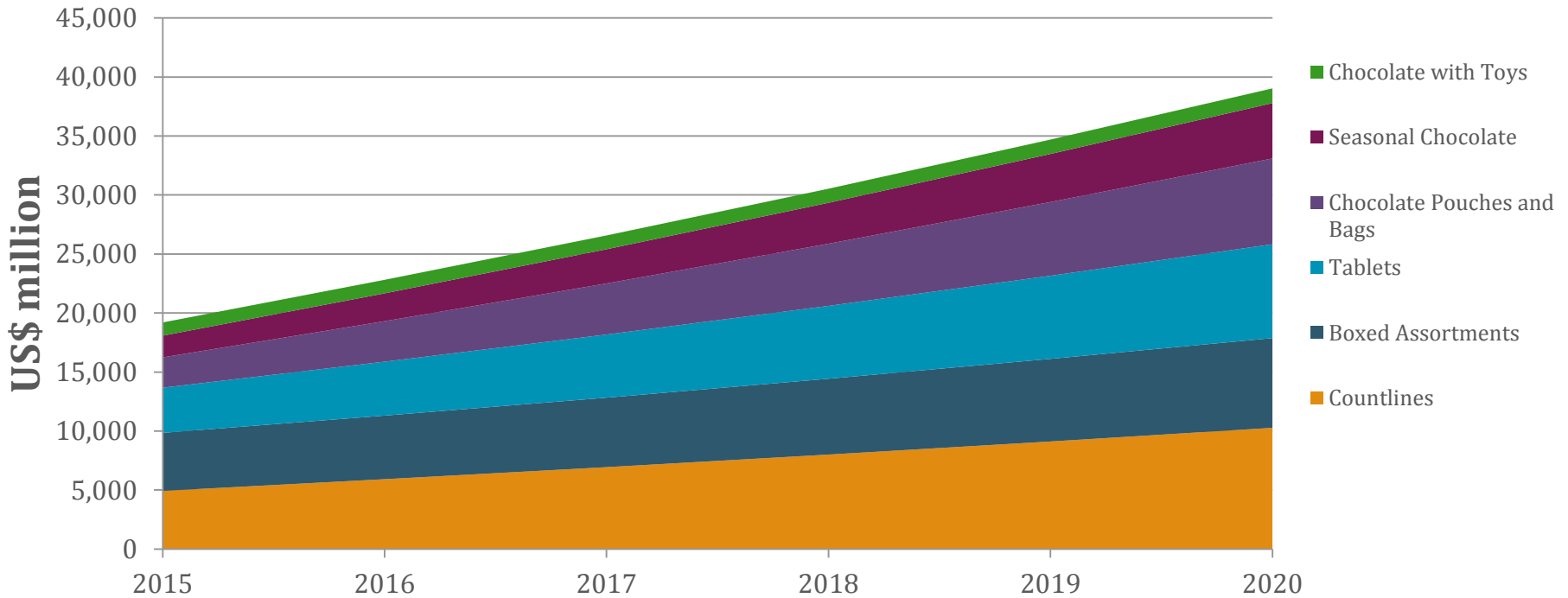
## Clean label confectionery

### Chocolate confectionery in Western Europe, clean label claims



# A world of increasing sustainability credentials

## Sustainable Trade and Farming Labels in Chocolate Confectionery Globally (US\$ million)



**The future of sustainability?**

## What next for chocolate confectionery?







**THANK YOU FOR LISTENING**

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