

Mintel Chocolate Confectionery Overview



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Key trends and insights

China still holds appeal for manufacturers

Although growth in the Chinese chocolate confectionery market has slowed, manufacturers are still seeking to enter the country in order to capitalise on the growing middle classes.

For example, in 2016 Mondelez introduced its popular brand Milka into China with a planned investment of \$100m over three years.

Market shares of more premium manufacturers, including Lindt, Pladis Foods and Ferrero, have increased in 2016 as consumers seek out premium options, particularly for gifting. The growth of these manufacturers highlights the opportunities that remain.

FIGURE 1: MONDELEZ CHINA, MILKA MELT MILK CHOCOLATE, 2016



SOURCE: MINTEL GNPD

Ethically-sourced ingredients

Although several individual Fairtrade organisations were formed as early as 1992, in 2004 the current structure of Fairtrade International was put in place, comprising 25 member and associate member organisations across the globe. The organisation's mission is to enable sustainable development and empowerment of disadvantaged producers and workers.

More and more global chocolate products are carrying Fairtrade International certification, highlighting the growing importance of sourcing raw materials in an ethical, sustainable manner.

More recently, manufacturers have begun to create their own versions of such initiatives, including Mondelez's Cocoa Life, which gives them more control on how their system works, and where funds are allocated.

- During 2016, 17% of all global chocolate confectionery launches carried ethical claims (including Fair Trade, Rainforest Alliance, or independent certification).
- 33% of UK chocolate eaters say it matters to them which ethical scheme a brand follows, while 28% would include ethically sourced ingredients in their own chocolate bar.
- 11% of US consumers bought Fair Trade chocolate in the last 3 months.



Price of raw materials influence company strategies

It's not just the price of cocoa that impacts the global market for chocolate, or the strategies that companies pursue.

Secondary ingredients, such as hazelnuts, also have an effect. 70% of the world's hazelnut crop is grown in the Black Sea region of Turkey. As with the cocoa industry in Côte d'Ivoire, the hazelnut industry in Turkey is volatile and subject to political and environmental change. In 2014, the crop was decimated by hail and frost, forcing a price surge of 60%.

Conversely, repressed demand and favourable weather conditions in West Africa have led to a lowering in price of chocolate's prime ingredient, cocoa in recent years.

With the majority of global markets dependent on the import of raw materials, currency fluctuations (such as the postcurrent weakness of the pound, also mean that manufacturers have to adjust pricing or absorb additional costs.

A balance between healthy eating and indulgence

Health is a major concern in most leading markets. However, this doesn't mean that there is no role for products seen as being unhealthy.

"Permissible indulgence" describes the ways that consumers justify their decision to indulge in "not especially good for you" products.

- 32% of Brazilian chocolate-eaters say mini-sized chocolate bars are a good way to control their chocolate consumption.
- 51% of Chinese chocolate buyers aged 20-49 agree that the health benefits are more important when buying chocolate, compared to 39% who agree that taste is more important.
- 20% of Americans think chocolate candy is unhealthy, but buy it anyway, while 19% of those who do not consider health of chocolate products when buying say they are not willing to sacrifice chocolate for the sake of their health.
- 25% of UK consumers agree there is no need to make unhealthy snacks healthier, while 35% disagree.

Potential to create a health market for chocolate

At a time where consumers are becoming more conscious of the healthiness of foods they are eating, there may be potential for growth in boosting the health credentials of chocolate products.

As well as the physical benefits of eating healthier chocolate products, the mental health benefits may particularly resonate with consumers.

- 37% of UK chocolate eaters would be interested in trying chocolate made with all-natural ingredients, while 22% would be interested in trying chocolate made with health-boosting ingredients.
- 43% of Chinese consumers say using fewer artificial additives would encourage them to buy more chocolate, while 41% say mixing in healthier ingredients would.
- 17% of US consumers say the emotional benefit of eating chocolate outweighs the health benefit.



Size of the chocolate confectionery market by retail value

Strongest market

Of the five key global markets covered in this overview (China, France, Germany, the UK and the US), the strongest market in 2016 was France which increased in value by 2.3% in 2016, to 3,683m USD.

The strongest growth in recent years for France was in 2011, with a rate of 13.4%, while compound annual growth in France for the period 2012-2016 was 2.1%.

Weakest market

The weakest market in 2016 was Germany which decreased in value by 12.9% in 2015, to 6,723.2 m USD.

The strongest growth in recent years for Germany was in 2008, with a rate of 8.4%, with compound annual growth in Germany for the period 2011-2015 at 1.3%.



FIGURE 2: CHOCOLATE CONFECTIONERY: RETAIL MARKET VALUE IN USD (BN)

Region	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
China			1.786	2.285	2.895	3.507	4.069	4.715	4.644	4.285	4.158	4.174	4.070	4.082	4.159
France		3.9954	3.8189	3.5251	3.9965	3.9103	4.1137	4.2671	3.6004	3.6830	3.8138	4.0931	4.1129	4.3852	4.5358
Germany	8.4247	9.1346	8.6183	7.9344	7.9946	7.3738	7.5987	7.7203	6.7232	6.8413	6.9855	7.4164	7.3824	7.8788	
UK				7.0600	7.5258	7.6981	7.7036	8.3469	7.9902	7.0112	6.7882	6.9825	6.9371	7.0544	7.2637
US				14.155	15.007	15.639	16.272	16.818	17.352	17.490	17.787	18.249	18.778	19.473	20.135

SOURCES: ECONOMIST INTELLIGENCE UNIT, INFORMATION RESOURCES, INC., DESTATIS, THE NIELSEN COMPANY, INFORMATION RESOURCES INC., COMPANY INFORMATION, TRADE INTERVIEWS, MINTEL

Size of the chocolate confectionery market by retail volume

Strongest market

The strongest market in 2016 was US which increased in volume by 0.4%, reaching 1.383 m tonnes.

The strongest growth in recent years for US was in 2011, with a rate of 2.8%, while compound annual growth in US for the period 2012-2016 was 0.6%.

Weakest market

The weakest market in 2016 was China which decreased in volume by 5.1% in 2016, to 0.202 m tonnes.

The strongest growth in recent years for China was in 2010, with a rate of 19.3%, while compound annual growth in China for the period 2012-2016 was 1.1%.

FIGURE 3: CHOCOLATE CONFECTIONERY: RETAIL MARKET VOLUME (000 TONNES)

Region	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
China			133.4	159.2	178.4	193.0	208.6	221.9	212.8	201.9	192.0	185.9	183.9	187.6	192.7
France		257.2	244.3	237.4	240.9	249.7	253.3	251.5	247.9	248.3	244.8	242.8	243.3	244.3	246.5
Germany	789.9	768.9	753.8	737.3	701.5	692.8	680.7	685.4	684.8	679.9	680.4	681.9	678.6	677.5	
UK				536.7	534.6	545.8	550.9	556.0	555.7	553.0	551.9	549.6	546.3	543.9	540.6
US				1,344.0	1,381.0	1,350.0	1,379.0	1,403.0	1,378.0	1,383.0	1,380.0	1,387.0	1,407.0	1,420.0	1,427.0

SOURCES: ECONOMIST INTELLIGENCE UNIT, INFORMATION RESOURCES, INC., DESTATIS, THE NIELSEN COMPANY, INFORMATION RESOURCES INC., COMPANY INFORMATION, TRADE INTERVIEWS, MINTEL



Global Manufacturer Landscape



Mergers and acquisitions

In 2005, Cadbury Schweppes purchased Green & Black's for an estimated £20 million.

In 2010, Cadbury was bought by US company Kraft, and now exists under the Mondelēz banner, which itself was spun off from Kraft in 2012.

In 2015, Italian firm Ferrero SpA bought British chocolate brand Thorntons for an estimated £112 million.

In 2016, Mondelēz attempted to purchase US manufacturer Hershey's for an estimated \$23 billion, however the offer was unanimously rejected by the Hershey board of directors.

In 2018, Ferrero agreed to purchase Nestlé's US confectionery business for \$2.8 billion, as Nestlé looks to focus on healthier food products.

Manufacturer market shares

Although local brands do have a role to play in individual markets, the global chocolate market is dominated by a handful of international giants. Mars Inc, Ferrero and Nestlé feature in the list of leading manufacturers across the five key markets covered by this overview, while Mondelēz (owner of the Cadbury brand) also has a huge presence across a number of major markets.

China

FIGURE 4: CHINA - CHOCOLATE CONFECTIONERY: COMPANY RETAIL MARKET SHARE BY VALUE (%)

Market Player	2015	2016
Mars Incorporated	44.4	43.3
Ferrero S.p.A.	11.0	11.3
Nestlé S.A.	10.8	11.1
The Hershey Company	8.5	8.2
Lindt & Sprüngli AG	1.9	2.1
Mondelēz International Inc.	1.6	1.8
Pladis Foods Limited	0.8	1.2
Meiji Holdings Co., Ltd.	0.9	1.0
Jiangsu Liangfeng Food Group	0.9	0.9
Lotte Group	0.3	0.3
Others	18.9	18.8

SOURCES: COMPANY INFORMATION, MINTEL

France

**FIGURE 5: FRANCE – CHOCOLATE CONFECTIONERY:
COMPANY RETAIL MARKET SHARE BY VALUE (%)**

Market Player	2015	2016
Ferrero S.p.A.	21.3	22.1
Lindt & Sprüngli AG	15.5	16.3
Mondelēz International, Inc.	17.4	16.1
Nestlé S.A.	13.0	12.7
Mars, Incorporated	12.1	12.5
Own Label	14.0	13.8
Others	6.7	6.5

Notes: Market shares have been updated based on the latest industry information.

SOURCES: TRADE INTERVIEWS, MINTEL

UK

**FIGURE 7: UK – CHOCOLATE CONFECTIONERY:
COMPANY RETAIL MARKET SHARE BY VALUE (%)**

Market Player	2015	2016
Mondelēz International	30.4	30.6
Mars, Incorporated	23.1	22.3
Nestlé S.A.	12.6	11.9
Ferrero S.p.A.	5.5	6.6
Lindt & Sprüngli AG	3.4	4.0
Own Label	15.1	14.3
Others	9.9	10.3

Notes: Market shares have been updated based on Mintel Reports' Chocolate Confectionery – UK – May 2017 report, and are based on 52 weeks ending December 2015 and 2016. Market shares do not include the seasonal or/and "Others" segments, which make up approximately 10% of the market value.

SOURCES: INFORMATION RESOURCES, INC., MINTEL

Germany

**FIGURE 6: GERMANY – CHOCOLATE CONFECTIONERY:
COMPANY RETAIL MARKET SHARE BY VALUE (%)**

Market Player	2014	2015
Ferrero S.p.A.	21.5	21.6
Mars, Inc.	10.3	10.2
Mondelēz International Inc.	10.9	9.5
Alfred Ritter GmbH & Co. KG	6.1	7.5
Lindt & Sprüngli AG	6.9	7.0
August Storck KG	7.1	6.9
Nestlé S.A.	4.3	4.3
N.V. Baronie Chocolates Belgium	2.0	1.9
Krüger GmbH & Co. KG	1.9	1.8
Own Label	20.7	20.9
Others	8.3	8.4

Notes: 2014 market shares have been aligned to the latest figures gathered in terms of distribution coverage.

SOURCES: TRADE INTERVIEWS, MINTEL

United States

**FIGURE 8: US – CHOCOLATE CONFECTIONERY:
COMPANY RETAIL MARKET SHARE BY VALUE (%)**

Market Player	2014	2015	2016
The Hershey Company	42.6	42.6	42.7
Mars, Inc.	27.2	27.2	27.4
Lindt & Sprüngli AG	11.6	11.8	11.7
Nestlé S.A.	5.4	5.2	4.6
Own Label	1.6	1.6	1.6
Others	11.6	11.6	12.0

SOURCES: INFORMATION RESOURCES, INC., MINTEL



Global Market Landscape

UK Market Landscape

Veganism and free-from on the increase in the UK

Although the proportion of people following a vegan diet is still small, at only 11% of non-meat eaters, social trends dictate that this number is set to increase.

The popularity of vegan products and dairy-free milks in other products, such as those offered in coffee shops, is likely to create further momentum and demand for dairy-free chocolate or launches that carry vegan claims.

- 8% of chocolate confectionery launches in the UK carried vegan claims in 2016, compared to just 1% in 2012.
- 14% of UK consumers have used any plant-based milk in the last 3 months.
- 11% of out-of-home hot drink buyers in the UK would be interested in dairy-free milk options when visiting coffee shops.

Sharing size packs continue to drive product development

Sharing bags are a well-established feature of the UK chocolate market, as brands seek to offer consumers ways to indulge on a bite-by-bite basis.

Brands have continued to launch sharing products in 2016 and 2017, featuring bite-sized versions of their core products, including Mars's Snickers Bites, Mars Bites and Twix Bites, Cadbury Dinky Deckers and Nestlé's KitKat Bites.

However, despite the popularity of sharing size packs, consumers are not necessarily likely to believe that they lead to healthier eating habits.

- 62% of UK chocolate eaters agree that sharing bags make it easy to overeat chocolate.
- 42% of UK chocolate eaters agree that on-pack portion guidelines on chocolate are unrealistic.

FIGURE 9: EXAMPLE OF SHARING PACK LAUNCHES IN THE UK CHOCOLATE CONFECTIONERY MARKET, 2017



Mars Inc, Twix, Milk Chocolate Coated Cookies and Caramel



Nestlé, KitKat Peanut Butter Mini Crispy Wafer Fingers



Ferrero, Kinder Bueno Mini Mix Mini Chocolate Bites

SOURCE: MINTEL GNPD

An opportunity for premiumisation

In a competitive market, and one in which consumers are potentially seeking to cut down on the amount of perceived unhealthy products they eat, there may be the opportunity to drive greater interest in premium products. In particular this could drive manufacturer engagement with gifting occasions.

- 34% of UK chocolate eaters are interested in trying chocolate with high cocoa content (60% cocoa or more).
- 28% of UK chocolate eaters would consider it important to include premium ingredients in their own chocolate bar.
- 25% of UK chocolate buyers are willing to pay more for a luxury brands when buying for themselves, while 44% would pay more for a luxury brand when buying as a gift.

The demonisation of sugar in UK will affect manufacturers

Amongst other health-related issues, the demonisation of sugar in the media is likely to impact upon manufacturers in the UK.

Public Health England has challenged the industry to reduce overall sugar across a range of products that contribute to children's sugar intake, with reductions of at least 20% targeted by 2020.

Consumer views are mixed though, because the indulgence factor of chocolate means that some are reluctant to see a change in formulation. As a result, manufacturers may need to reduce sizes in order to make healthier offerings that do not change the composition of their products, or seek to introduce sugar alternatives that enjoy a healthier image.

- 35% of UK chocolate eaters say they would be interested in trying low sugar chocolate.
- 41% of UK chocolate eaters say eating reduced-sugar chocolate feels less like a treat than normal chocolate.
- 39% of UK chocolate eaters say reducing portion/pack sizes of chocolate is a good alternative to cutting the sugar content.
- 27% of UK chocolate eaters say they would be interested in trying chocolate sweetened with alternatives to refined sugar (eg honey, agave syrup).



Marketing Activity

UK recorded advertising spend

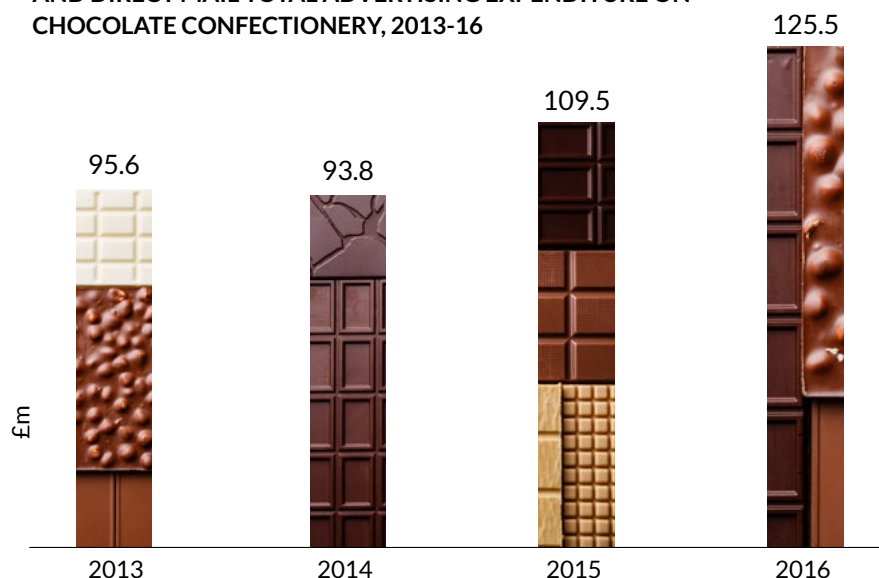
In the UK, advertising expenditure on chocolate confectionery increased by 15% in 2016, reaching £126 million.

Top spenders on UK advertising

This growth was predominantly driven by increased spend from Mondelez, Lindt, Hotel Chocolat, Thorntons and Asda, with the former adding over £7 million to its adspend on chocolate in 2016.

The top five advertisers in chocolate confectionery account for 84% of spending, a slight decline on 2015 (87%) but still reflective of the dominance of these companies in the UK market.

FIGURE 10: RECORDED ABOVE-THE-LINE, ONLINE DISPLAY AND DIRECT MAIL TOTAL ADVERTISING EXPENDITURE ON CHOCOLATE CONFECTIONERY, 2013-16



SOURCE: NIELSEN AD INTEL/MINTEL

FIGURE 11: RECORDED ABOVE-THE-LINE, ONLINE DISPLAY AND DIRECT MAIL TOTAL ADVERTISING EXPENDITURE ON CHOCOLATE CONFECTIONERY, BY ADVERTISER (TOP 10), 2013-16

	2013 £m	2014 £m	2015 £m	2016 £m	2013-16 % change	2015-16 % change
Mars Confectionery	42.4	39.8	44.1	41.2	-2.8	-6.6
Mondelez	14.3	15.8	17.5	24.7	+72.7	+41.1
Ferrero UK Ltd	12.8	14.6	13.4	16.3	+27.3	+21.6
Lindt & Sprüngli Ltd	7.8	7.5	10.2	13.2	+69.2	+29.4
Nestlé	7.7	2.9	8.6	9.3	+20.8	+8.1
Hotel Chocolat Ltd	1.3	1.1	2.7	5.1	+292.3	+88.9
Storck UK Ltd	*	2.7	3.1	3.6	na	+16.1
Asda Stores Ltd	0.7	0.6	0.2	2.8	+300.0	+1,300.0
Lidl UK GmbH	*	1.0	1.3	2.1	na	+61.5
Marks & Spencer	*	0.2	1.1	1.9	na	+72.7
Other	7.2	7.6	7.2	4.9	-31.9	-31.9
Total	95.6	93.8	109.5	125.5	+31.3	+14.6

SOURCE: NIELSEN AD INTEL/MINTEL

Ferrero focuses on getting closer to Brazilian customers

After many years of using global brand campaigns, Ferrero Rocher is now looking to engage more closely with its consumers in Brazil and invested in an innovative project, exploring the branded content format for the first time in the country.

The campaign consists of more than 50 pieces of content, using a variety of formats and platforms. The key pieces are four movies that can be streamed from the brand's YouTube channel from December 2016.

Manufacturers in China may need to promote local benefits

Though the major players of chocolate in China are international brands many of them are localising their production to lower the cost. For example, Ferrero opened

its first manufacturing plant in Hangzhou in late 2015, and Milka located its production line in Suzhou in 2016.

A challenge for the change is that imported chocolate products are perceived more premium for Chinese consumers, which could lead to the opportunity for manufacturers to turn factories into tourist destinations.

Seasonality drives focus for US and Brazil

Seasonal is the second leading claim among US chocolate confectionery launches tracked by Mintel GNPD. The third largest segment, in terms of sales, seasonal chocolate posted the largest sales gains from 2010-15, bolstered by strong product launch activity and a consumer base interested in new product trial.

Seasonal chocolate has accounted for the biggest share of new chocolate launches for three of the last four years in Brazil, highlighting the important role that key events in the calendar have in driving product development and promotional activity.

Nielsen Ad Intel coverage

The Nielsen Ad Intel (NAI) showing UK adspend trends tracks advertising via the following channels: television, radio, press, internet display advertising, outdoor, radio, cinema, direct mail and door drops. Spend on sponsorship, search and social is not currently measured by NAI. For most channels covered, NAI does not measure expenditure directly, but estimates it by monitoring usage and applying average measures of expenditure.



