

# Candy/Snack Innovation Forum

February 21, 2006

# Welcome To The Candy/Snack Forum

## Facilitators

**Debbie Wildrick – Product Director- Packaged Goods – 7-Eleven, Inc.**

**Bill Dusek – Managing Director – Dechert-Hampe & Company**

## Primary Objective

**Group discussion on common issues/problems relating to the Candy/Snack business in Convenience Stores with a goal of identifying possible industry wide solutions to these issues/problems.**

# Agenda

- **Presentation of recent C-Store Snack Study – Bill Dusek**
- **Identification of breakout teams, Table Captains, and discussion topics – Debbie Wildrick**
- **Group Discussion – Table Captain**
- **Presentation of “Executive Summaries” to – Team Secretary or Table Captain**

# Key Issues Facing Convenience Retailers

- **NACS State of the Industry Report identified that pre-tax profits had rebounded in 2003, after 3 years of declines and for the first time in many years actual store counts were down**
- **Pay at the pump and shrinking gasoline margins are a sizeable industry threat**
- **Traditional high volume tobacco sales continue to decline**
- **Labor costs on the rise**
- **Household penetration is flat as is shopping frequency**
- **Drug stores targeting the Convenience trip**

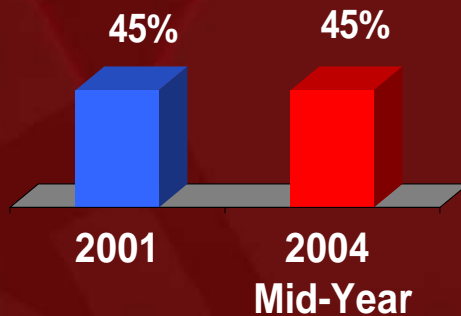
# Opportunities For Channel Growth

- Expansion of Food Service offerings
- Understanding the impact of changing consumer demographics
- Driving more gas purchasers into the store
- Drive up the size of the market basket
- Focusing on product mix to maximize your most profitable categories
- Sharing merchandising best practices

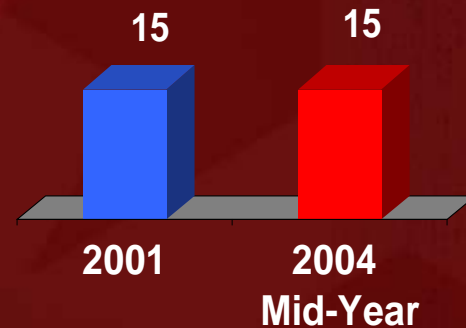
# With Penetration And Frequency Flat, Expanding Market Basket Is A Key To Success

## Convenience Stores

% Household  
Shopper Penetration



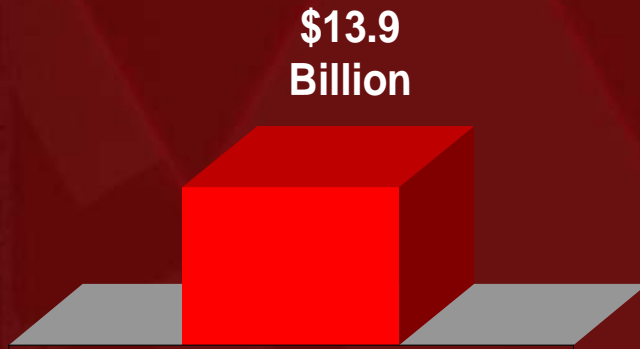
Shopping Frequency  
# Of Trips Per Year



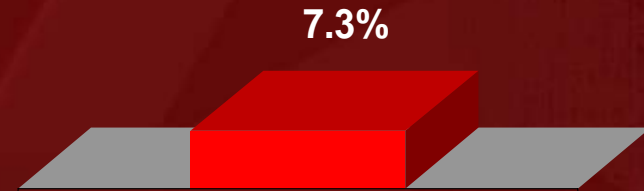
- Helping Convenience store operators expand the average basket size is the primary goal of the Convenience Store Study

# Single Serve Snacks Generate \$13.9 Billion In The Convenience Store Class Of Trade

Projected C-Store Single  
Serve Snacks\* Dollar Sales



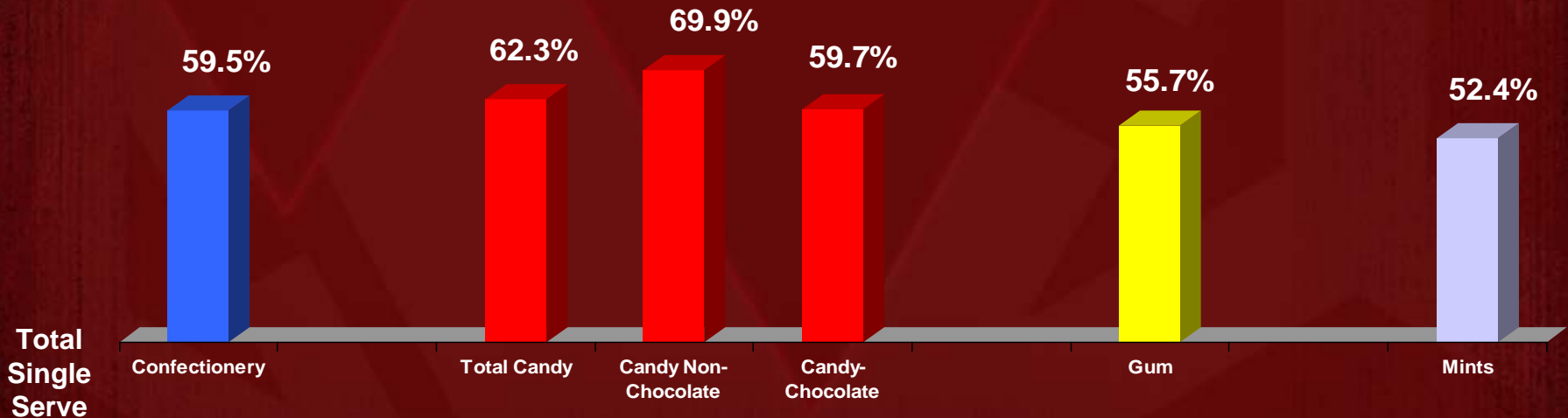
Single Serve Snacks %  
Of Total In-Store Sales



- Annualized Single Serve \$ Sales per Store = \$105,299 x 131,584 C-Stores = \$13.9 Billion

# Convenience Stores Dominate Single Serve Confection Sales

## Convenience Stores Share Of F/D/M/C\* Single Serve Confection \$ Sales

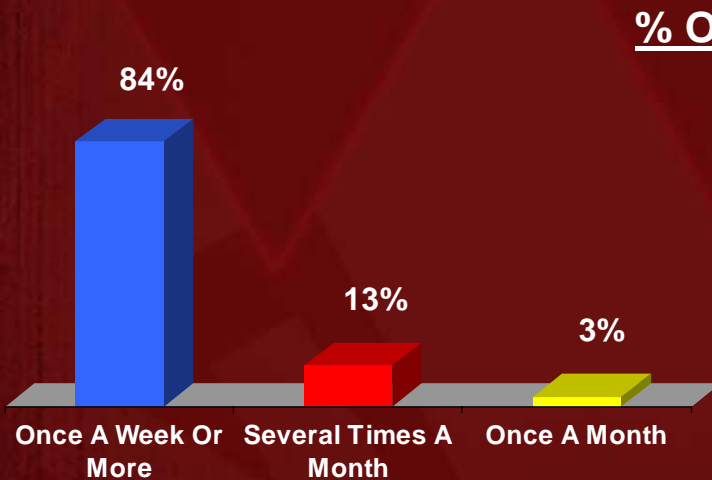


- Convenience stores want to maintain/grow their share of Confectionary sales

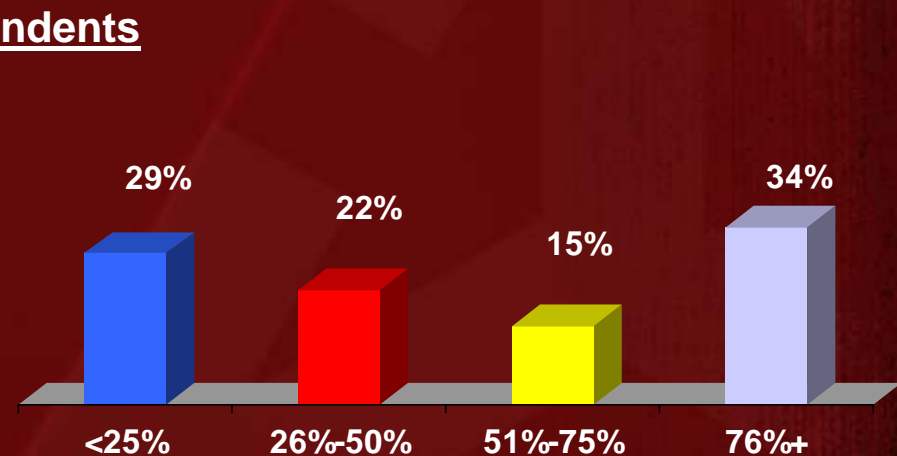


# C-Store Consumers Will Shop Frequently, But At Multiple Stores

## How Often Do You Shop At This Store?



## What Percent Of Your C-Store Trips Are At This Store?



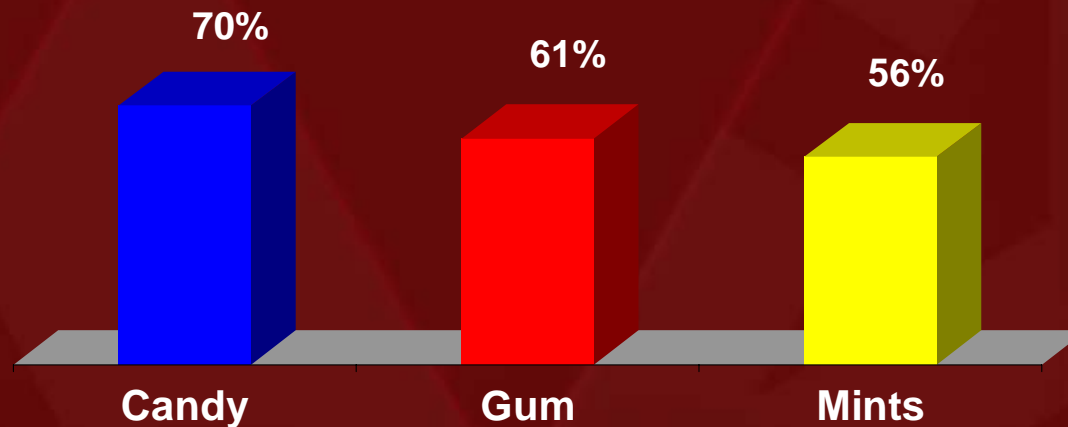
- Retailers must focus on getting the most out of each shopping trip

# The Checkout Counter And Beverage Cooler Are Primary Shopping Locations

What Sections Of The Store Did Consumers Shop? (Consumer Observations)			
	1 <sup>st</sup> Stop	2 <sup>nd</sup> Stop	3 <sup>rd</sup> Stop
Checkout Counter	35%	61%	69%
Beverage Cooler	26%	11%	4%
Food Service	16%	6%	4%
Restrooms	5%	0%	2%
Confectionery Aisle	4%	6%	4%
Salty Snack Aisle	4%	4%	6%
Sweet Goods	2%	4%	6%

# The Checkout Counter Is The Major Destination Area In The Store And Many Stores Do Not Carry Confectionery At The Checkout

## % Of Stores Carrying At Checkout Counter



C-Store Study  
Retailers

97%

88%

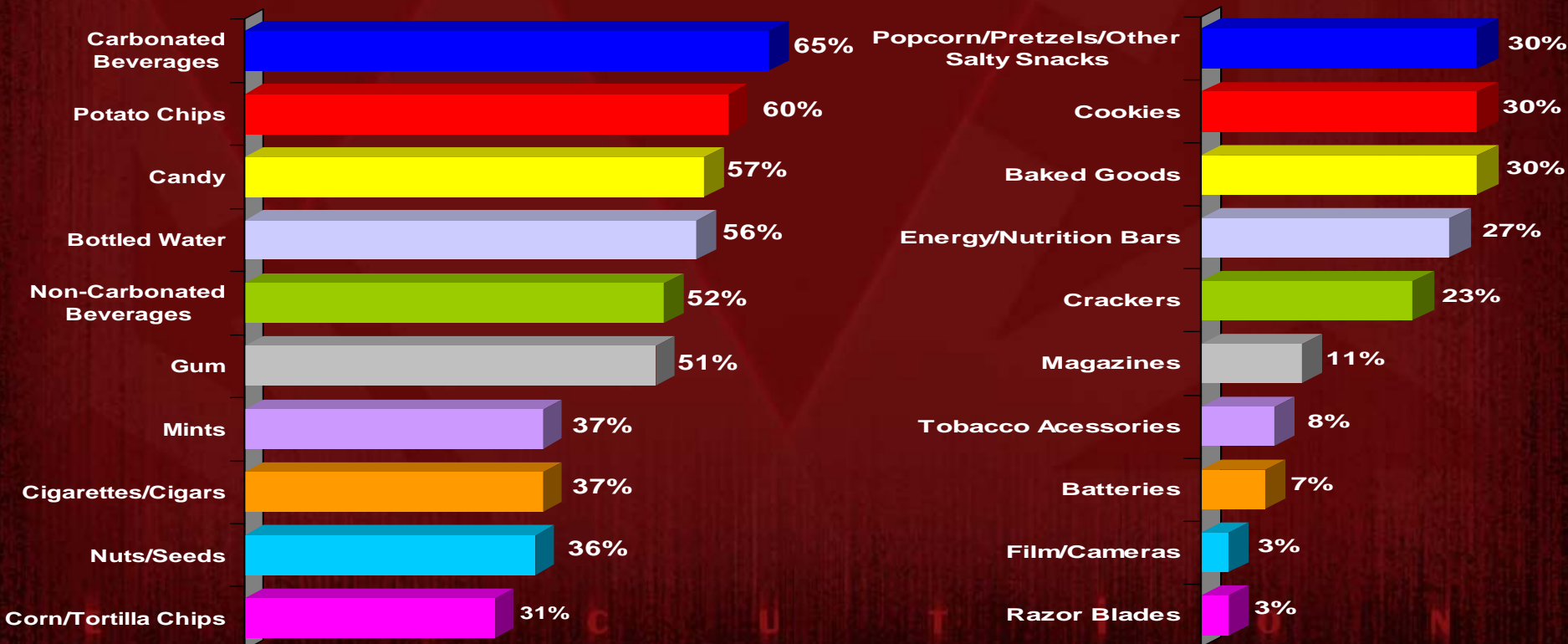
86%

- 40% of C-Stores do not carry Gum and 30% of stores do not carry Candy at Checkout Counter

# Beverages, Potato Chips, And Candy Were The Categories Most Often Purchased

## What Snack Categories Have You Purchased Over The Last 6 Months?

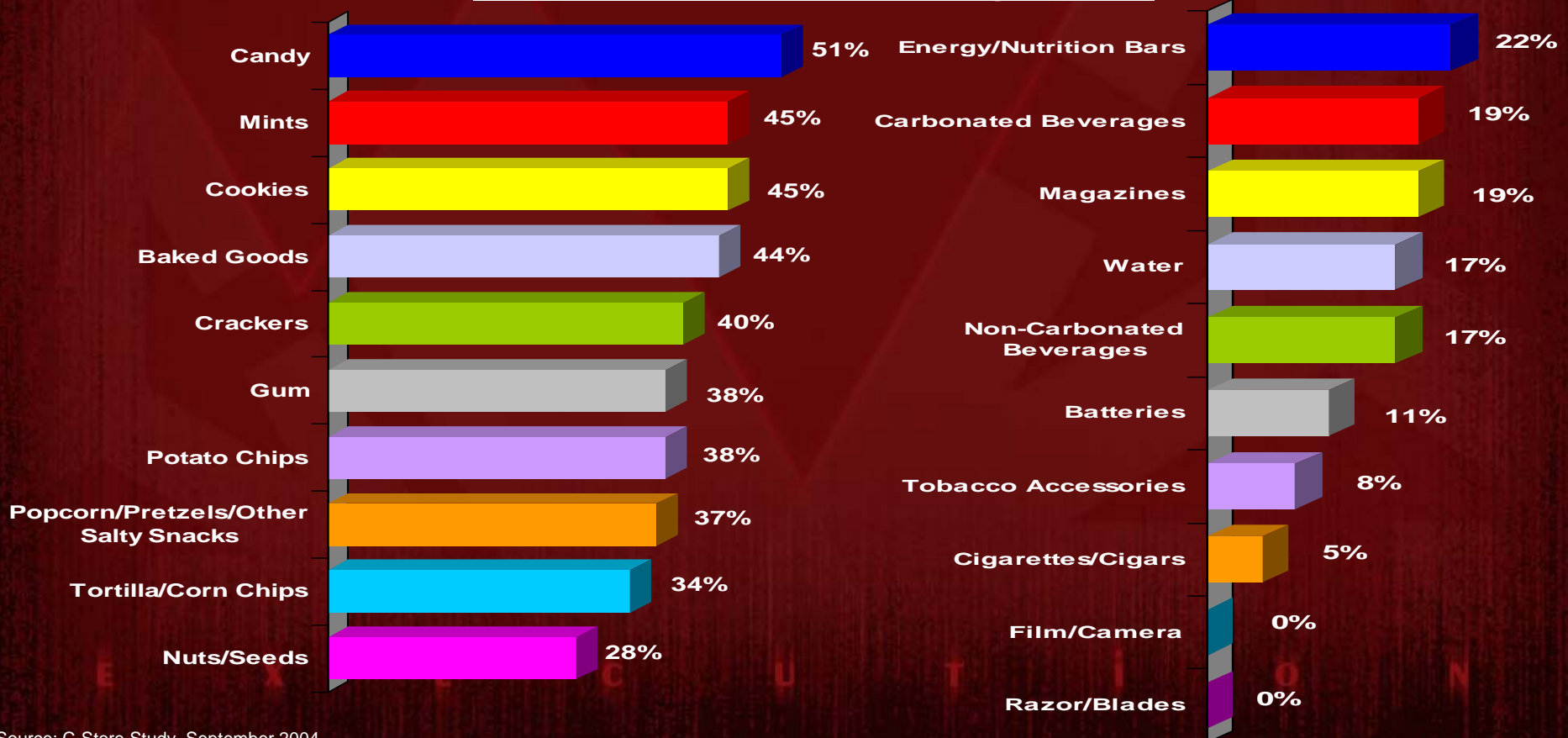
% Of Respondents



# Candy Is The Number 1 Snack Bought On Impulse

Do You Generally Plan To Buy These Products Or Are They Impulse?

% Of Respondents Responding Impulse



# Merchandise Snacking Categories That Have Higher Penetration, Purchase Frequency, And Provide Impulse Purchases In Multiple Locations

Carbonated, Non-Carbonated Beverages, and Water are “Destination” categories that have High Penetration, High Frequency, but Low Impulse

Lower Penetration/ Frequency/Impulse
Corn/Tortilla Chips
Popcorn/Pretzels/Other Snacks
Crackers
Energy/Nutrition Bars

Mixed Scores
Baked Goods
Mints
Cookies
Nuts/Seeds

Higher Penetration/ Frequency/Impulse
Candy
Potato Chips
Gum

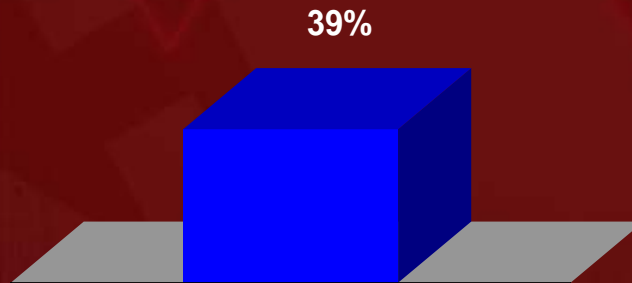
- Make sure that Candy, Potato Chips, and Gum are stocked in multiple locations throughout the store

# Carbonated Beverage Purchasers Also Purchased Candy/Gum And Potato Chips

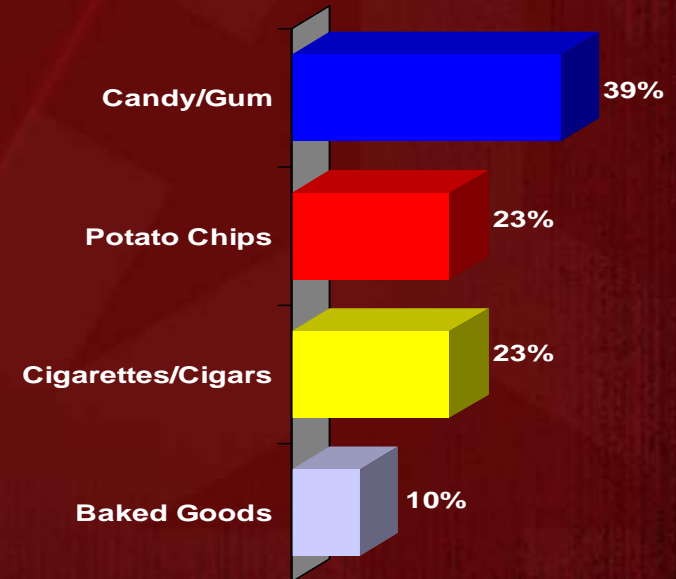
## Purchased Carbonated Beverages Today

% Of Respondents

Purchased Only Carbonated Beverages



Purchased Carbonated Beverages And:



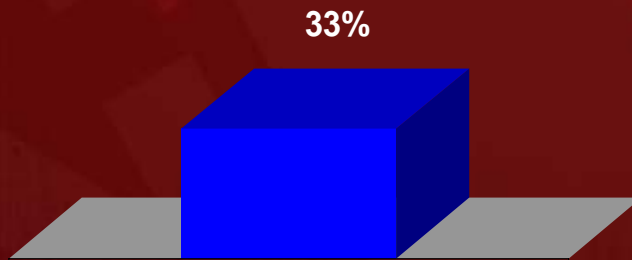
- Retailers should look for opportunities to merchandise Candy and Gum with Carbonated Beverages

# Food Service Purchasers Also Purchase Drinks, Candy/Gum, and Potato Chips

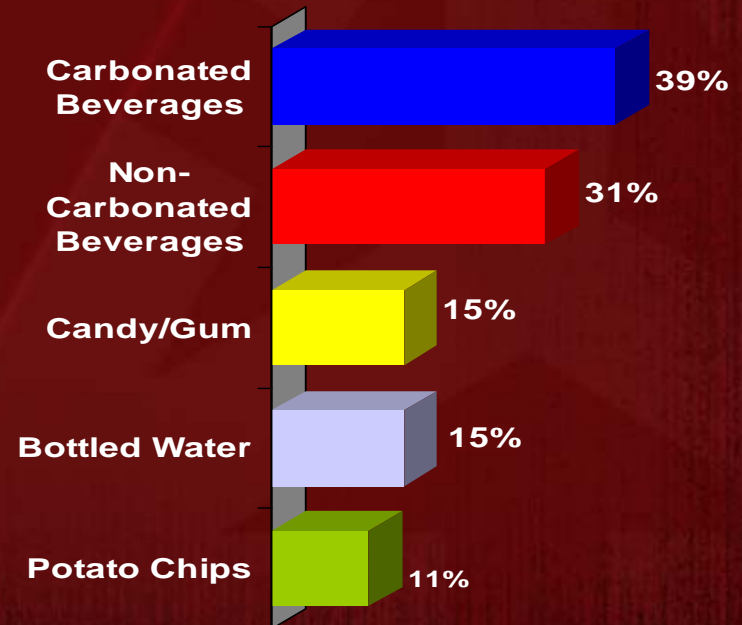
## Purchased Food Service Today

% Of Respondents

### Purchased Only From Food Service



### Purchased Food Service And:

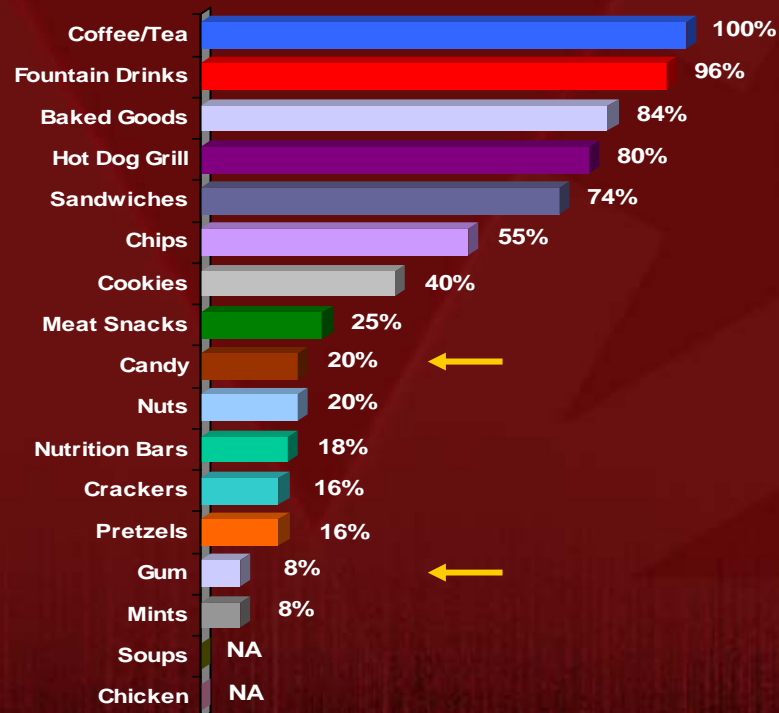


- Retailers should look for opportunities to merchandise Candy, Gum, and Potato Chips in or around Food Service



# Only 20% Of C-Stores Have Candy At Food Service And Only 8% Have Gum

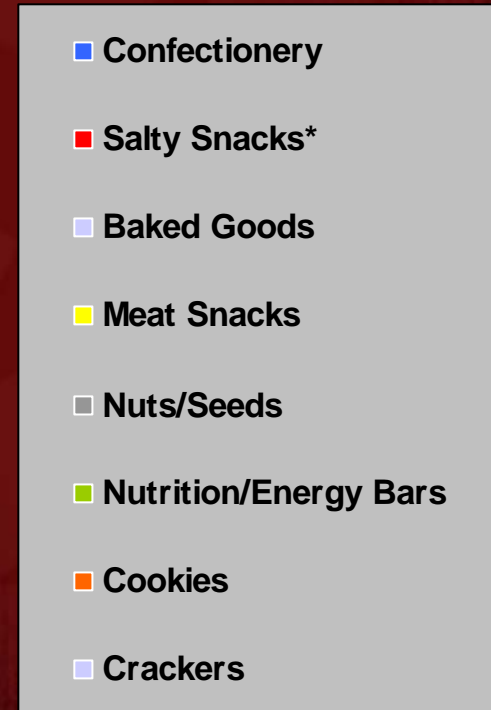
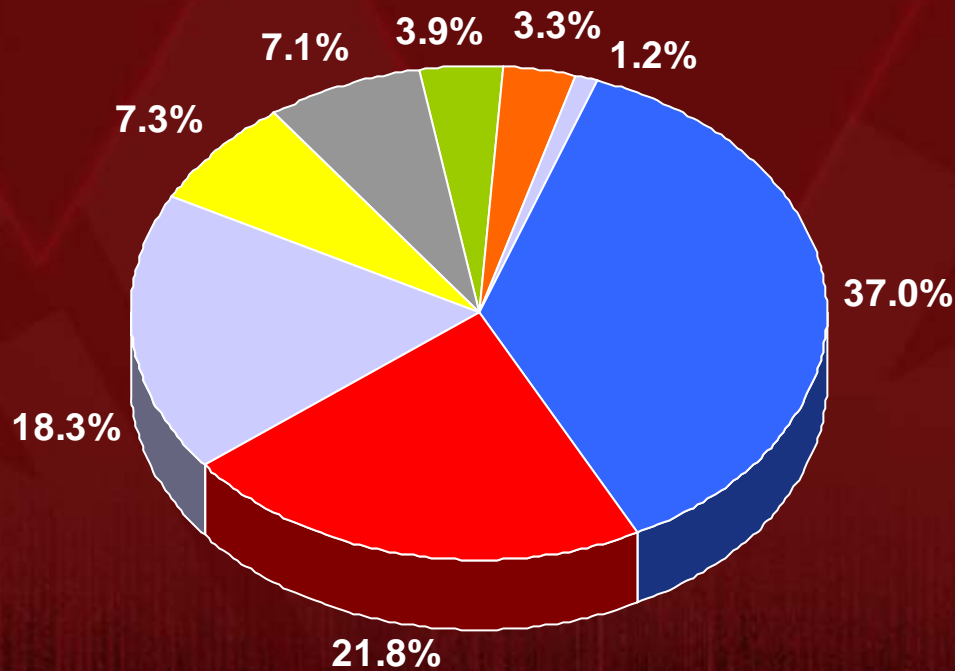
## What Is Stocked In The Food Service Area? % Of Stores Stocking Broadscale Audits



● Only 8% have Gum at Food Service

# Confectionery, Salty Snacks, And Baked Goods Generate 75% Of Convenience Store Snacking Sales

## Division of Single Serve Snacking \$ Sales

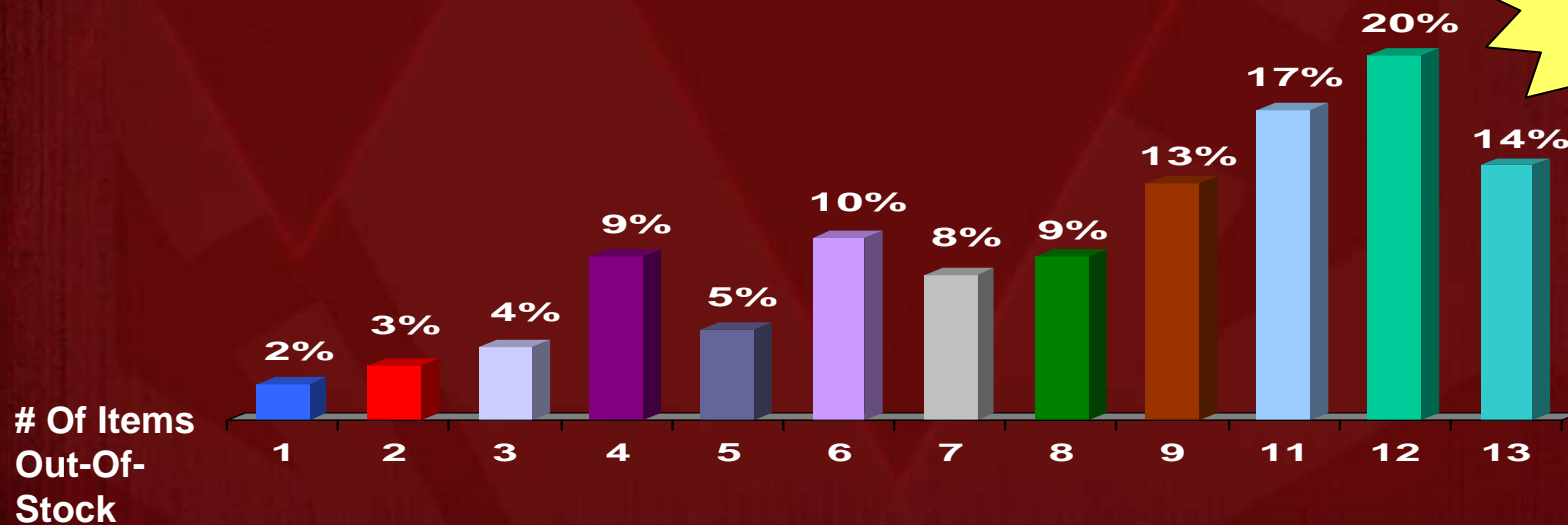


\*Includes other snacks.

# On Average 9.4% of The Confectionery Items Stocked At The Checkout Are Out-Of-Stock

## Out-Of-Stock Summary – Checkout Location

### % Of Total Confectionery Items Out-Of-Stock



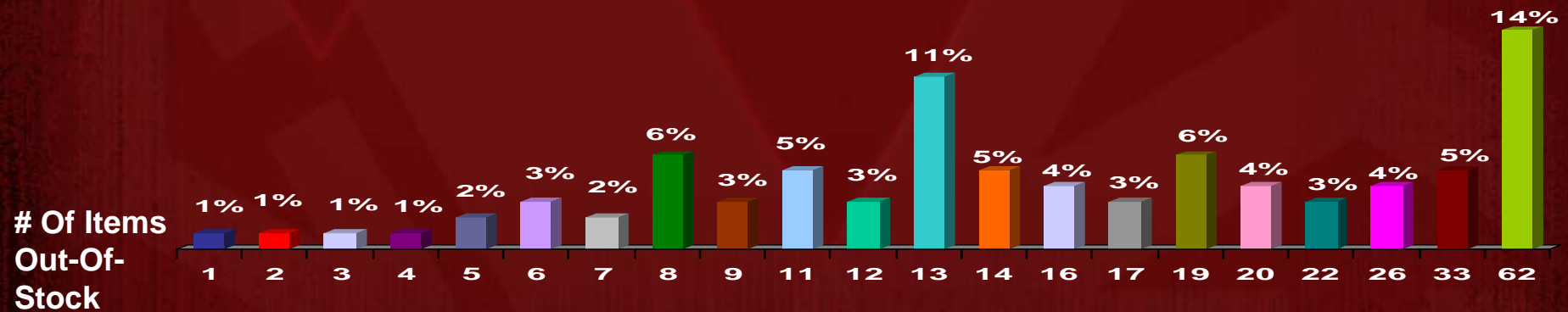
Average %  
Of Items  
O-O-S  
9.4%

# On Average 4.1% of The Confectionery Items Stocked At The In-Aisle Are Out-Of-Stock

## Out-Of-Stock Summary – In-Aisle Location

### % Of Total Confectionery Items Out-Of-Stock

Average  
O-O-S  
4.1%



E X E C U T I O N

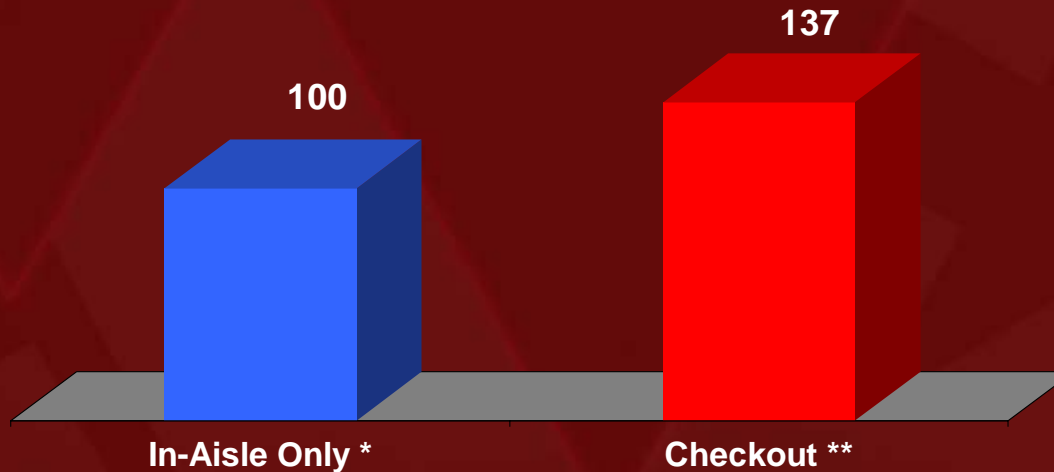
# Lack Of Permanent Confectionery Shelf-Tags Can Result In Higher Out-Of-Stocks

Does This Store Have Permanent Confectionery Shelf-Tags?  
% Of Stores In National Audits



# **Best Practice: Merchandise Confectionery At Checkout Counter**

## Index Of Dollar Sales Per Store – Checkout Vs. In-Aisle Only

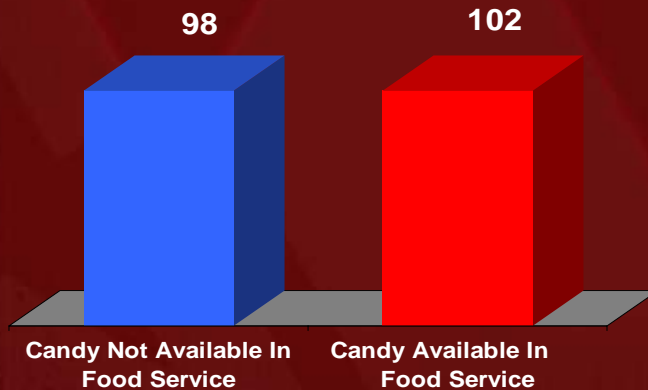


- **Retailers that stocked Confectionery at the Checkout Counter and In-Aisle enjoyed a 37% increase in Confectionery Dollar sales**

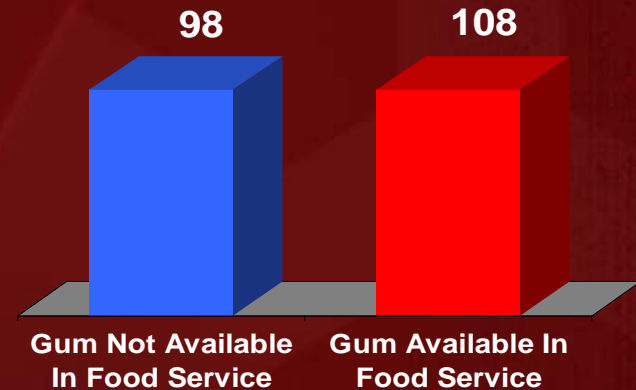
\*Limited sample. \*\* Includes Checkout only and Checkout & In-Aisle.

# **Best Practice: Make Candy And Gum Available In Food Service**

Index Of Candy Sales  
Per Store\*



Index Of Gum Sales  
Per Store\*



\* Large stores.

Source: C-Store Study 6 months ending September 2004.

# **Best Practice:** Merchandise Single Serve Snacks In The Food Service Area To Generate Additional Snack Purchases



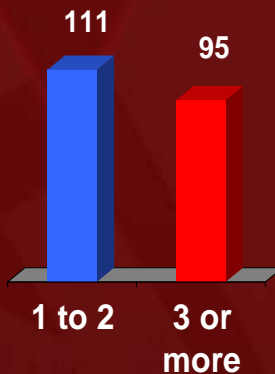


# **Best Practice:** Candy Sales Expand With Multiple Merchandising Locations

## Candy Index Of \$ Sales Per Store By Number Of Locations

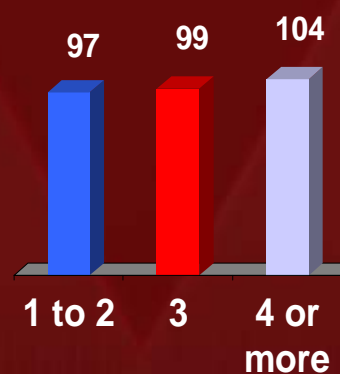
### Small Stores

(< \$420K)



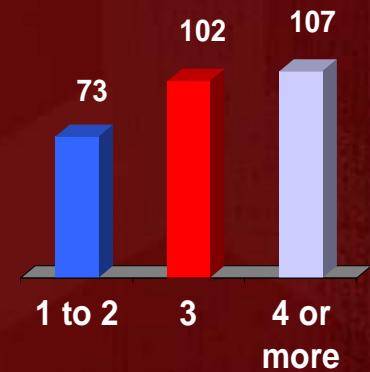
### Medium Stores

(\$421K - \$700K)



### Large Stores

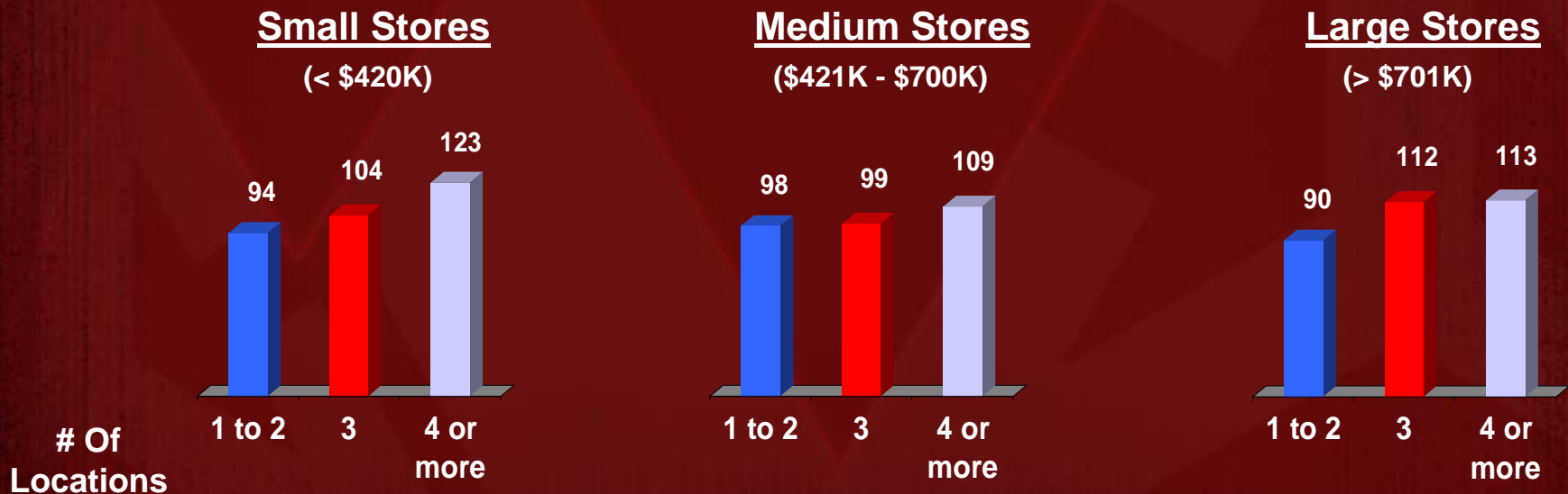
(> \$701K)



# Of  
Locations

# **Best Practice:** Gum Sales Also Expand With Multiple Merchandising Locations

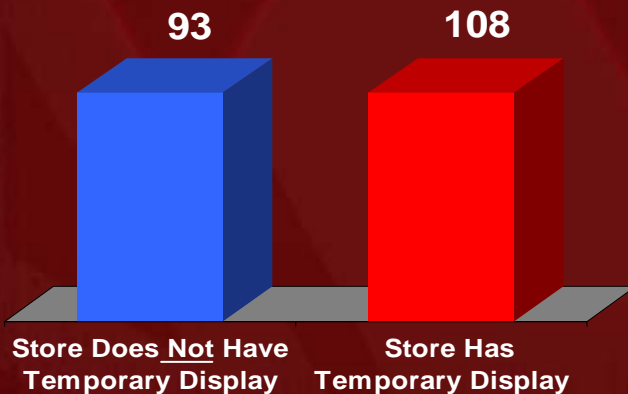
## Gum Index Of \$ Sales Per Store By Number Of Locations



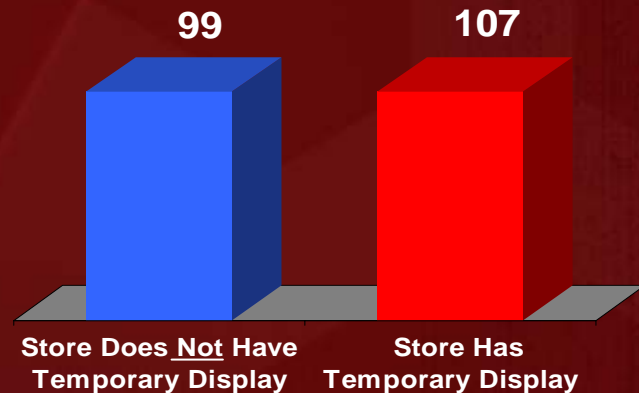
# **Best Practice:** Temporary Displays Will Drive Incremental Sales Of Candy And Gum

## Index Of \$ Sales Per Store

### Candy



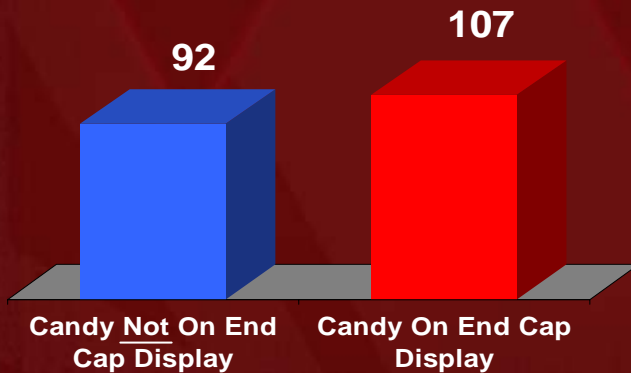
### Gum



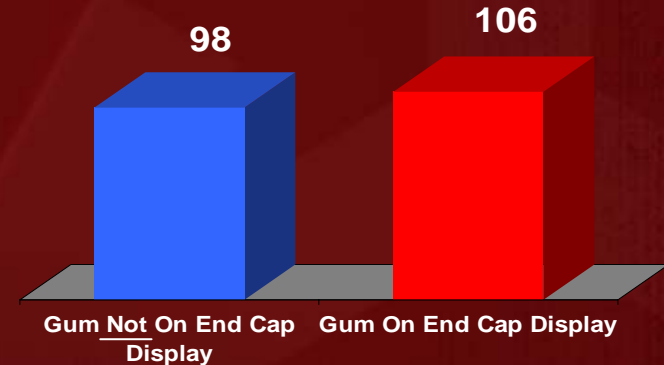
# **Best Practice:** End Cap Displays Will Drive Candy And Gum Sales

## Index Of \$ Sales Per Store

### Candy

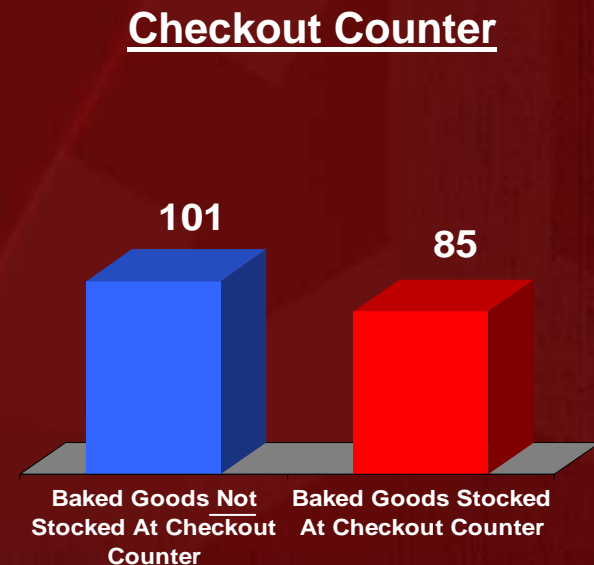


### Gum



# **Best Practice:** Baked Goods Perform Well When Stocked At Food Service

Index Of \$ Baked Goods Sales Per Store When Stocked At:



- Baked Goods do not perform well at the checkout counter

# Summary Of Participant Feedback

## Table 1 Merchandising

- How do we optimize space?
- Do multiple placements make sense?
- Vendor racks or owner racks?
- Secondary locations?
- Snacks value on end caps?
- How to execute solutions?

## Table 2 Item Assortment

- What is the right assortment?
- Impact of new items on assortment?
- Frequency of planogram revisions?
- Value of limited additions?
- Balance between DSD & warehouse?
- Importance of King Size selection?
- How to execute solutions?

## Table 3 Out-of-Stocks

- Root causes?
- DSD vs. warehouse variations?
- Value of shelf tags?
- Barriers to complete in-stock positioning?
- How to execute solutions?

## Table 4 Promotion

- Is signage effective? How do we maximize?
- Top sellers or entire category?
- King Size vs. Regular Size?
- Tie-ins with food service?
- How to expand market basket?
- What promotions works? Which don't?
- How to execute solutions?