

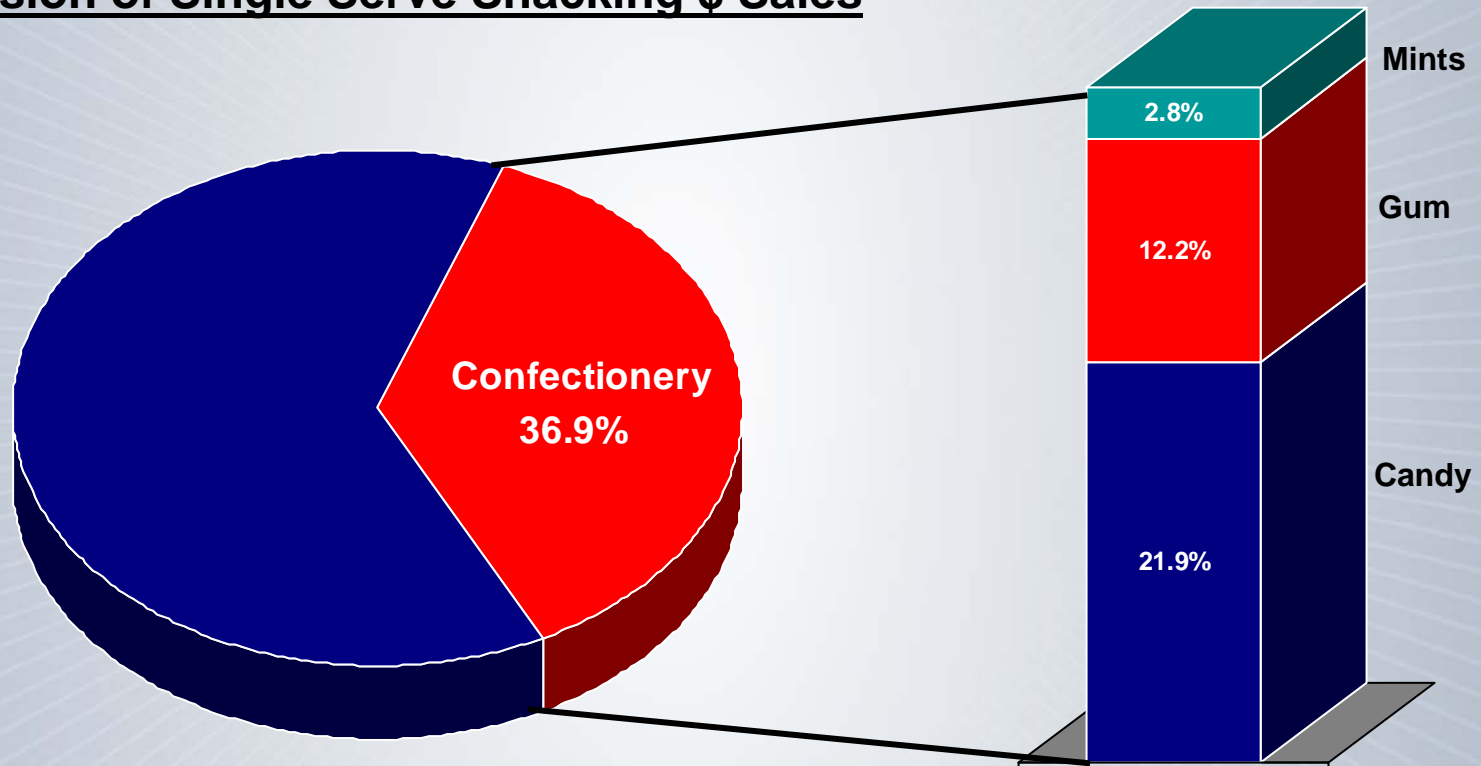
# Confectionery

Generic Presentation/4-25-05/N/ppt



# Candy Generates 59% Of Confectionery Sales

## Division of Single Serve Snacking \$ Sales



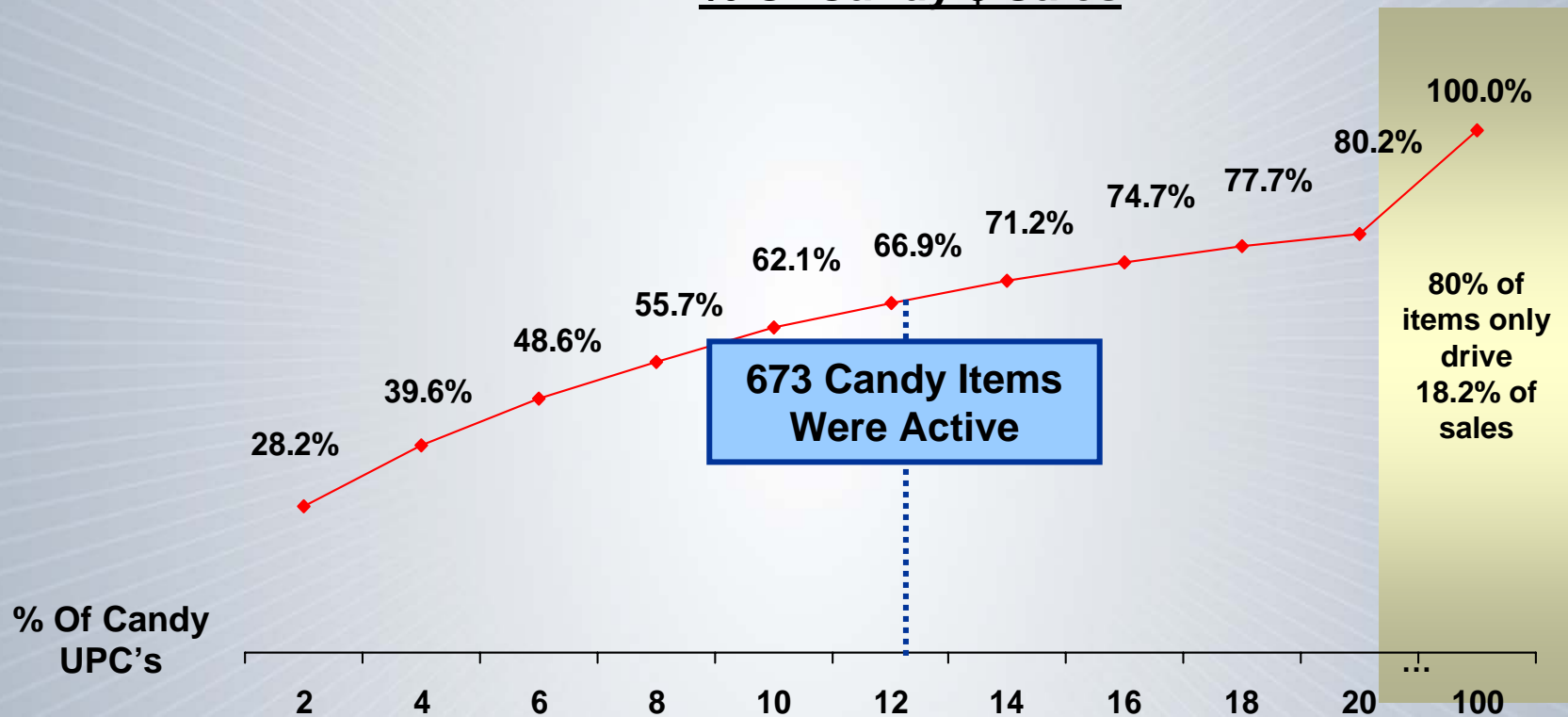
- Gum contributes 33% of Confectionery sales

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

Generic Presentation/4-25-05/N/ppt

# For Candy, 12% Of The Items Generate 67% Of The Candy Sales In Convenience Stores

% Of Candy \$ Sales



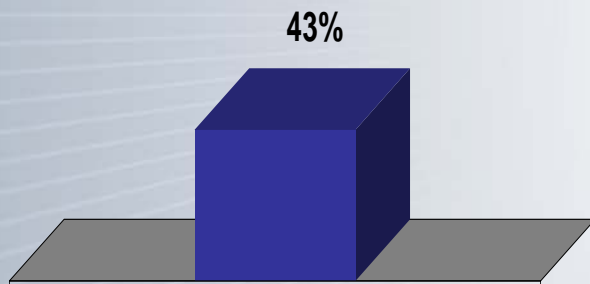
- 81 items are responsible for 66.9% of the Candy sales

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

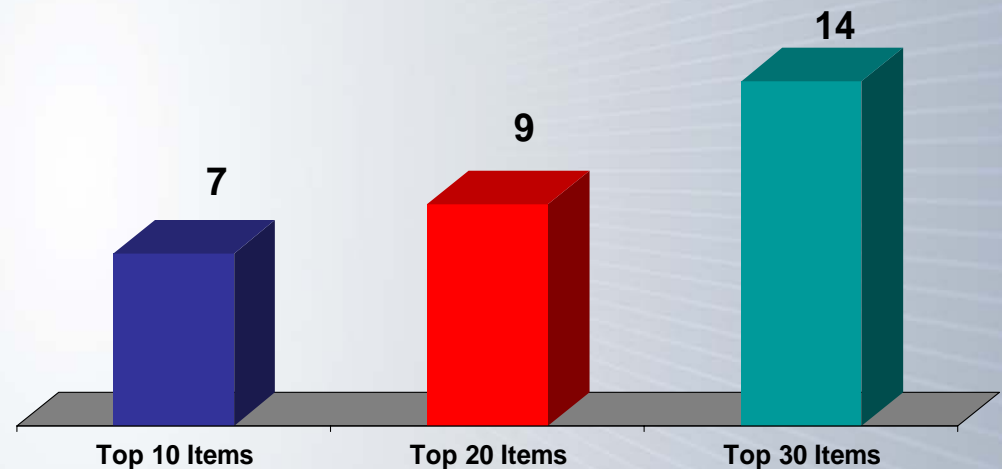
Generic Presentation/4-25-05/N/ppt

# King Size Bars Represent 43% Of Chocolate Candy Sales

King Size Dollar Share Of Total Chocolate Candy Sales



# Of Top Selling Chocolate Candy Items That Are King Size

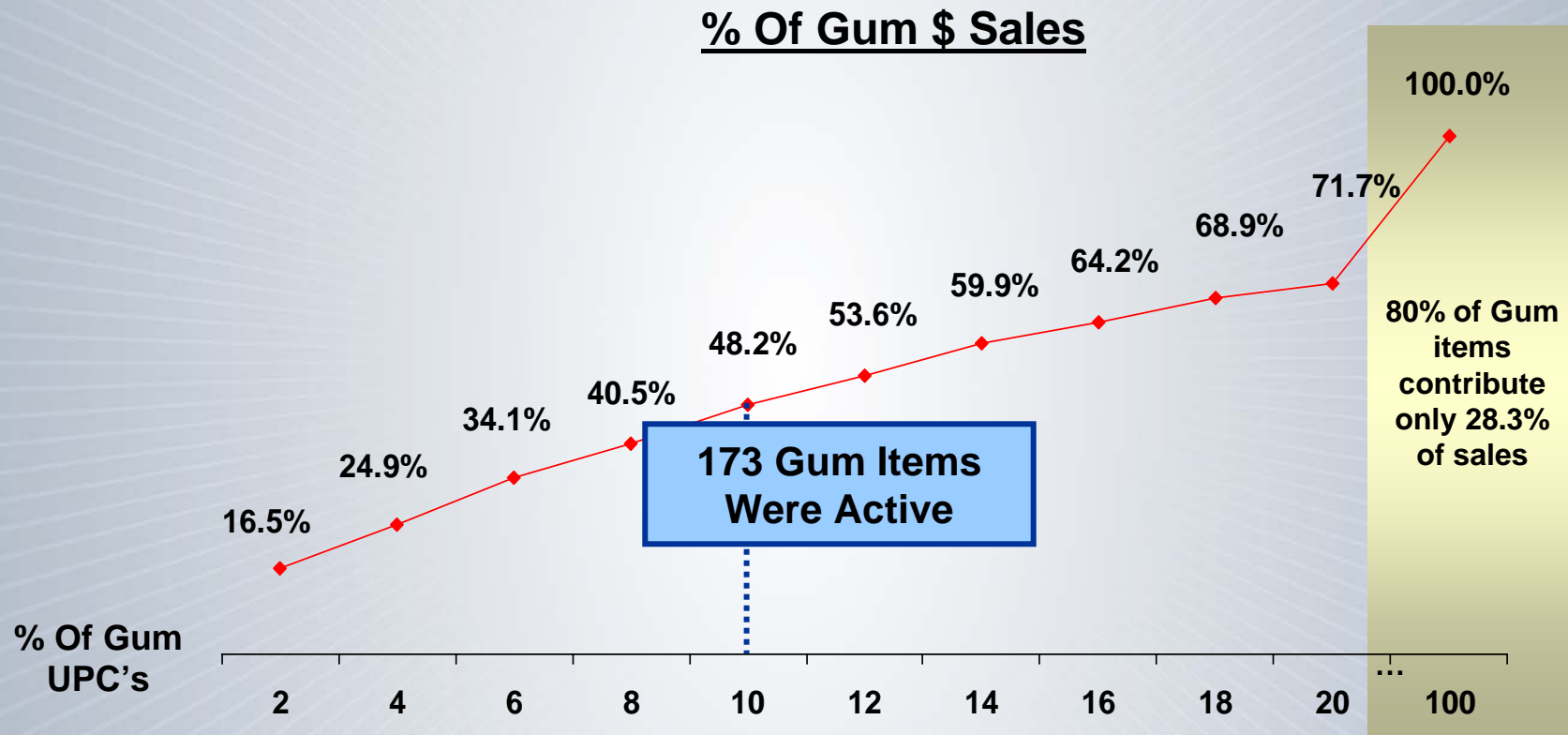


- **King Size Chocolate bars are important to Convenience Stores**

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

Generic Presentation/4-25-05/N/ppt

# 48% Of Gum Sales Are Generated By The Top 10% Of Items



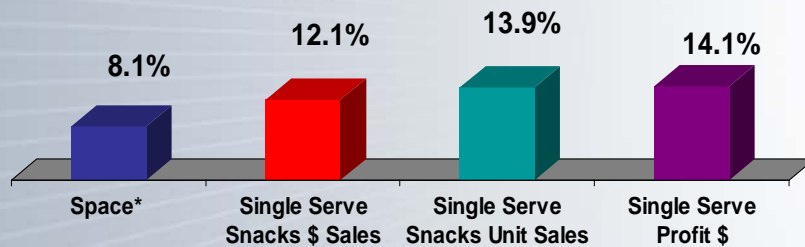
- **18 UPC's account for 48% of Gum sales**

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

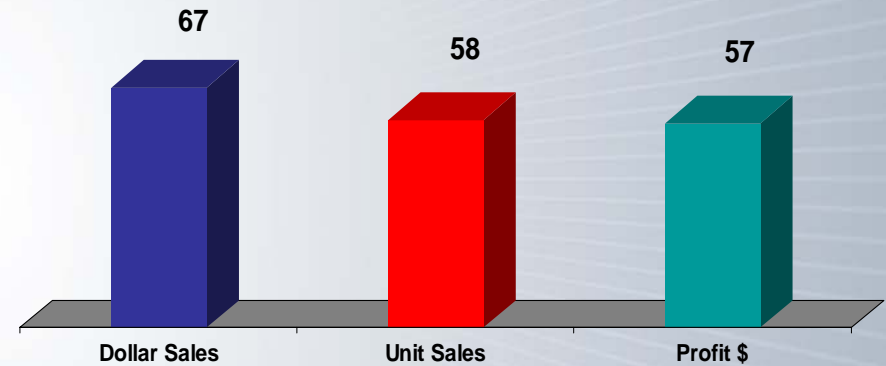
Generic Presentation/4-25-05/N/ppt

# The Gum Sales Velocity Warrants More Space

## Gum Share Of:



## Index Of Space To:



- Gum is underspaced on a dollar unit and profits

\*Linear inches all locations

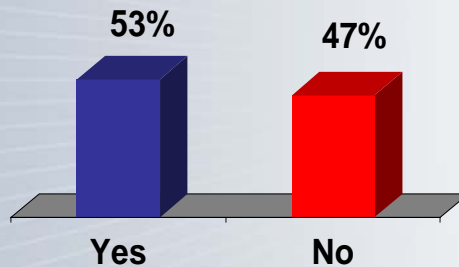
Source: C-Store Study 6 months ending September 2004; DHC Analysis.

Generic Presentation/4-25-05/N/ppt

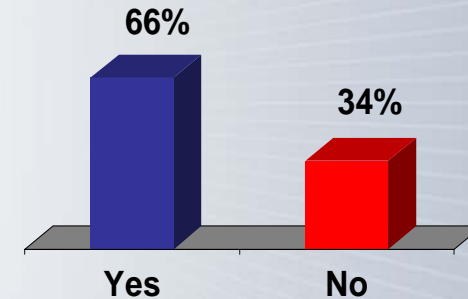
# Lack Of Permanent Confectionery Shelf-Tags Can Result In Higher Out-Of-Stocks

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

### At Checkout



### At Confectionery Aisle



C-Store  
Study

74%

26%

87%

13%

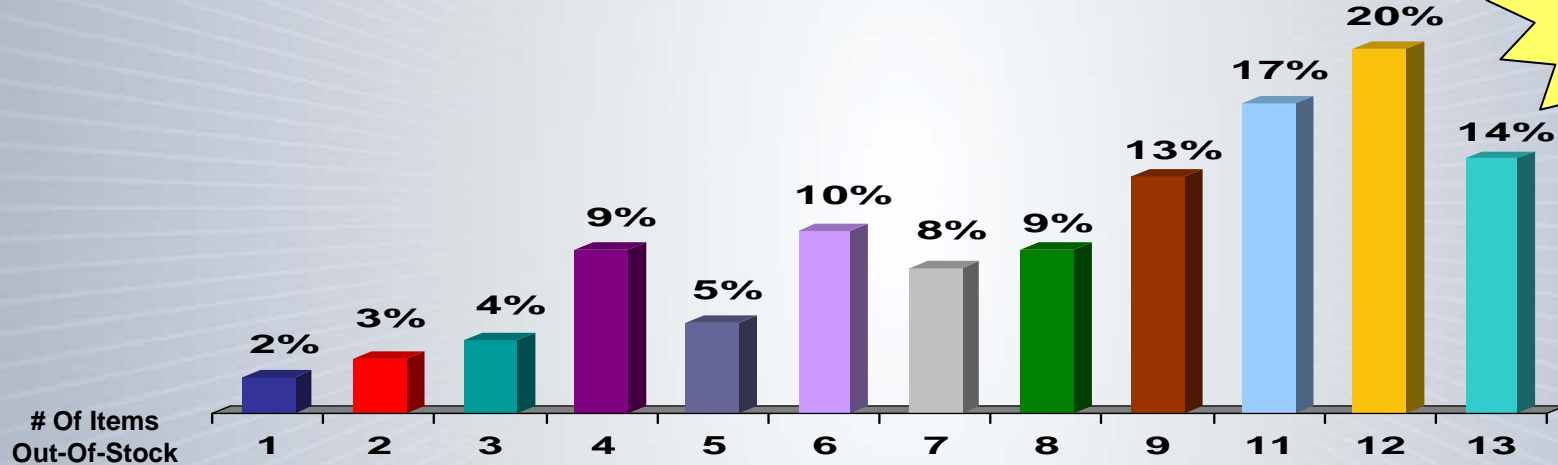
- The C-Store Study cooperators do a much better job than the “average” C-Store based on the C-Store National Audit Study

Source: National Audits, May 2004; C-Store Study, September 2004.

# 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



Generic Presentation/4-25-05/N/ppt

Source: C-Store Study, September 2004.

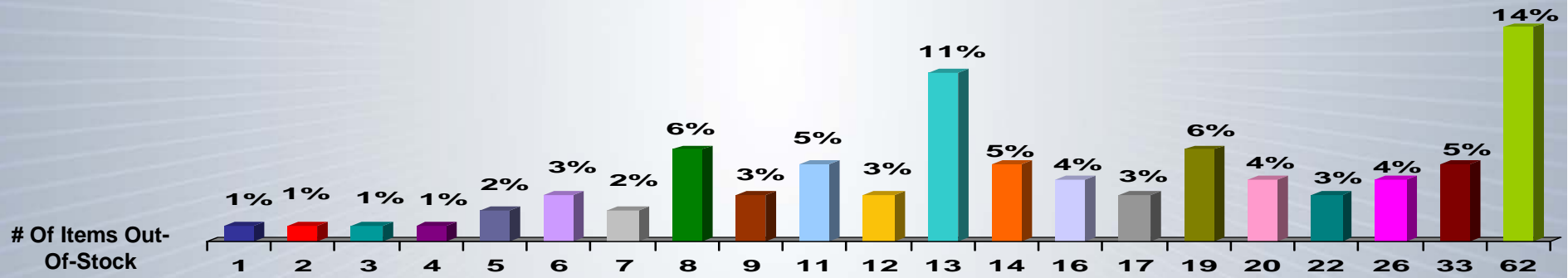


# On Average 4.1% of The Confectionery Items Stocked At The In-Aisle Are Out-Of-Stock

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

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

Average  
O-O-S  
4.1%



Generic Presentation/4-25-05/Nr.ppt

Source: C-Store Study, September 2004.

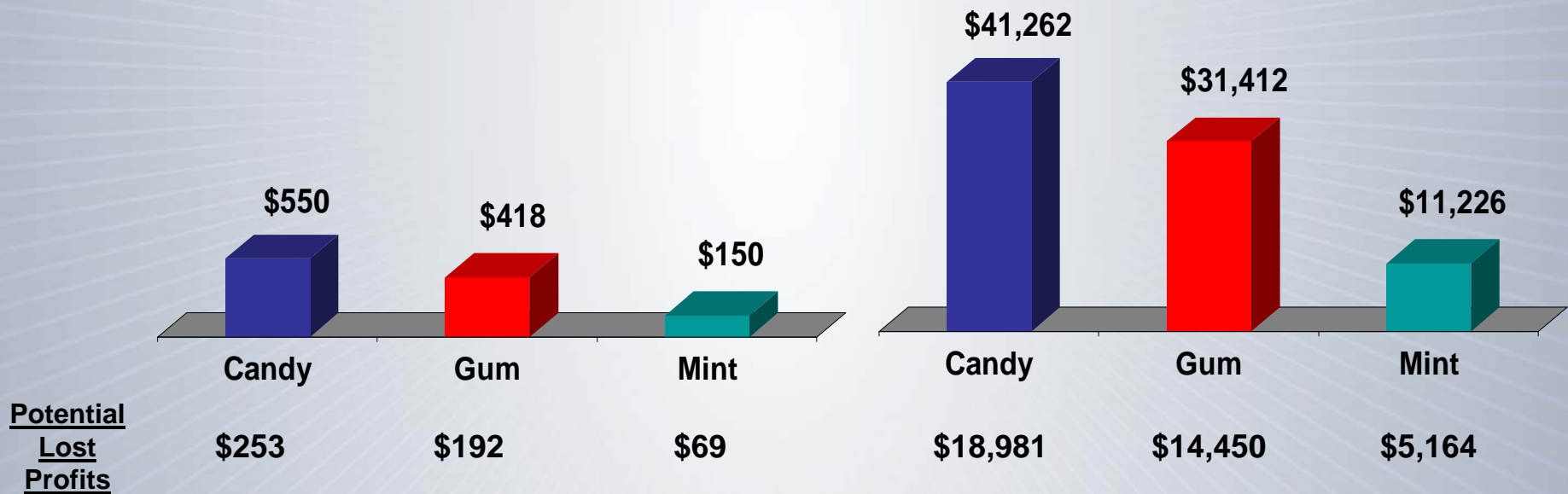
# Out-Of-Stocks Can Greatly Impact Sales

## Cost Of An Out-Of-Stock On An Average "Top 10" Item

### Potential Lost \$ Sales Per Item Per Annum

#### Per Store

#### Per 75 Store Chain

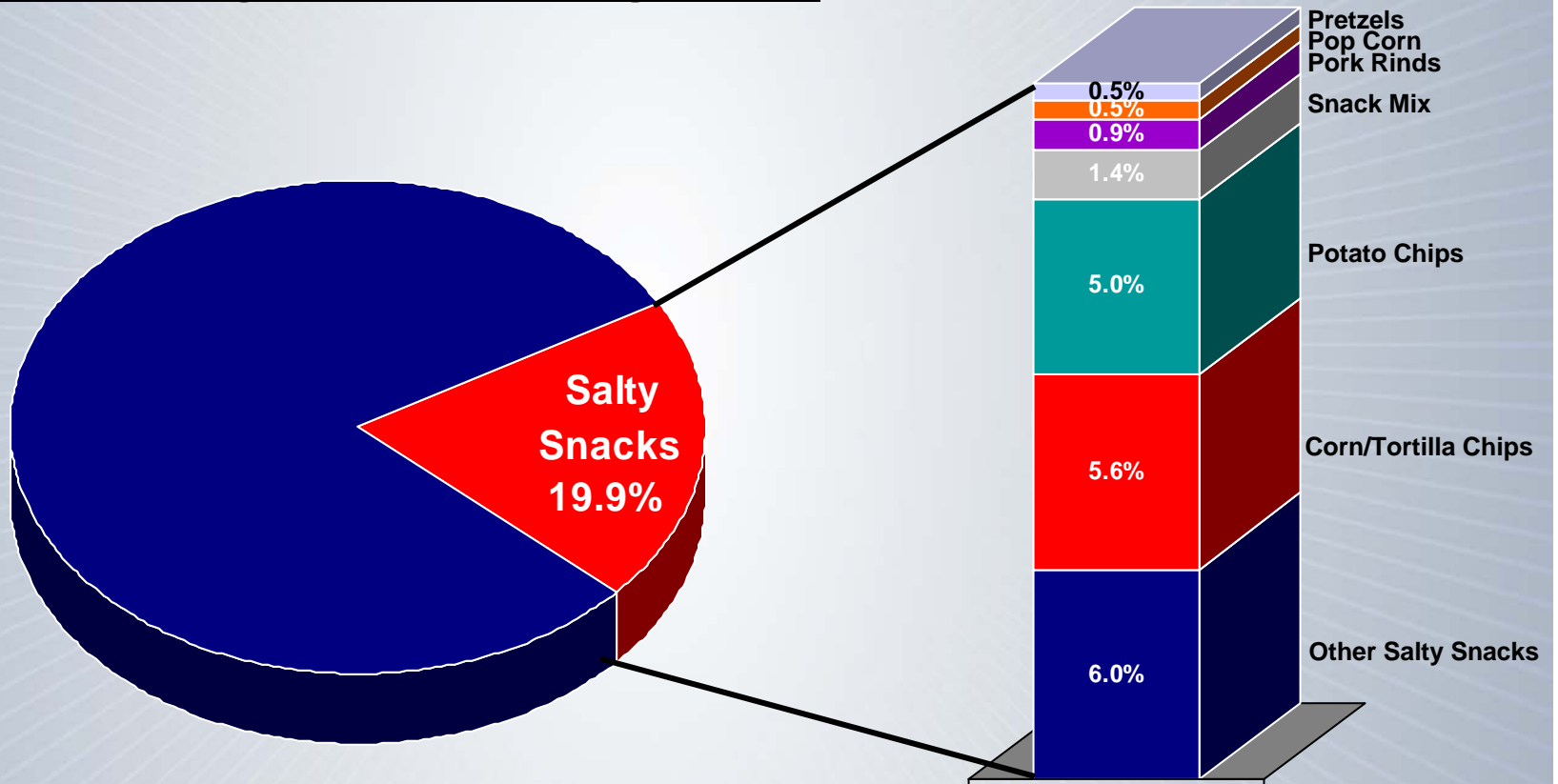


Source: C-Store Study 6 months ending September 2004; DHC Analysis.

Generic Presentation/4-25-05/N/ppt

# Corn/Tortilla Chips And Potato Chips Represent 53% Of The Salty Snacks Sales

## Division of Single Serve Snacking \$ Sales

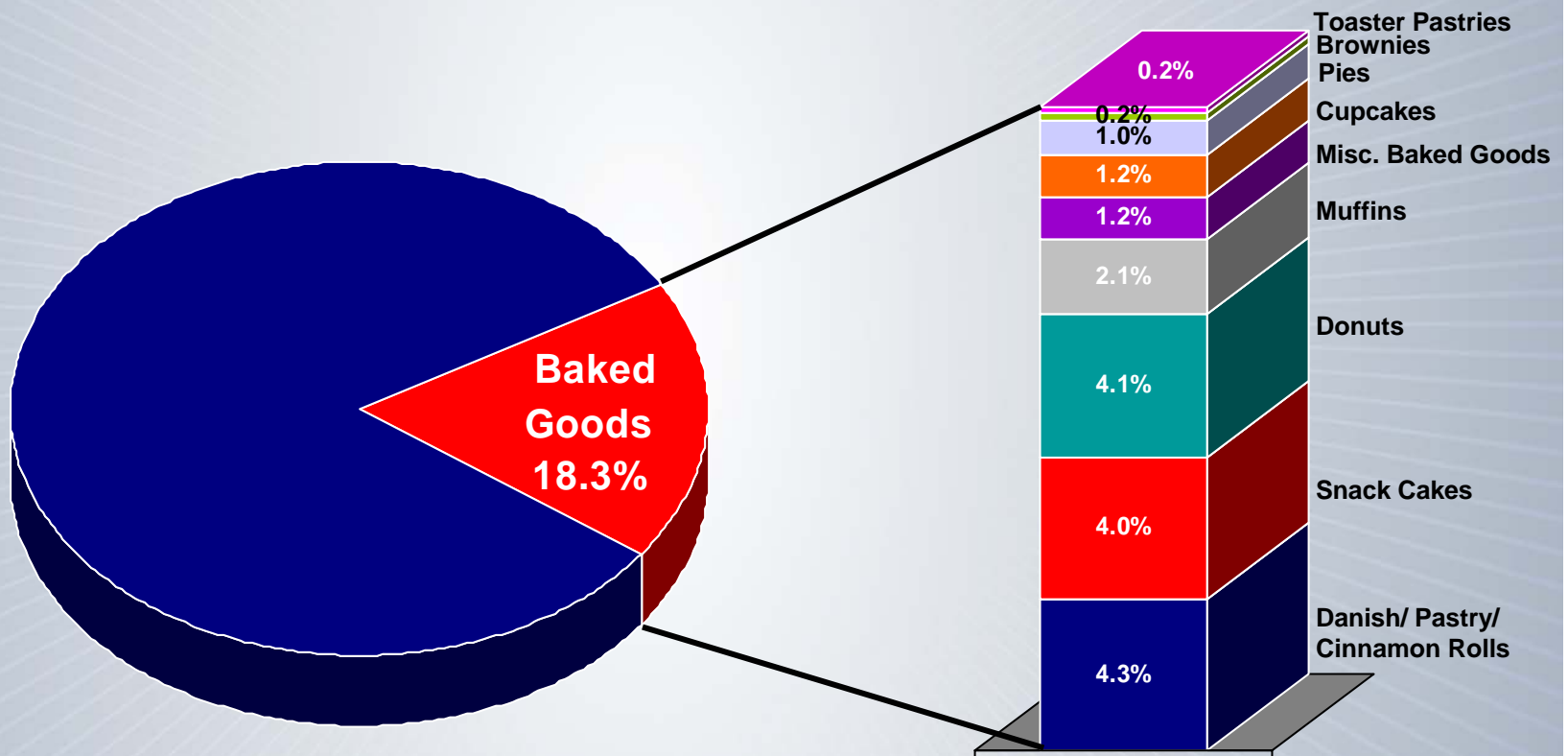


Source: C-Store Study 6 months ending September 2004; DHC Analysis.

Generic Presentation/4-25-05/N/ppt

# Pastries, Snack Cakes, And Donuts Are The Largest Of The Baked Goods Sub-Segments

## Division of Single Serve Snacking \$ Sales



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

Generic Presentation/4-25-05/N.ppt

# Convenience Store Recommendations Based On Sales/Audit Findings

- **Understand the importance of Confectionery and Salty Snacks which account for 60% of Single Serve Snacks Dollar sales**
- **Merchandise Confectionery and Salty Snacks in multiple locations to drive incremental sales**
- **Review space allocations of Crackers, Nutrition/Energy Bars, and Cookies**
- **Gum and Baked Goods are underspaced**
- **King Size Bars are an integral part of the Chocolate Candy Segment**
- **Provide permanent shelf tags for Confectionery to help reduce out-of-stocks**
- **Review stocking procedures for key Confectionery items**

Generic Presentation/4-25-05/N/ppt

# Best Practices

Generic Presentation/4-25-05/N/ppt

# Note

**Stores in this Study had a significant range in store sales ranging from under \$200,000 to over \$3,000,000.**

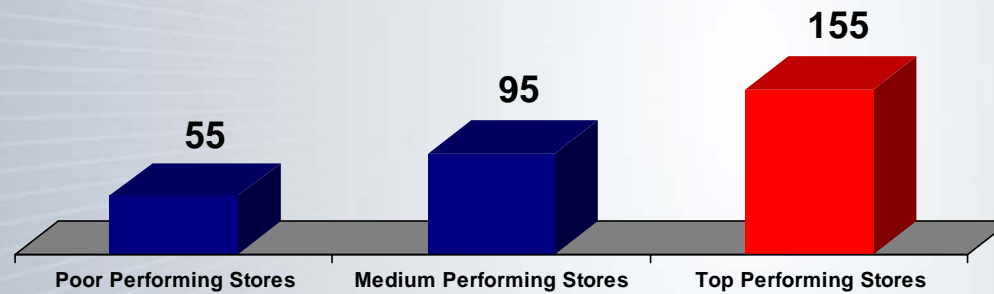
**Because of the sales differences, the best practice analyses have been segmented by 3 different store sizes.**

<b>Small</b>	-	<b>\$140,000 to \$420,000</b>
<b>Medium</b>	-	<b>\$421,000 to \$700,000</b>
<b>Large</b>	-	<b>\$701,000 to \$3,800,000</b>

# What Is The Opportunity For Improved Performance?

**Top Performing Retailers have a 63% advantage in performance, almost a \$1 Billion opportunity for the industry**

## Total Single Serve Snack Food Sales Per \$ MM ACV Index



	Poor Performing Stores	Medium Performing Stores	Top Performing Stores
Low	55	94	161
Medium	55	95	157
High	52	93	149

- Moving Poor and Medium performing stores to Top performing stores could yield an additional \$1 Billion in sales

**Strategy: Take advantage of this opportunity by adopting the Best Practices of Top Performing Retailers**



**Best Practice:** 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**

Source: C-Store Study, September 2004.

Generic Presentation/4-25-05/N/ppt

# *Best Practice:* Merchandise Confectionery At Checkout Counter

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



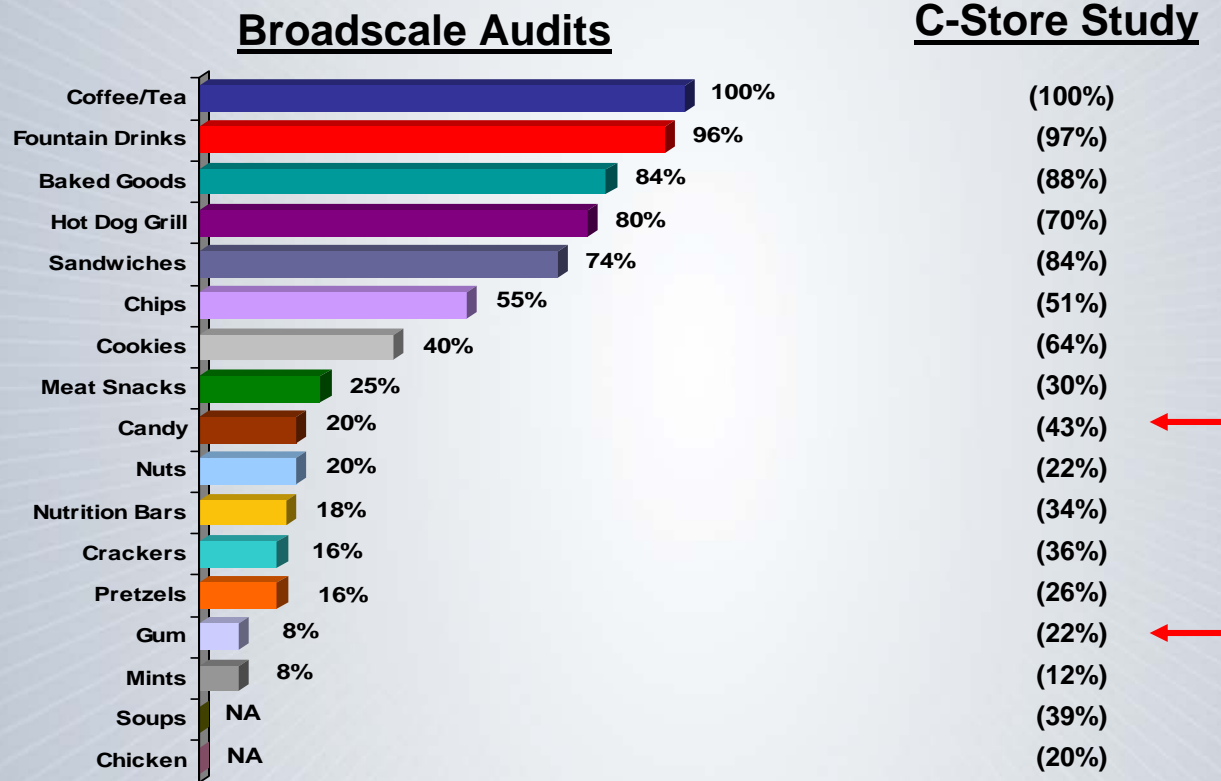
- **Retailers that stocked Confectionery at the Checkout Counter and In-Aisle enjoyed a 37% increase in Confectionery Dollar sales**

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

Source: C-Store Study, September 2004.

# 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



● Only 8% have Gum at Food Service

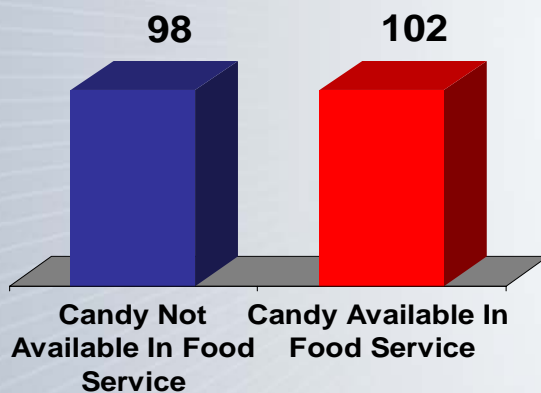
Source: Broadscale Audits, May 2004.

( ) Data from C-Store Study, September, 2004.

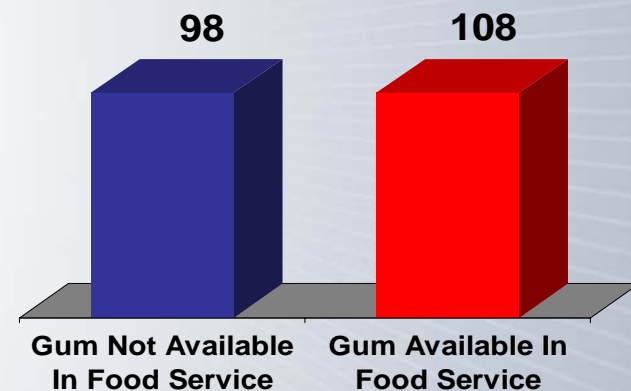
Generic Presentation/4-25-05/N/ppt

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

Index Of Candy Sales  
Per Store\*



Index Of Gum Sales  
Per Store\*



Generic Presentation/4-25-05/N/ppt

\* Large stores.

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

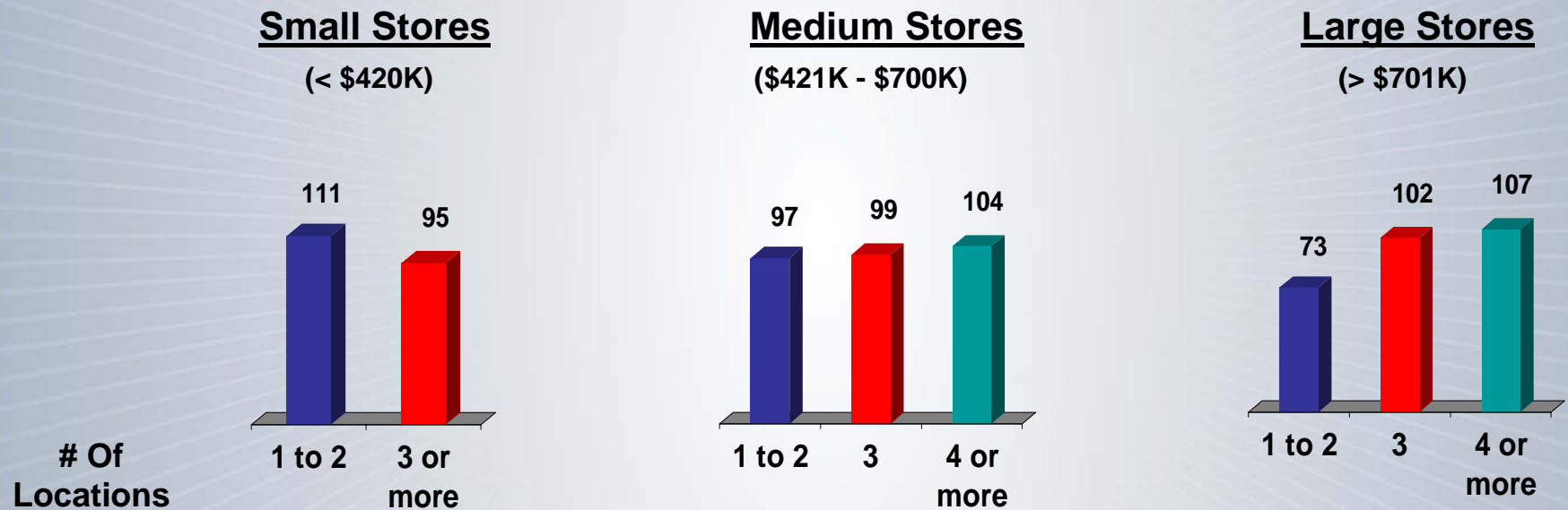
# *Best Practice:* Merchandise Single Serve Snacks In The Food Service Area To Generate Additional Snack Purchases



Generic Presentation/4-25-05/N/ppt

# Best Practice: Candy Sales Expand With Multiple Merchandising Locations

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

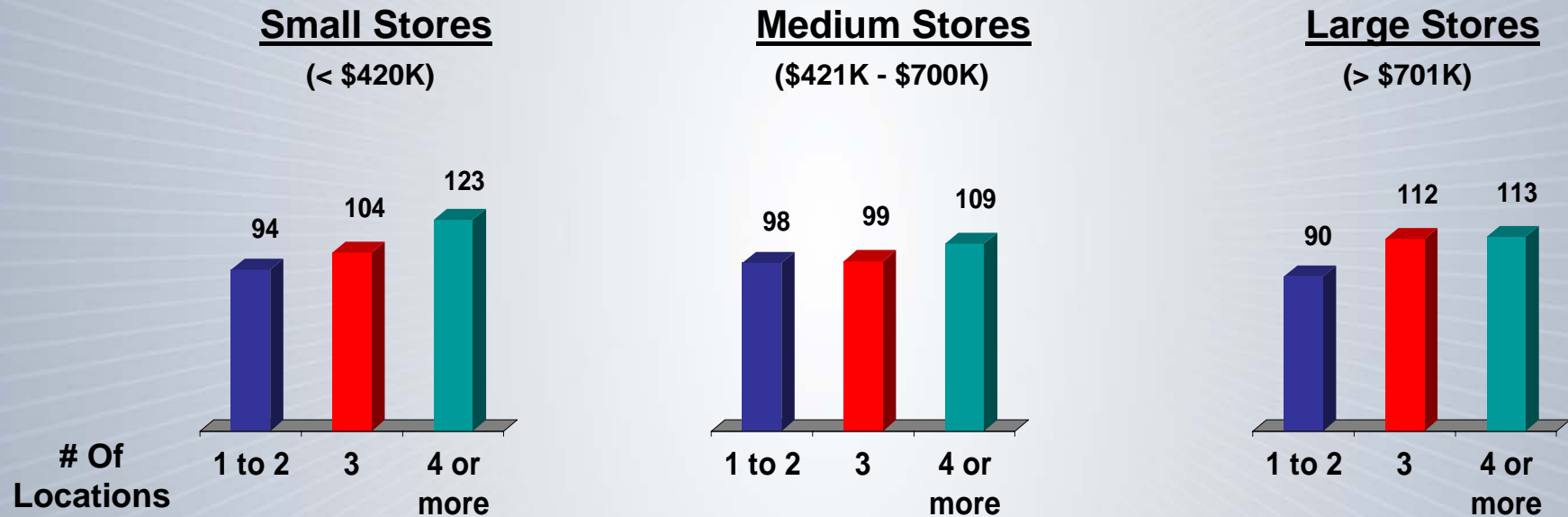


Source: C-Store Study, September 2004; DHC Analysis.

Generic Presentation/4-25-05/N/ppt

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

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

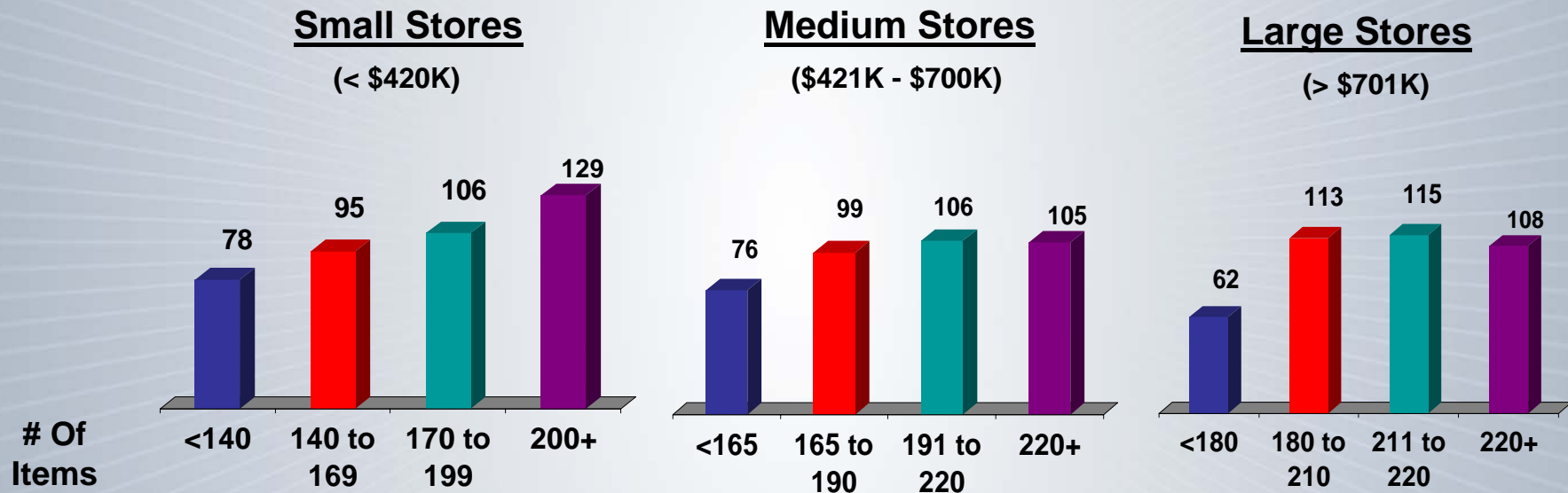


Generic Presentation/4-25-05/N/ppt

Source: C-Store Study, September 2004; DHC Analysis.

# Best Practice: Sales Are Optimized For Candy When 200+ Candy Items Are Available

## Candy Index Of \$ Sales Per Store By # Of Items Carried



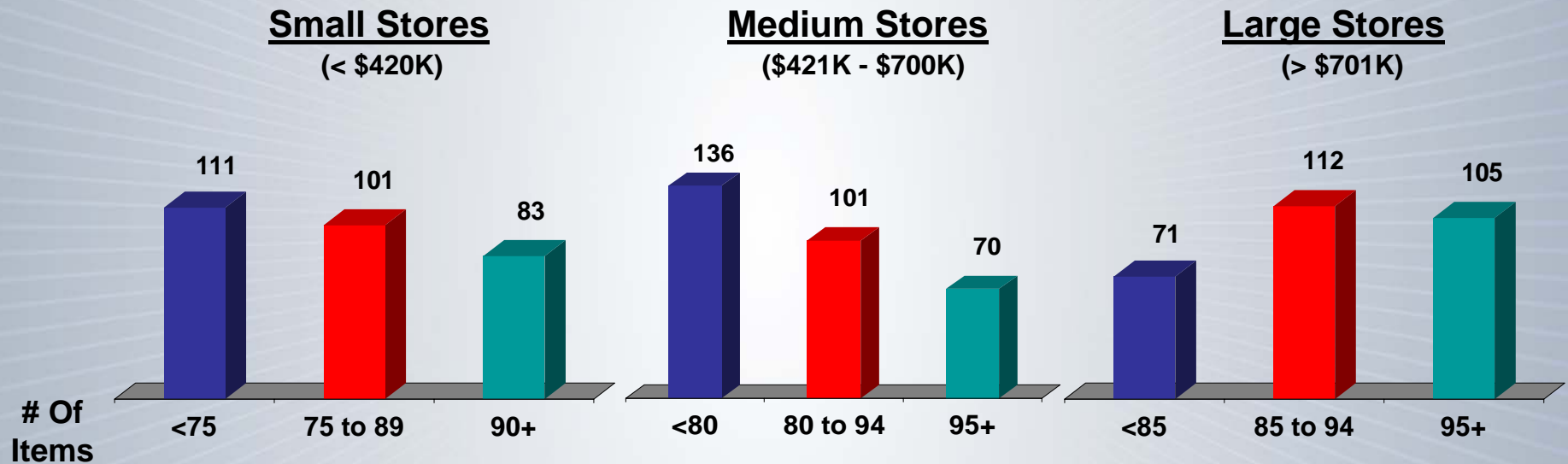
Source: C-Store Study 6 months ending September 2004; DHC Analysis.

Generic Presentation/4-25-05/N/ppt



# Best Practice: In Large Stores Gum Sales Are Optimized With 85 To 94 Gum Items Carried

## Gum Index Of \$ Sales Per Store By # Of Items Carried

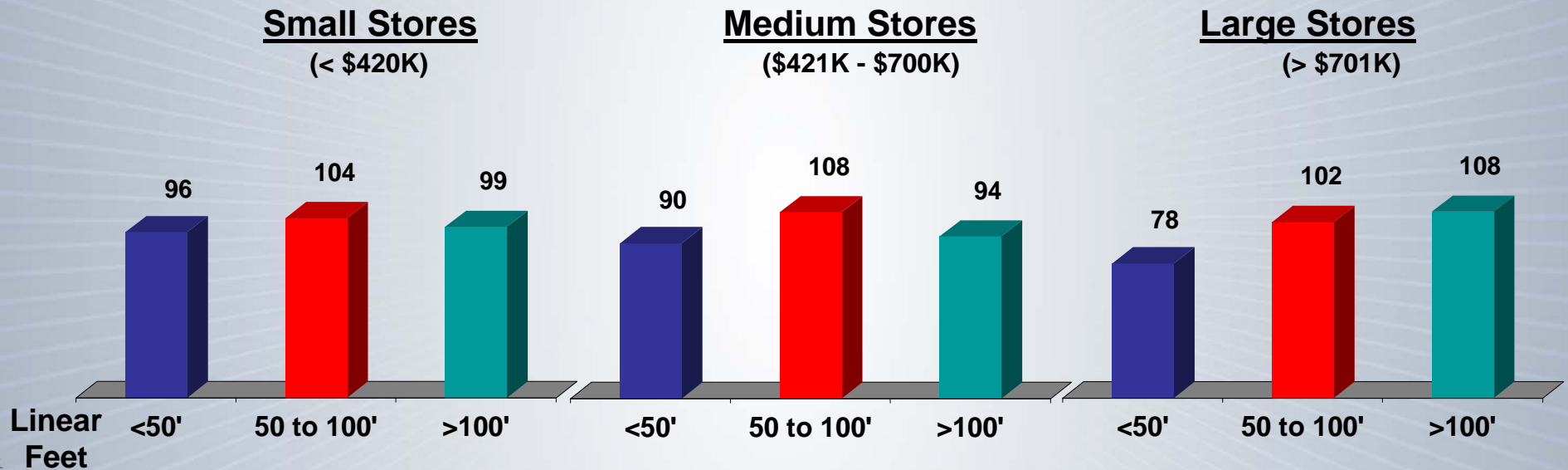


- In small and medium sized C-Stores Gum sales are optimized when stores carry about 80 Gum items

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

# *Best Practice:* Candy Sales Are Expanded In Large Stores With Over 100 Linear Feet Available

## Index Of Candy \$ Sales Per Store By Linear Feet Available



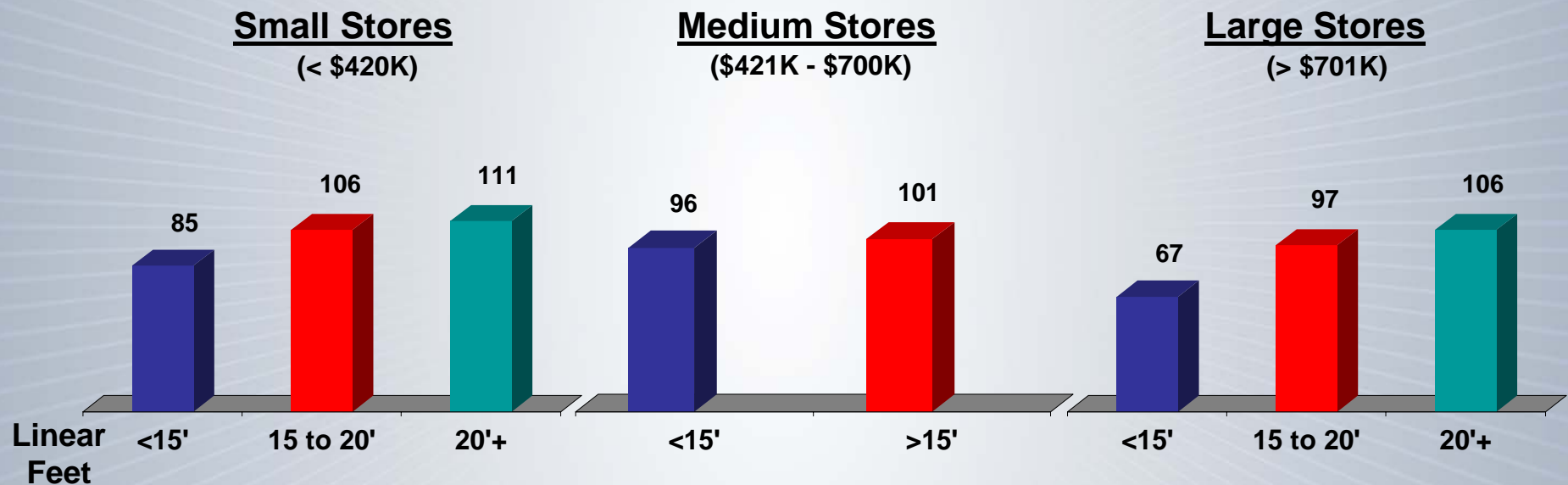
- In small and medium stores 50 to 100 linear feet of space allocated candy will optimize sales

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

Generic Presentation/4-25-05/N/ppt

# *Best Practice:* Gum Performs Better In Small And Large C-Stores When More Than 20 Linear Feet Of Space Is Available

## Index Of Gum \$ Sales Per Store By Linear Feet Available



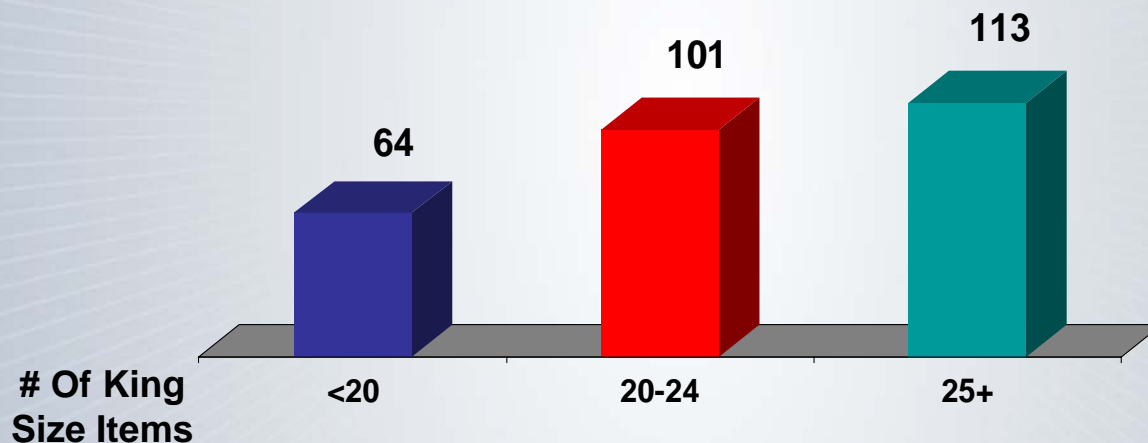
- **Medium stores need more than 15 feet of space to optimize Gum sales**

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

Generic Presentation/4-25-05/N/ppt

# *Best Practice:* Stocking Of At Least 25 King Size Chocolate Items Expands Chocolate Candy Sales

## Index Of Chocolate Candy \$ Sales Per Store By Number Of King Size Chocolate Items Carried



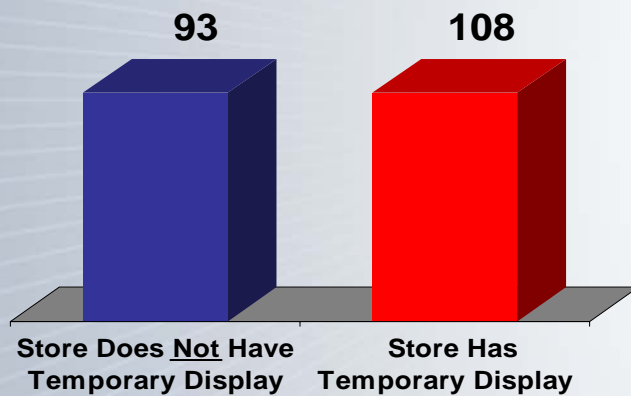
Source: C-Store Study 6 months ending September 2004; DHC Analysis.

Generic Presentation/4-25-05/N/ppt

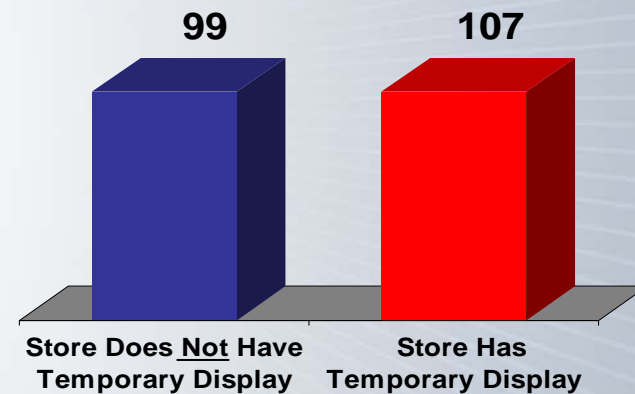
# *Best Practice:* Temporary Displays Will Drive Incremental Sales Of Candy And Gum

## Index Of \$ Sales Per Store

### Candy



### Gum



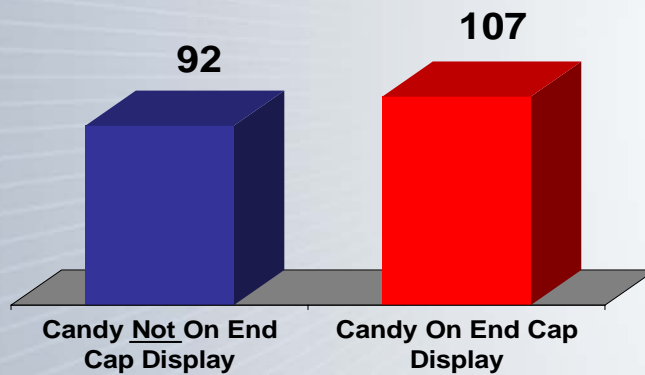
Generic Presentation/4-25-05/N/ppt

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

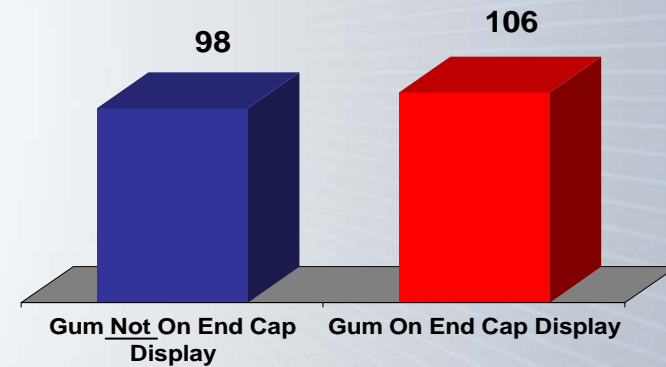
# *Best Practice:* End Cap Displays Will Drive Candy And Gum Sales

## Index Of \$ Sales Per Store

### Candy



### Gum



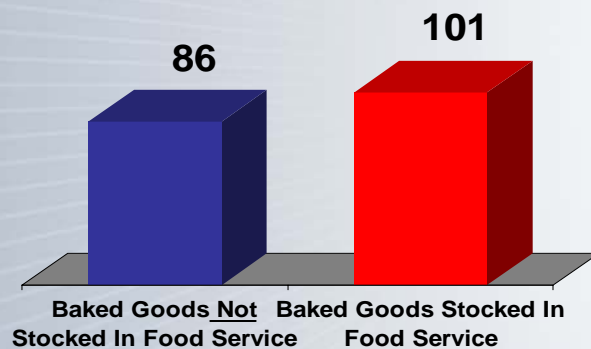
Generic Presentation/4-25-05/N/ppt

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

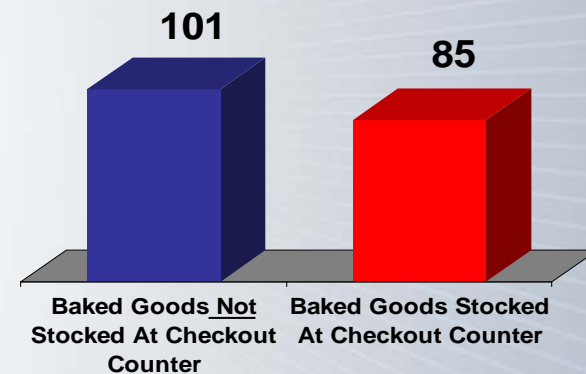
# Baked Goods Perform Well When Stocked At Food Service, But Not When Stocked At The Checkout Counter

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

### Food Service



### Checkout Counter



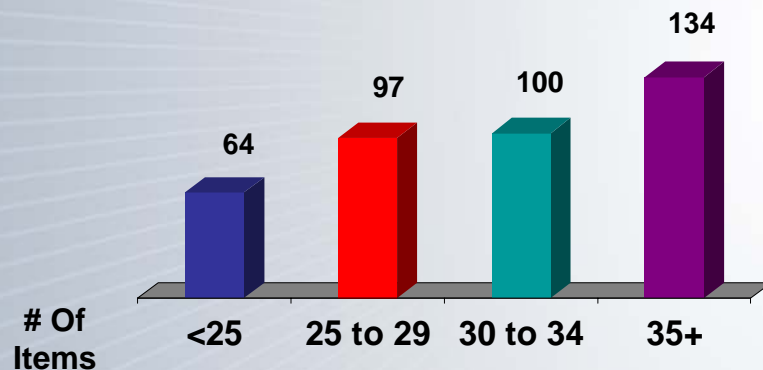
Generic Presentation/4-25-05/N/ppt

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

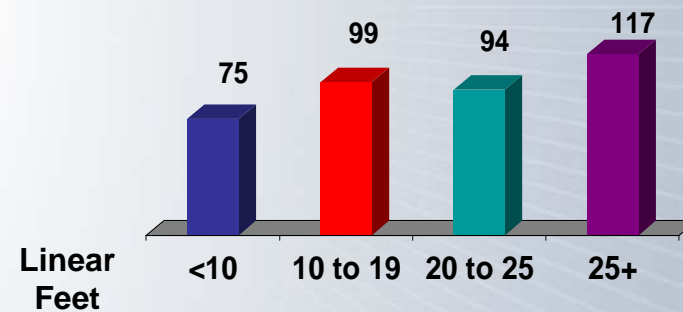
# *Best Practice:* Potato Chips Need At Least 25 Feet Of Space And 35 Items Throughout The Store To Realize Their Full Potential

## Index Of Potato Chips \$ Sales Per Store By:

### # Of Items Carried



### Linear Feet



Generic Presentation/4-25-05/N/ppt

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



# Best Practice Check List

- **Stock Confectionery at the Checkout Counter**
- **Stock Candy, Gum, and Potato Chips in Food Service**
- **Merchandise Candy and Gum in at least 4 locations in the store**
- **Carry 200 Candy and 80 Gum Items throughout the store**
- **Provide 100 linear feet to Candy and at least 20 feet to Gum across the store**
- **Carry at least 25 King Size Chocolate UPC's**
- **Provide Temporary Displays and End Caps to Candy and Gum**
- **Carry Baked Goods in Food Service but not at the checkout**
- **Stock at least 35 Potato Chips UPC's and provide over 25 linear feet of space to Potato Chips**

Generic Presentation/4-25-05/N.ppt

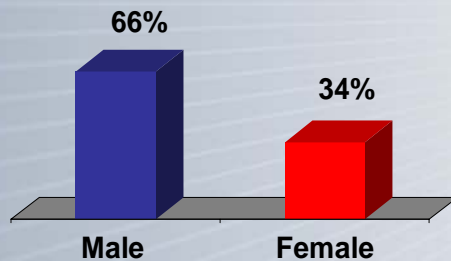
# Appendix

Generic Presentation/4-25-05/N/ppt

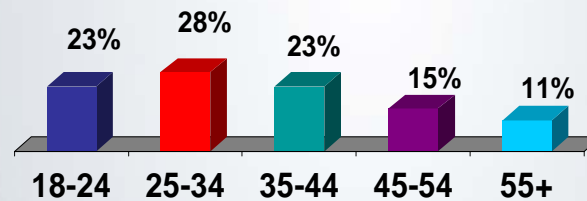
# Consumers Participating In The Interview Process Were Reflective Of The C-Store Shopper

## Consumer Interviews Demographic Summary

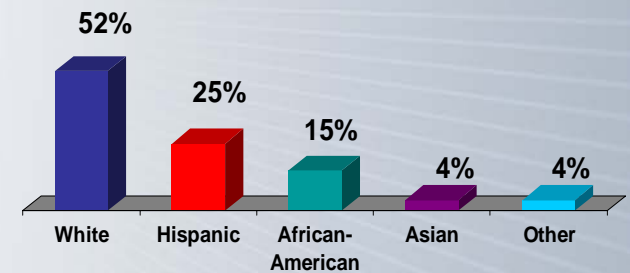
### Gender



### Age



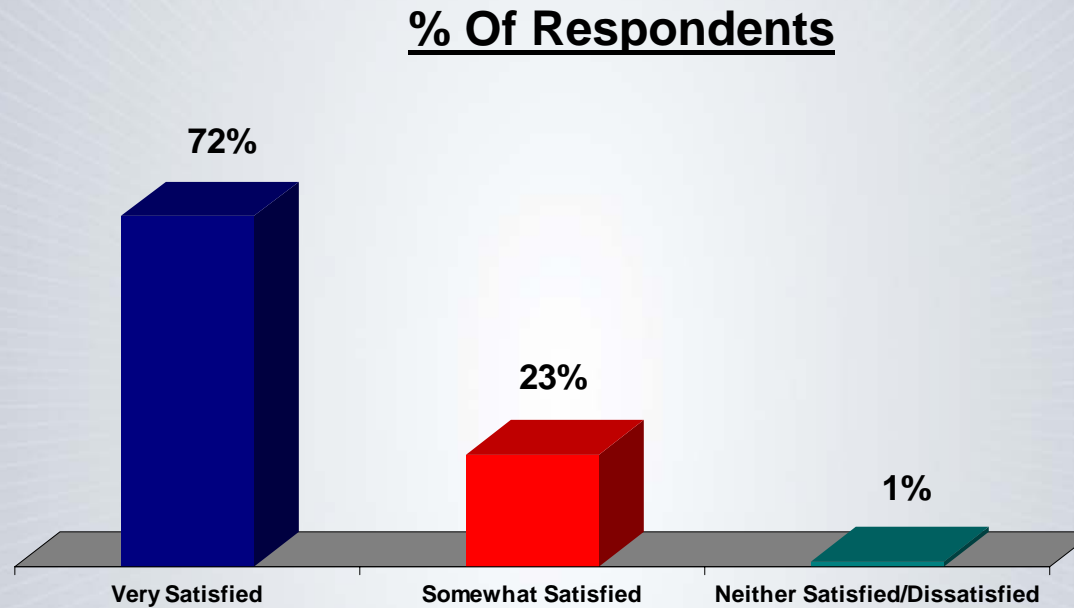
### Ethnicity



Generic Presentation/4-25-05/N/ppt

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

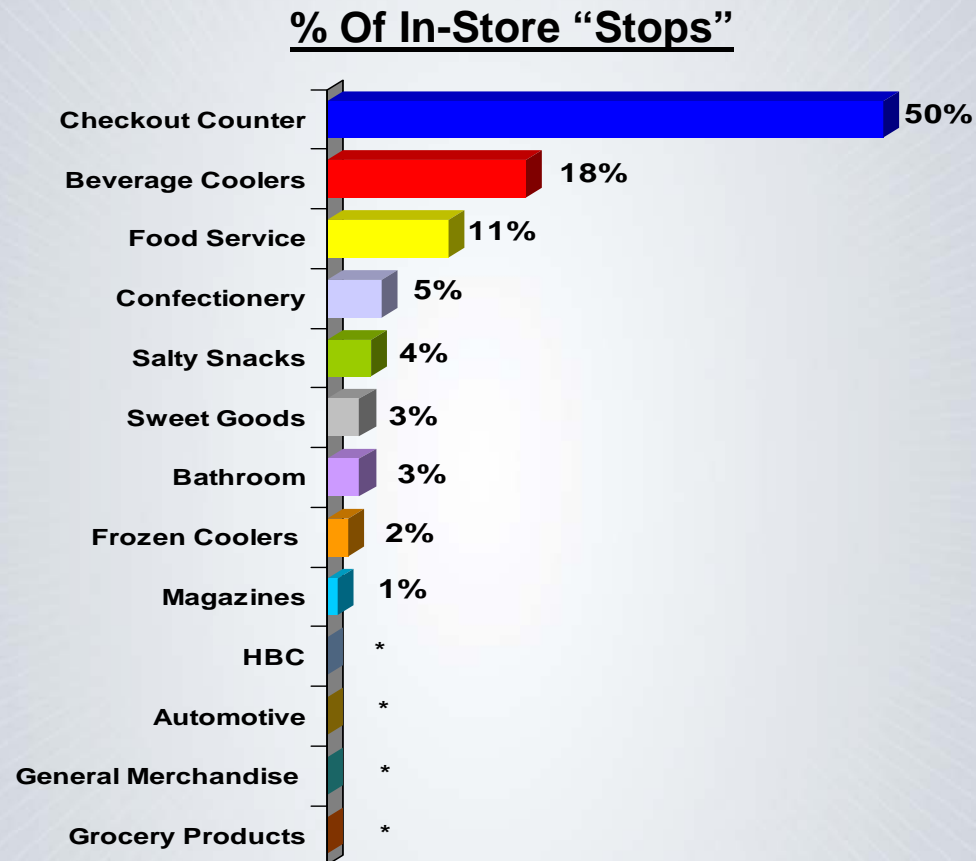
# C-Store Shoppers Are Generally Very Satisfied With Their Shopping Experience



Generic Presentation/4-25-05/N/ppt

Source: C-Store Study, September 2004.

# Checkout Counter And Beverage Coolers Account For 2/3 Of The Total In-Store Consumer "Stops"



- **Creating more "stops" for the Snacking categories will expand basket size**

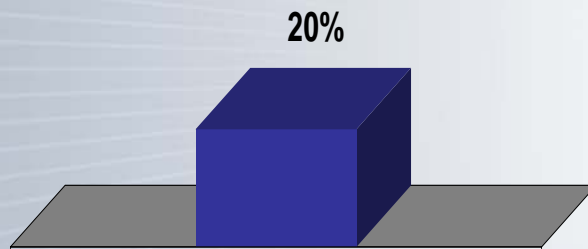
Source: C-Store Study, September 2004.

\*Less than 1%.

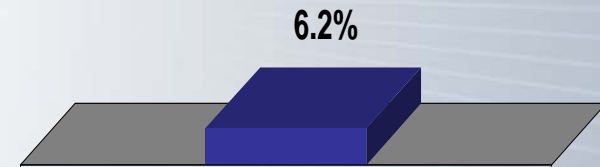
# On A Unit Basis, Five-Stick Gum Packs Represent One Out Of Every Five Units Of Gum Sold

## % Of Gum Sales

### Units



### Dollars

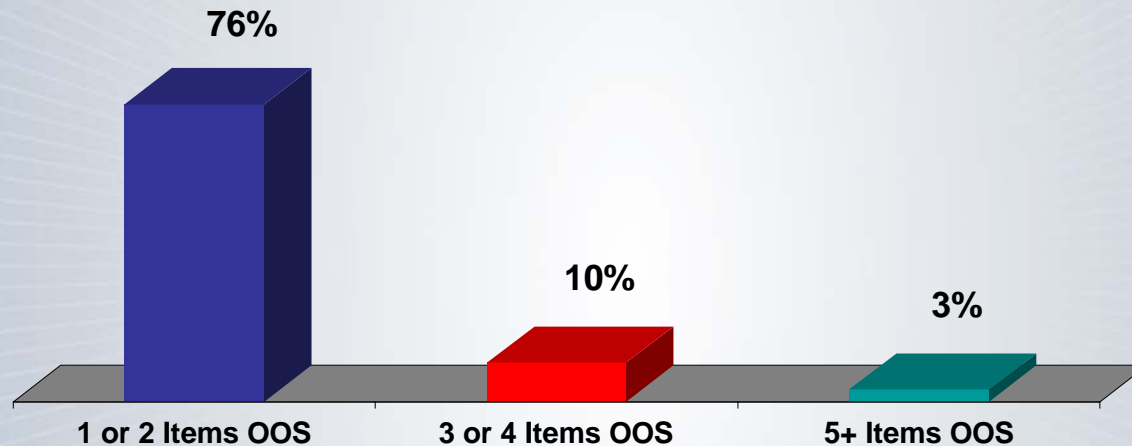


- **5-stick is an important pack type to stock in Convenience Stores**

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

# Almost 90% Of The Stores Had An Out-Of-Stock Situation

% Of Stores With Confectionery Out-Of-Stocks (OOS)



- **13% of the stores had 3 or more items OOS**

Source: C-Store National Audit – May 2004.

Generic Presentation/4-25-05/N/ppt