

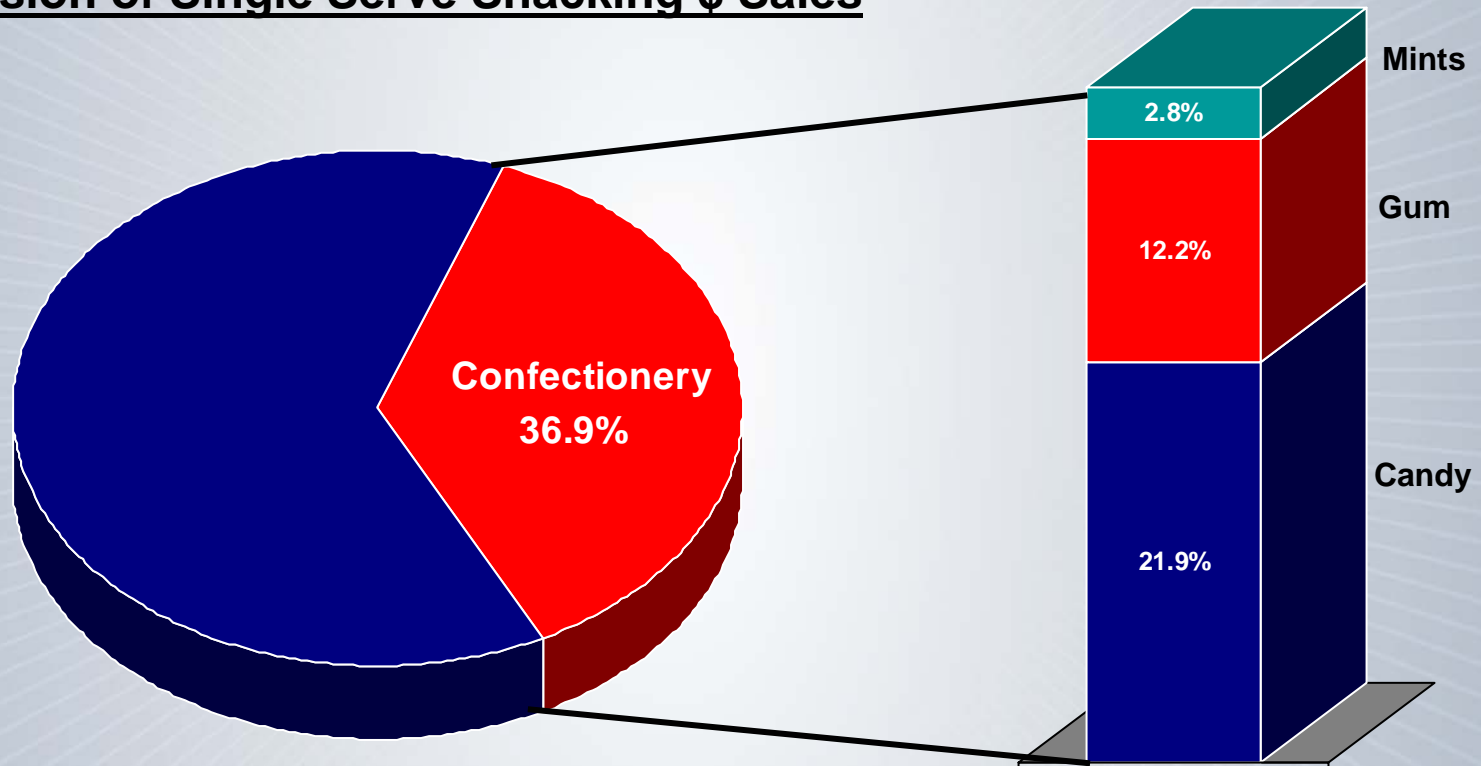
Confectionery

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Candy Generates 59% Of Confectionery Sales

Division of Single Serve Snacking \$ Sales



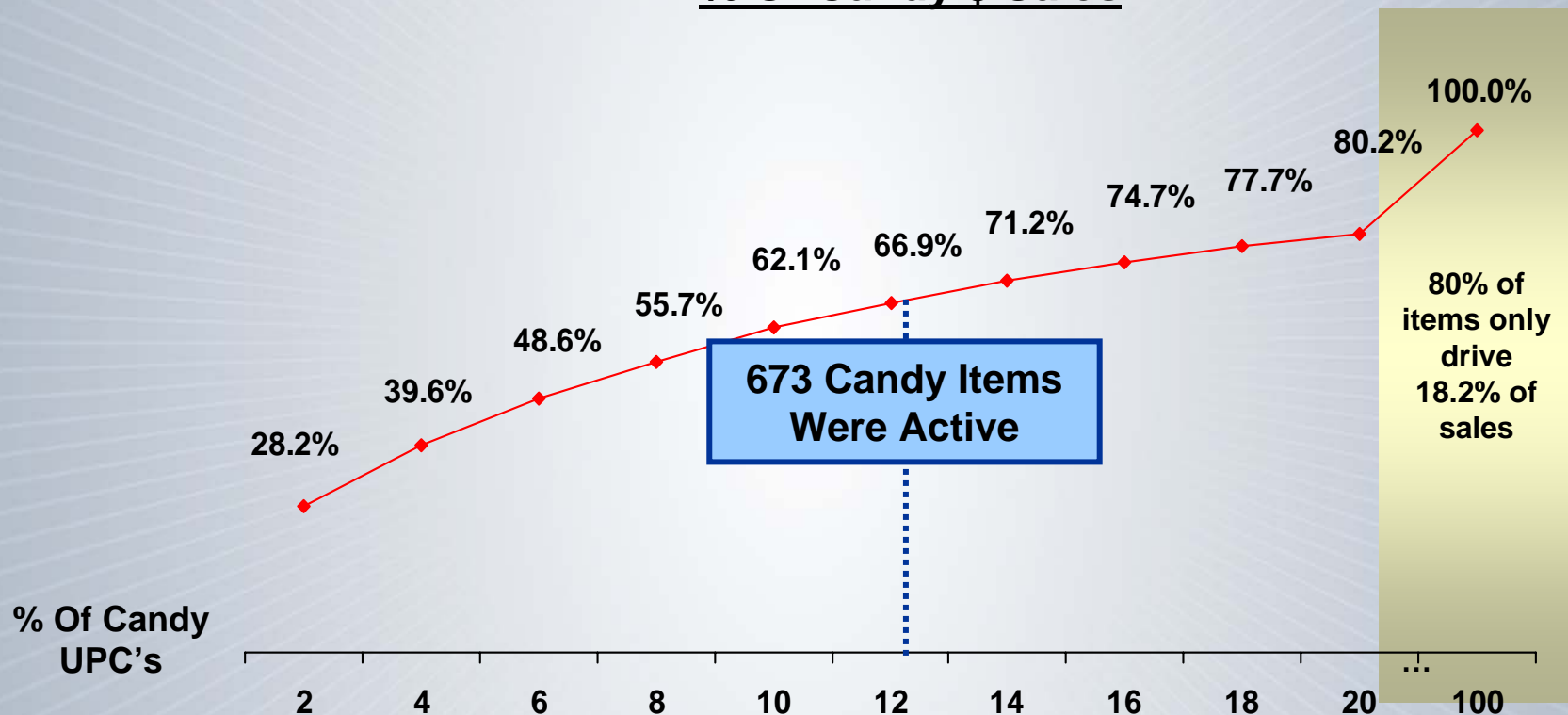
- **Gum contributes 33% of Confectionery sales**

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

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

% Of Candy \$ Sales



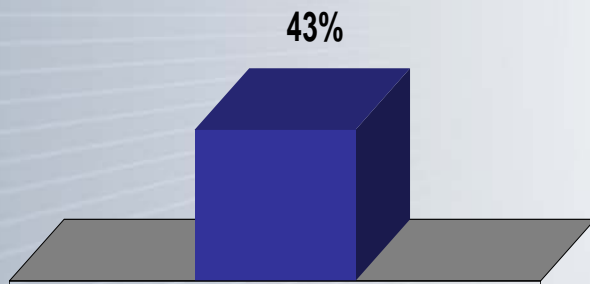
- 81 items are responsible for 66.9% of the Candy sales

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

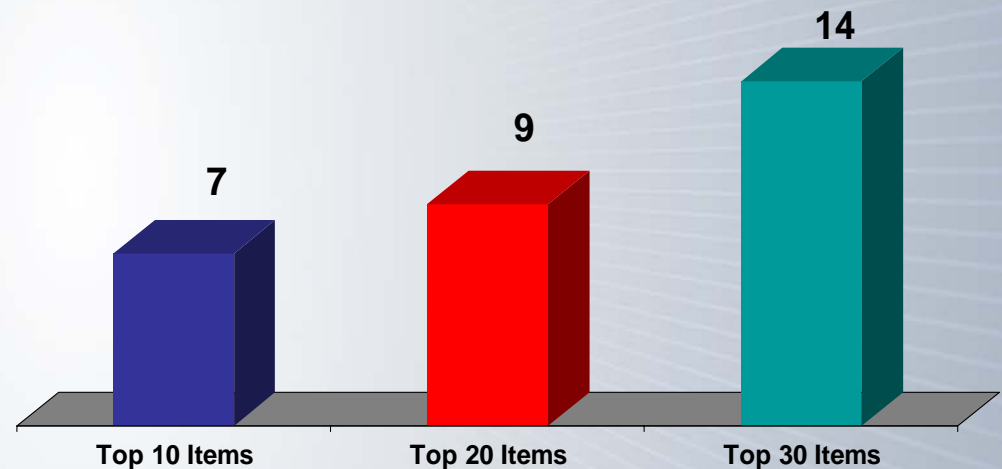
Generic Presentation/4-25-05/N/ppt

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

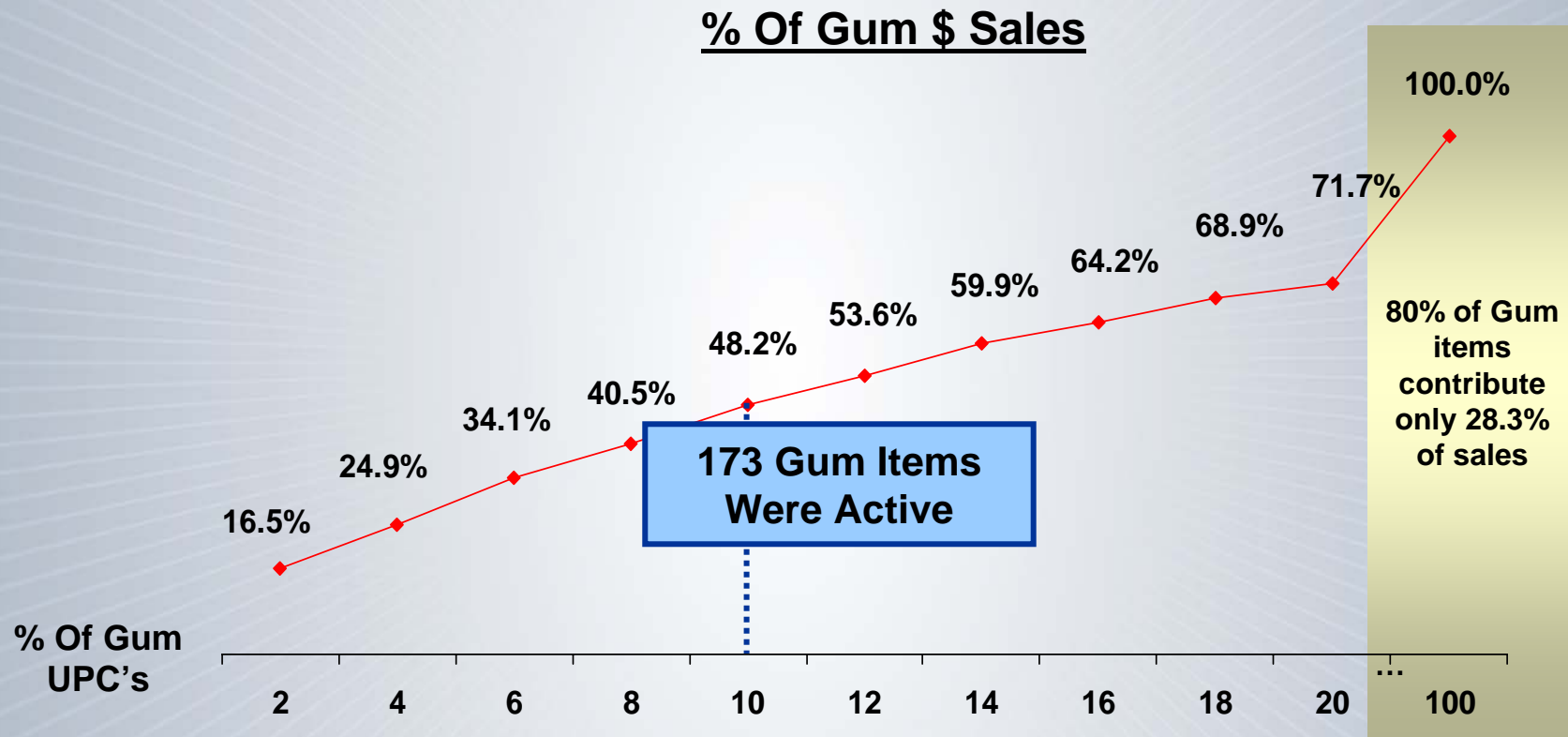


- King Size Chocolate bars are important to Convenience Stores

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



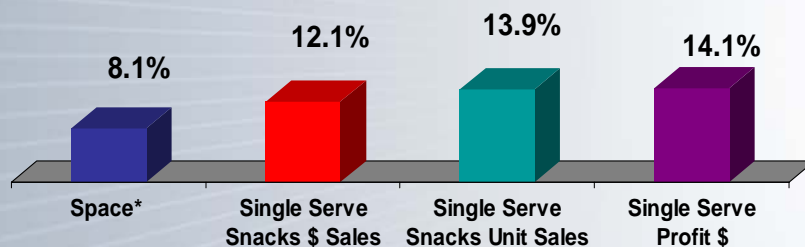
- **18 UPC's account for 48% of Gum sales**

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

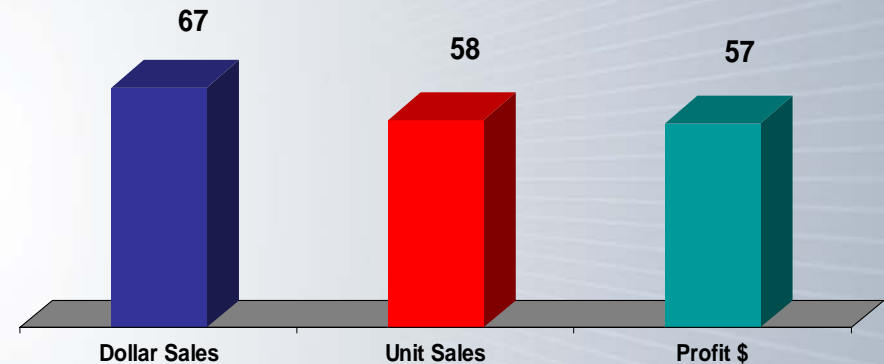
Generic Presentation/4-25-05/N/ppt

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

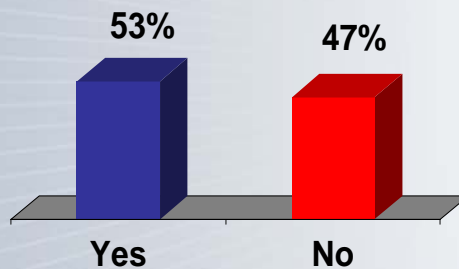
Source: C-Store Study 6 months ending September 2004; DHC Analysis.

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

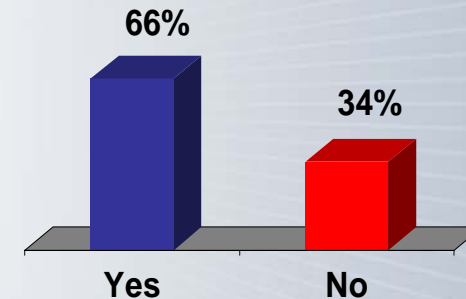
Lack Of Permanent Confectionery Shelf-Tags Can Result In Higher Out-Of-Stocks

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%

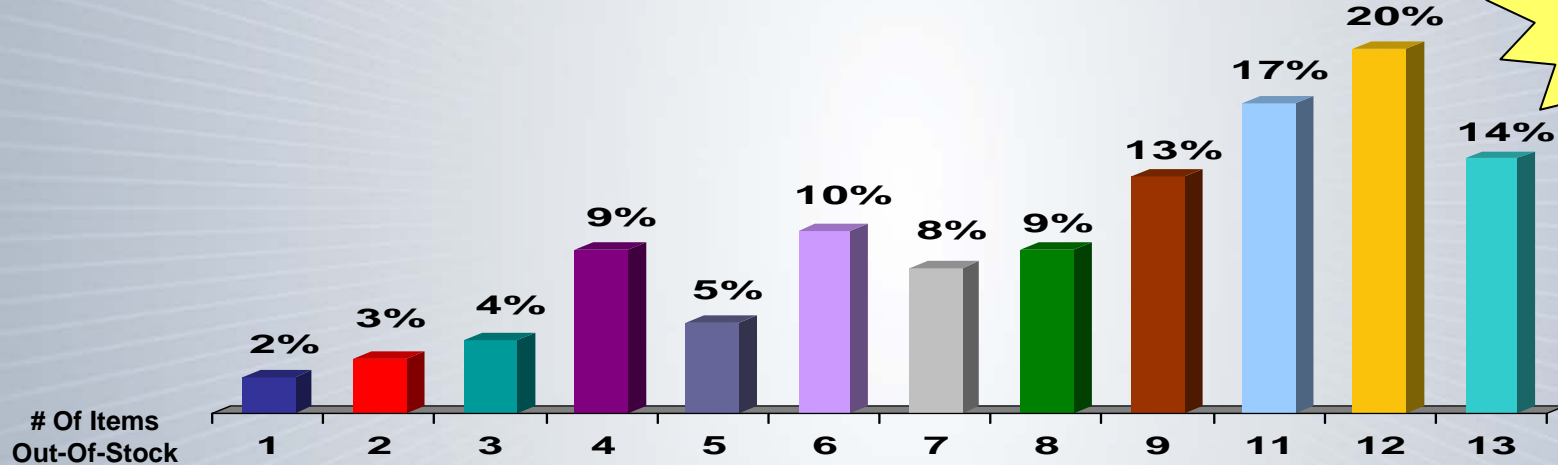
- The C-Store Study cooperators do a much better job than the “average” C-Store based on the C-Store National Audit Study

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



Average %
Of Items
O-O-S
9.4%

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

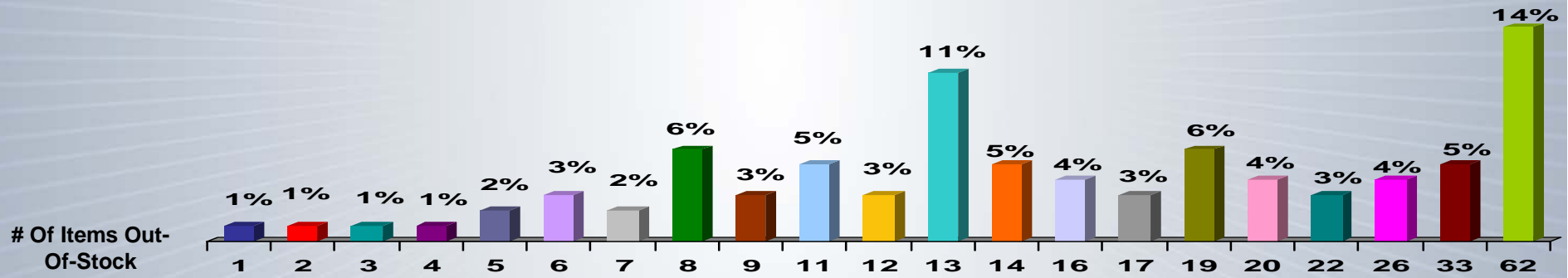
Source: C-Store Study, September 2004.

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.

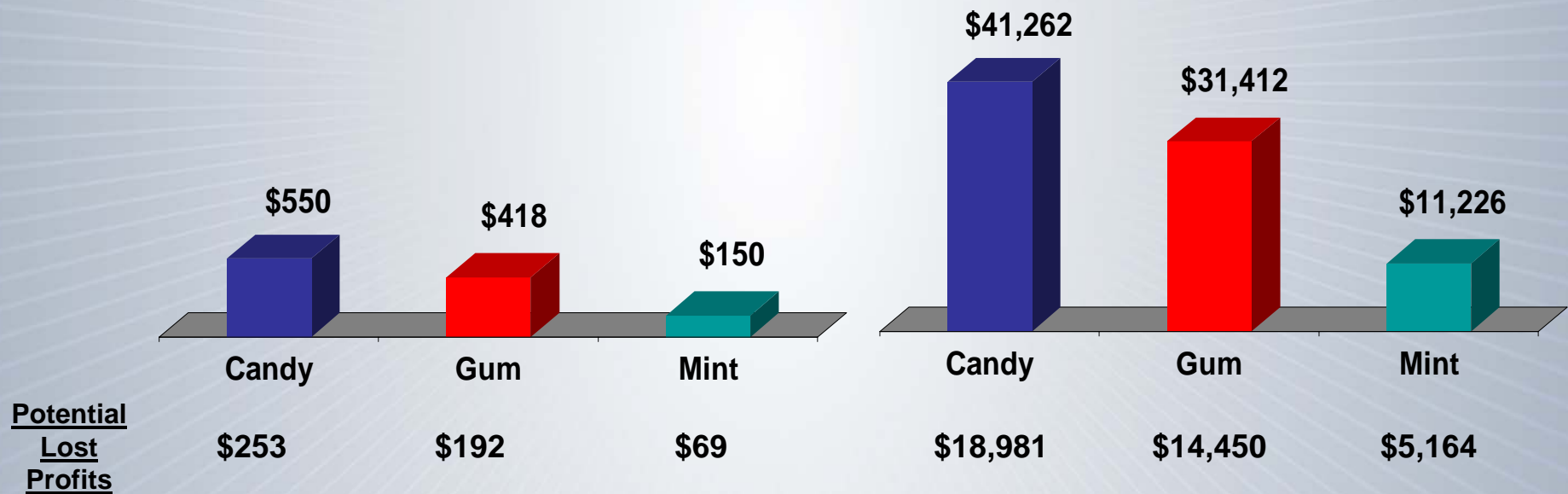
Out-Of-Stocks Can Greatly Impact Sales

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

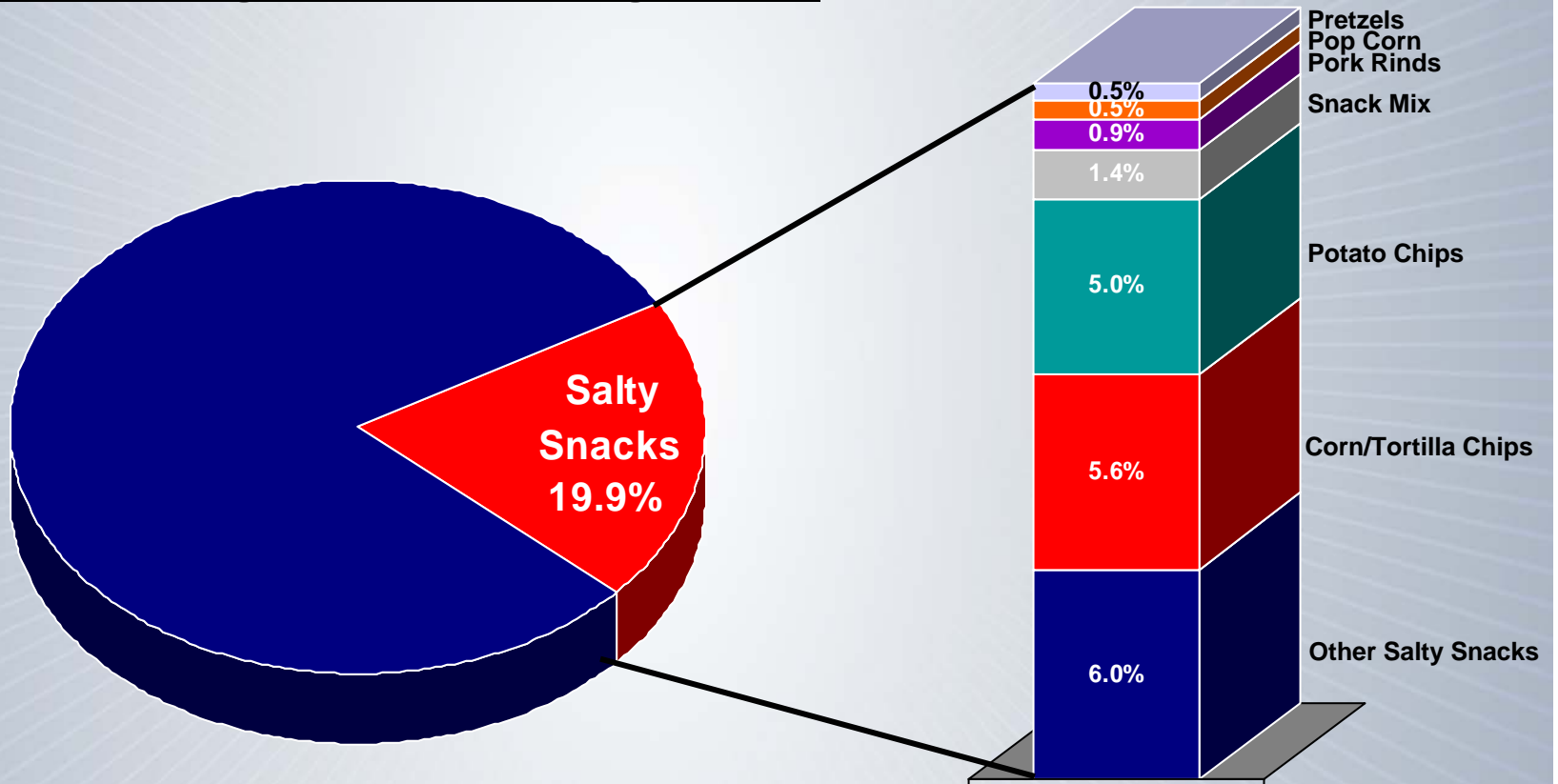


Source: C-Store Study 6 months ending September 2004; DHC Analysis.

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

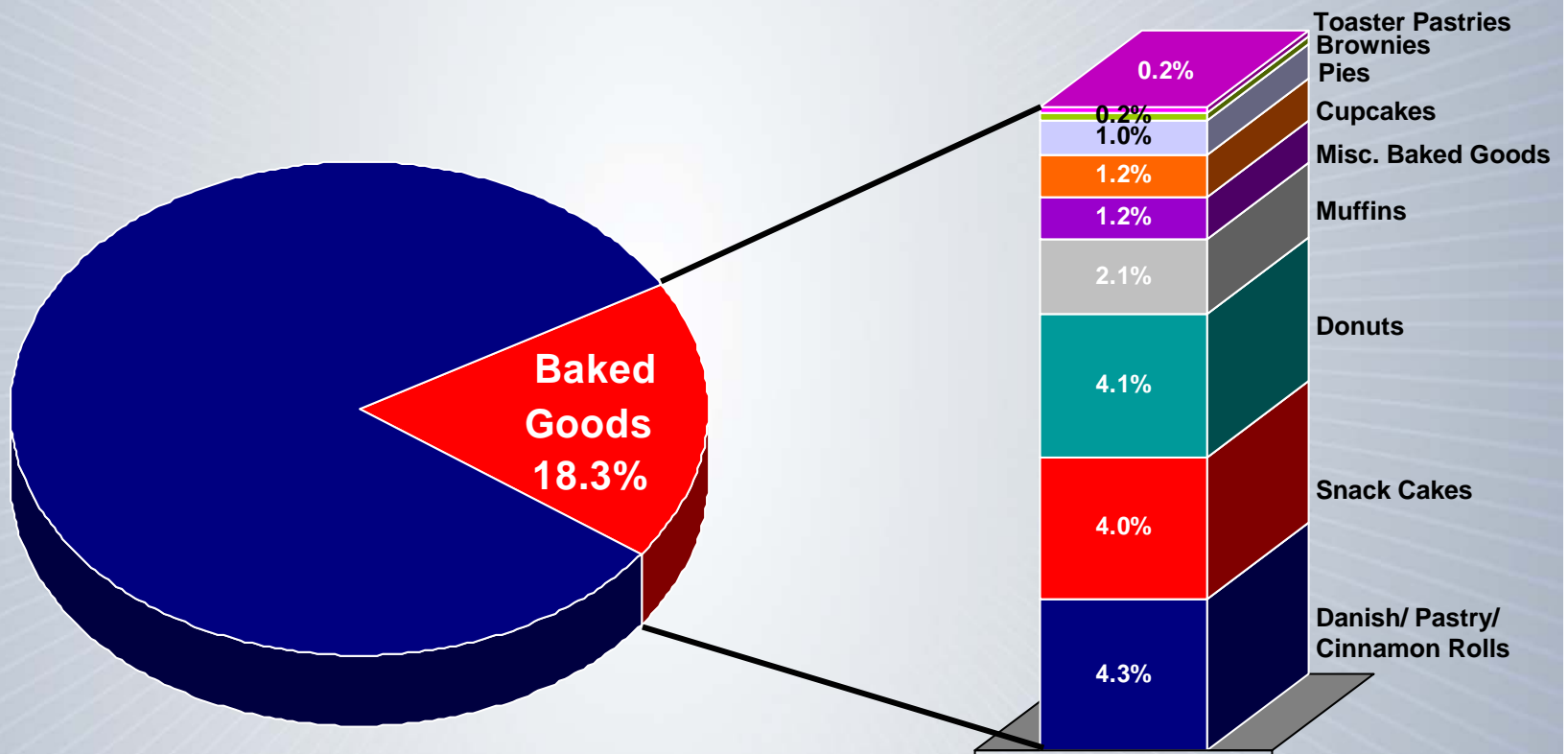


Source: C-Store Study 6 months ending September 2004; DHC Analysis.

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

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Note

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

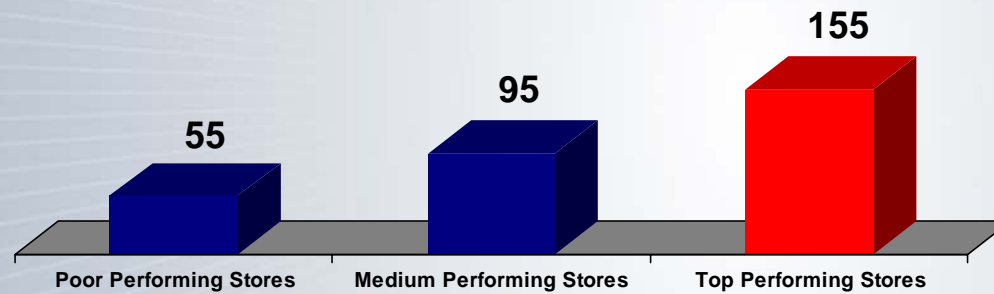
Because of the sales differences, the best practice analyses have been segmented by 3 different store sizes.

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

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



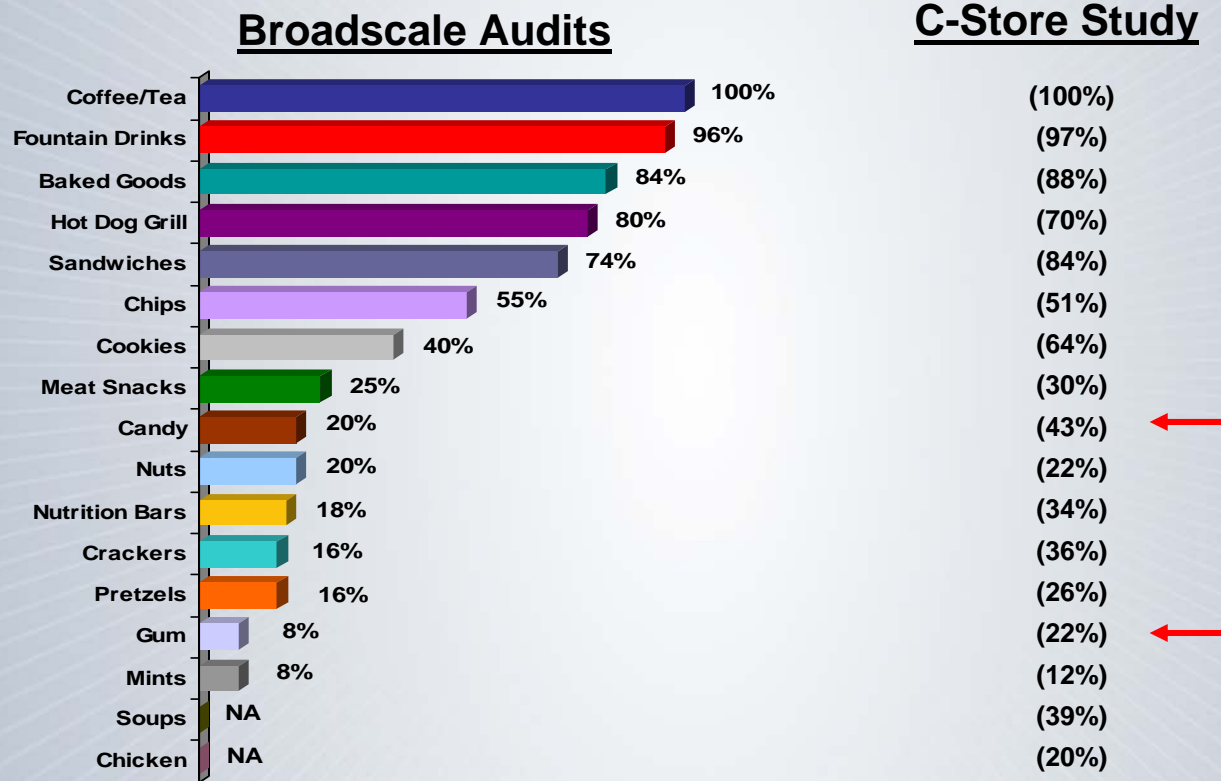
- **Retailers that stocked Confectionery at the Checkout Counter and In-Aisle enjoyed a 37% increase in Confectionery Dollar sales**

*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

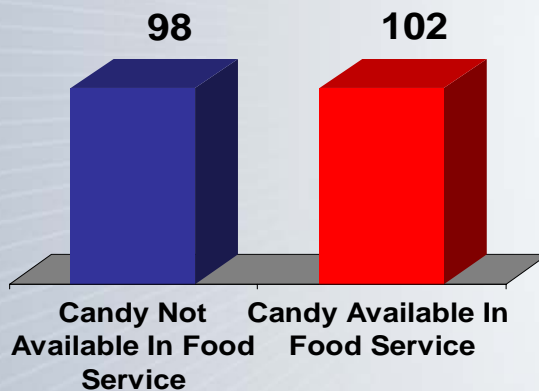
Source: Broadscale Audits, May 2004.

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

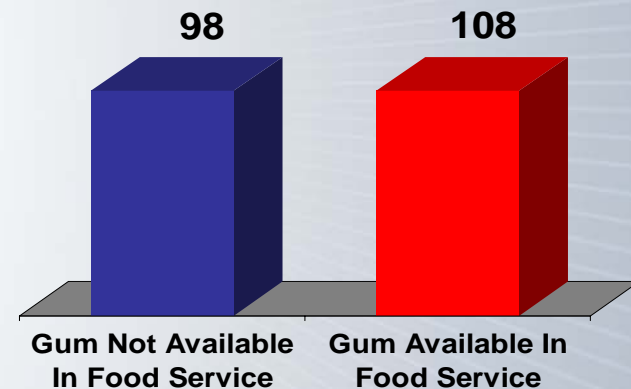
Generic Presentation/4-25-05/N/ppt

Best Practice: Make Candy And Gum Available In Food Service

Index Of Candy Sales
Per Store*



Index Of Gum Sales
Per Store*



* Large stores.

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

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

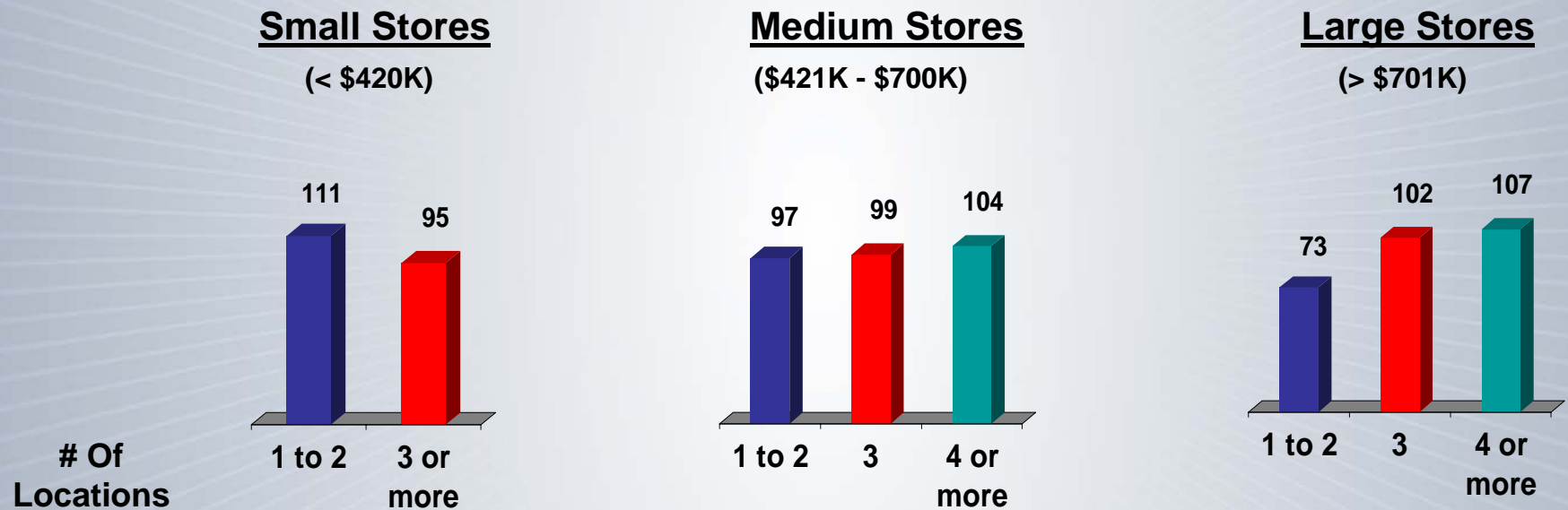
Best Practice: Merchandise Single Serve Snacks In The Food Service Area To Generate Additional Snack Purchases



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

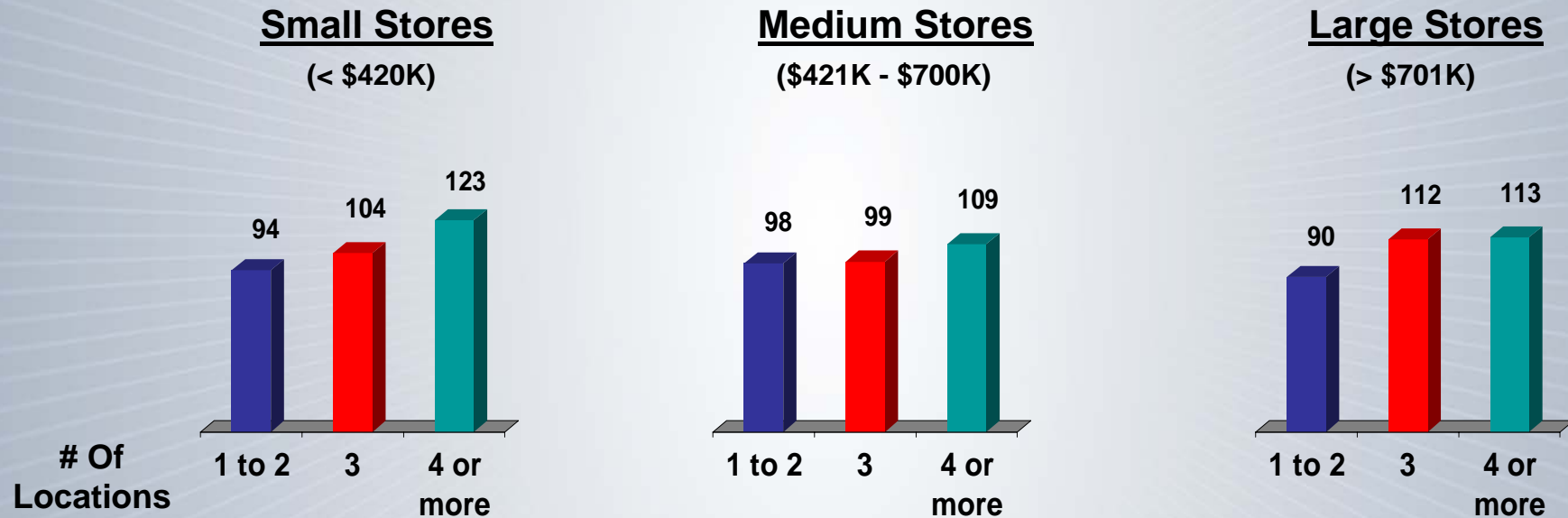


Source: C-Store Study, September 2004; DHC Analysis.

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

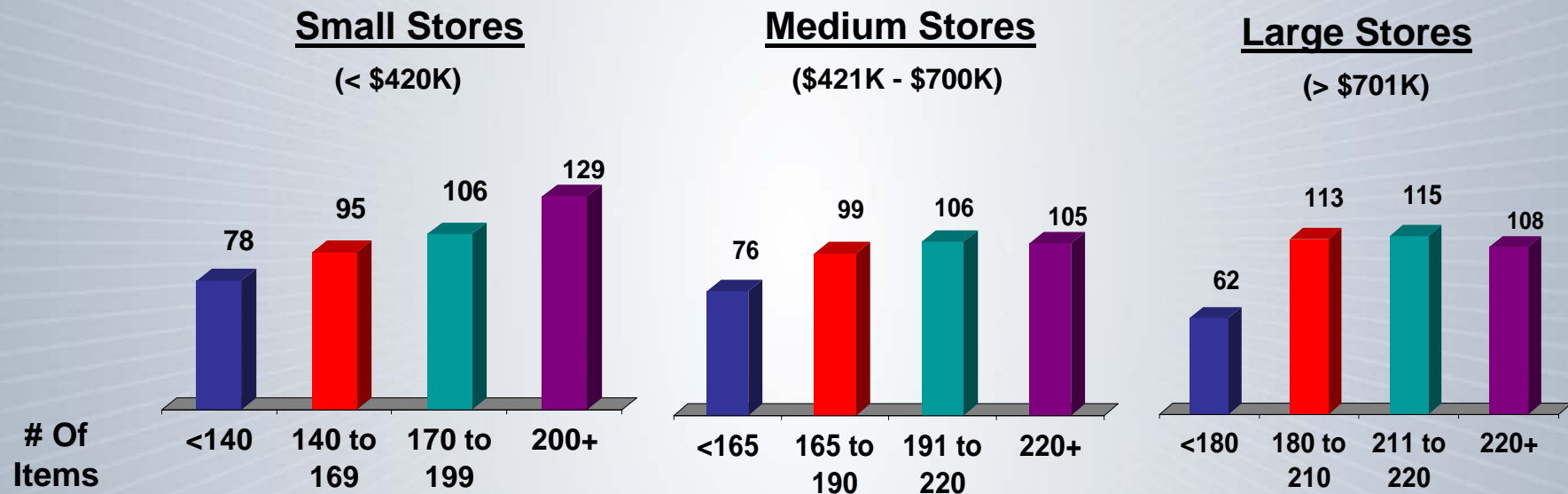


Generic Presentation/4-25-05/N/ppt

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

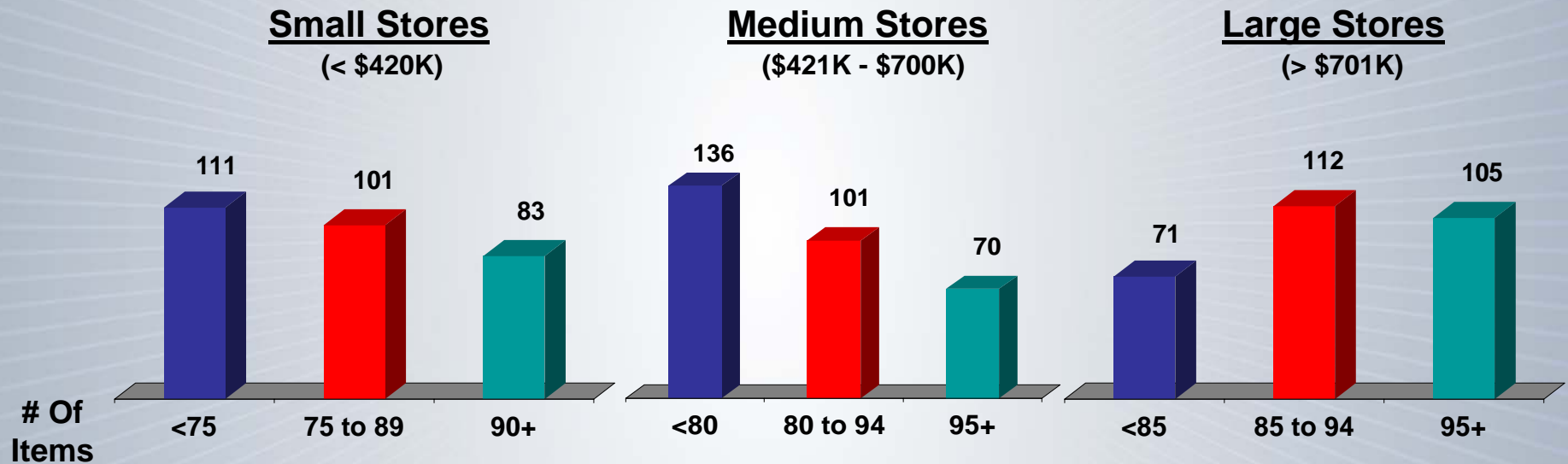


Source: C-Store Study 6 months ending September 2004; DHC Analysis.

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

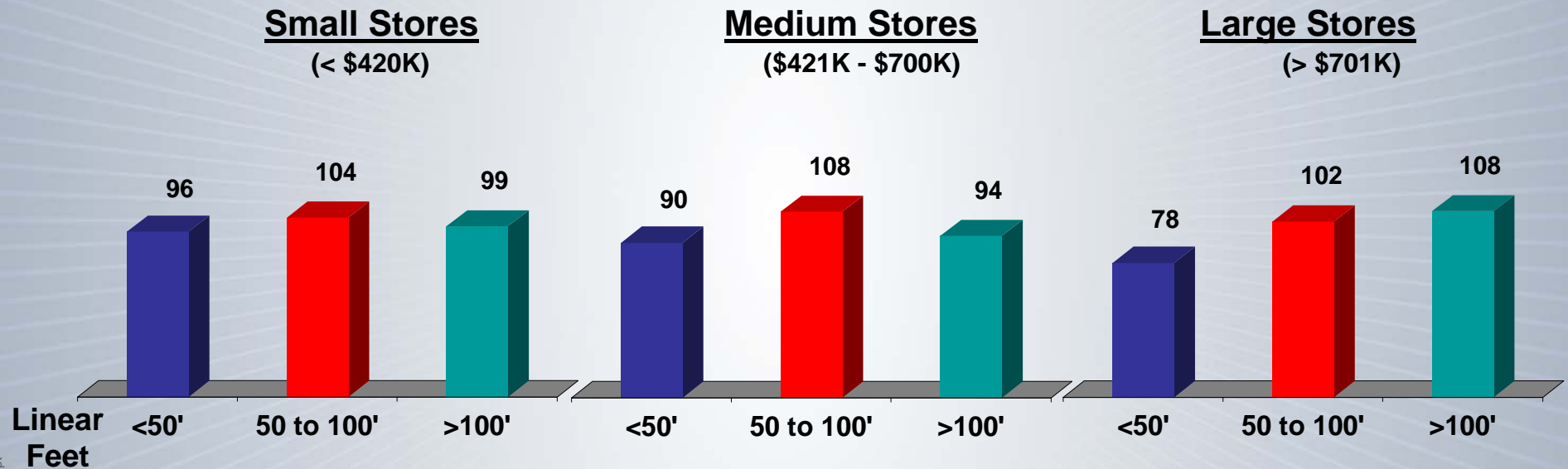


- In small and medium sized C-Stores Gum sales are optimized when stores carry about 80 Gum items

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



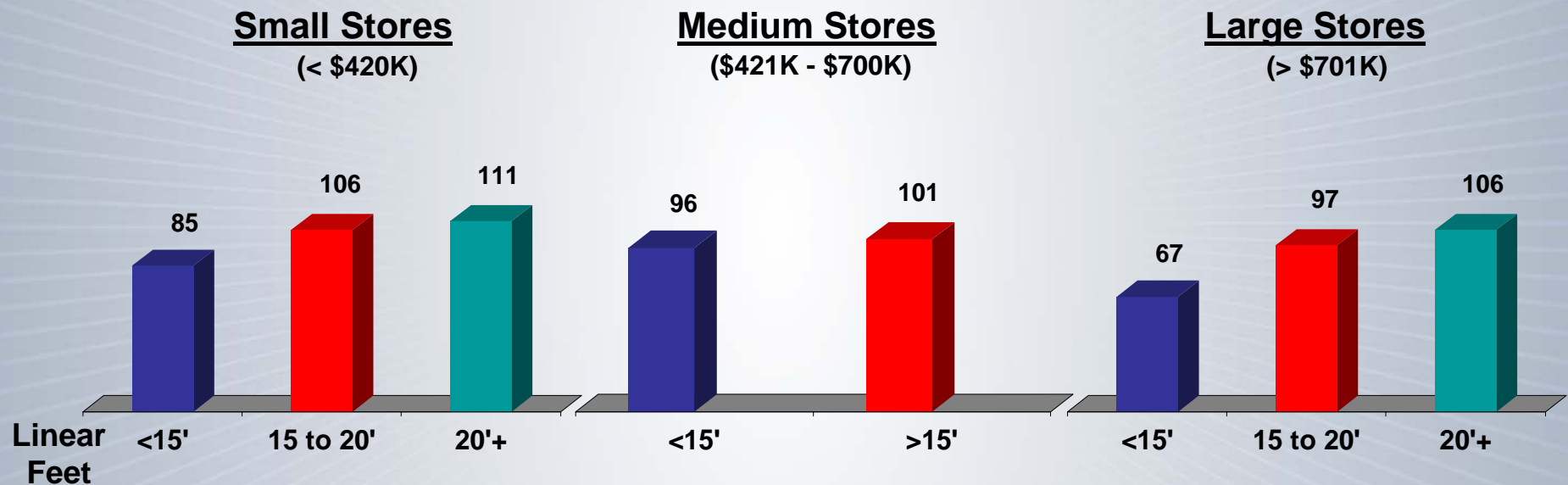
- In small and medium stores 50 to 100 linear feet of space allocated candy will optimize sales

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



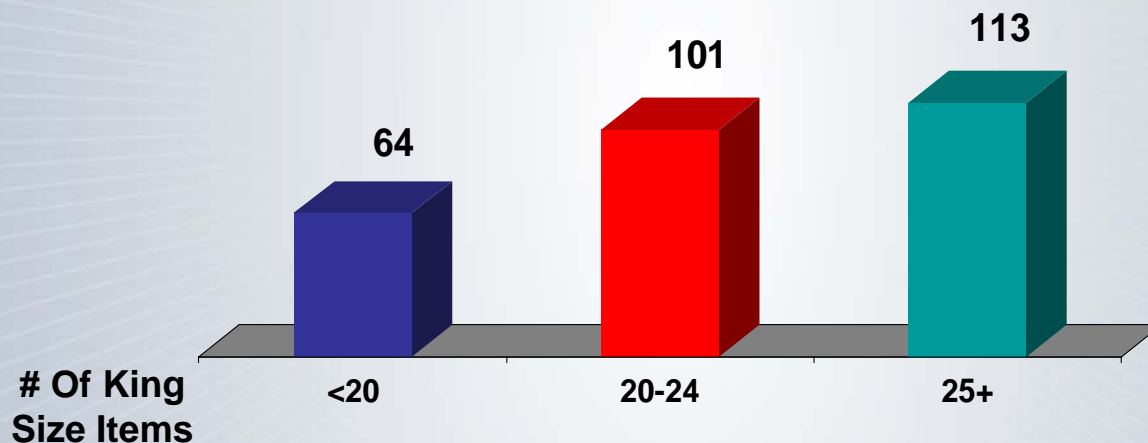
- **Medium stores need more than 15 feet of space to optimize Gum sales**

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



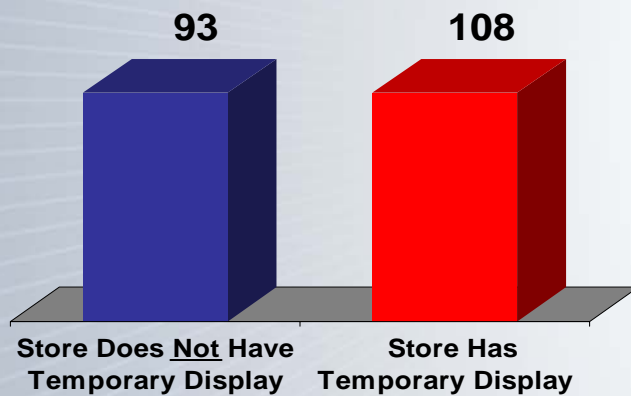
Source: C-Store Study 6 months ending September 2004; DHC Analysis.

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

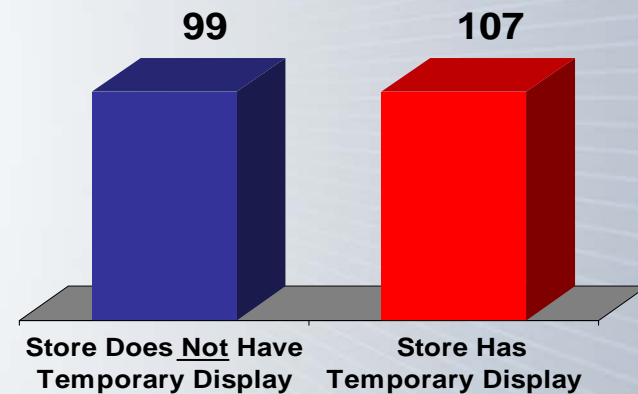
Best Practice: Temporary Displays Will Drive Incremental Sales Of Candy And Gum

Index Of \$ Sales Per Store

Candy



Gum



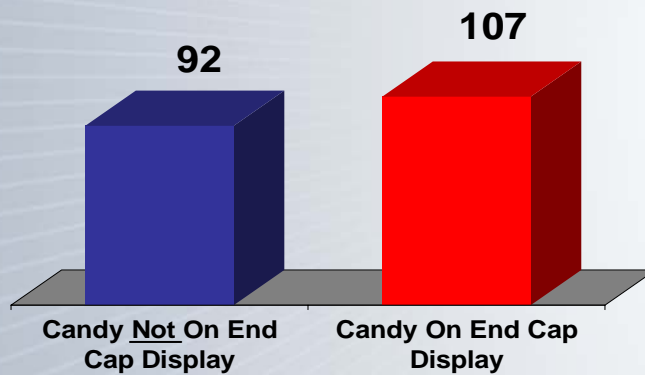
Generic Presentation/4-25-05/N/ppt

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

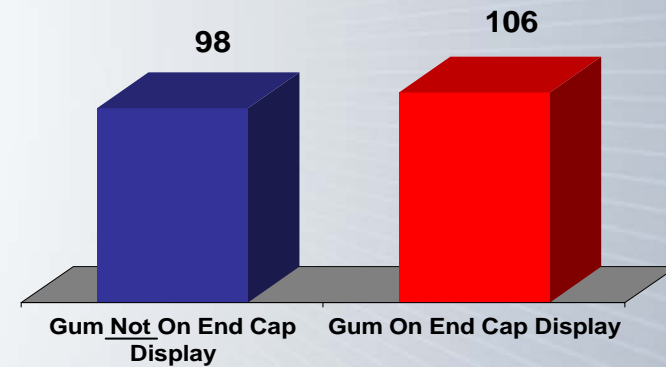
Best Practice: End Cap Displays Will Drive Candy And Gum Sales

Index Of \$ Sales Per Store

Candy



Gum



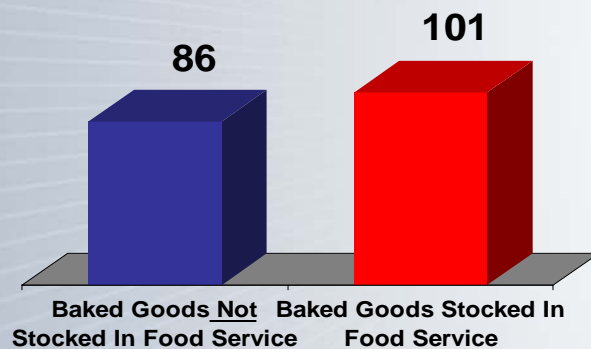
Generic Presentation/4-25-05/N/ppt

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

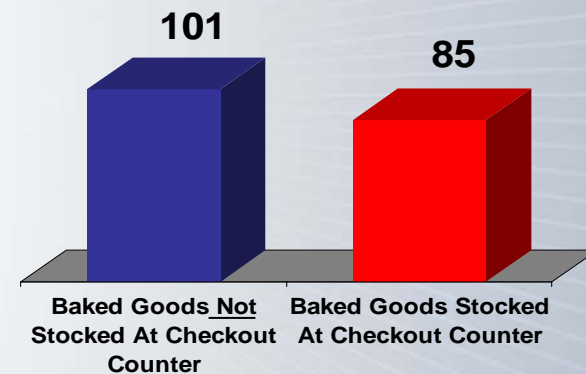
Baked Goods Perform Well When Stocked At Food Service, But Not When Stocked At The Checkout Counter

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

Food Service



Checkout Counter



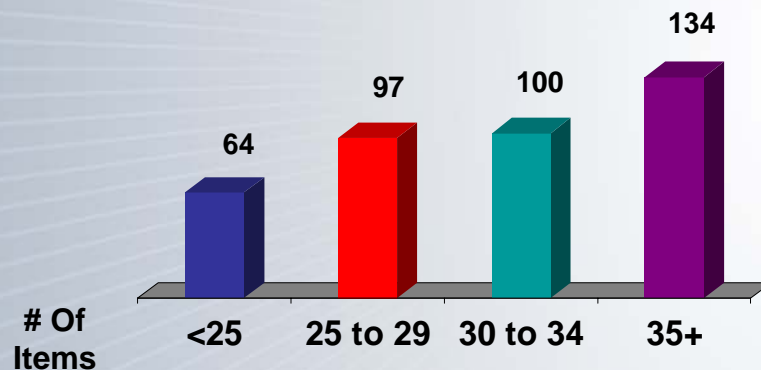
Generic Presentation/4-25-05/N/ppt

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

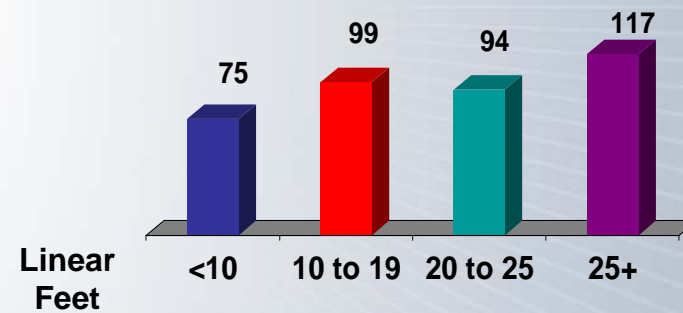
Best Practice: Potato Chips Need At Least 25 Feet Of Space And 35 Items Throughout The Store To Realize Their Full Potential

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

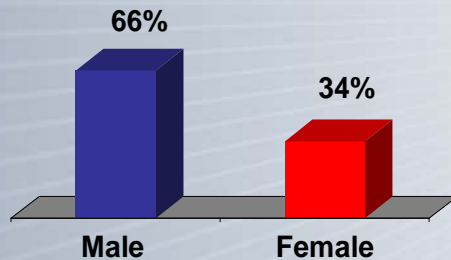
Appendix

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

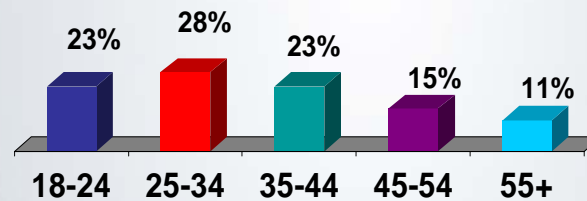
Consumers Participating In The Interview Process Were Reflective Of The C-Store Shopper

Consumer Interviews Demographic Summary

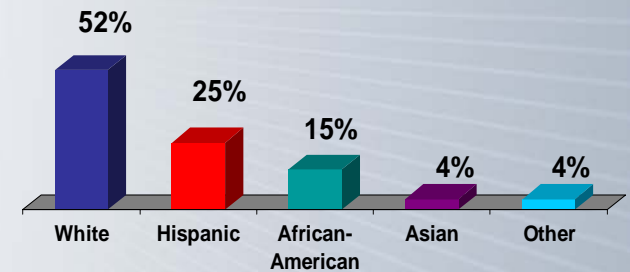
Gender



Age



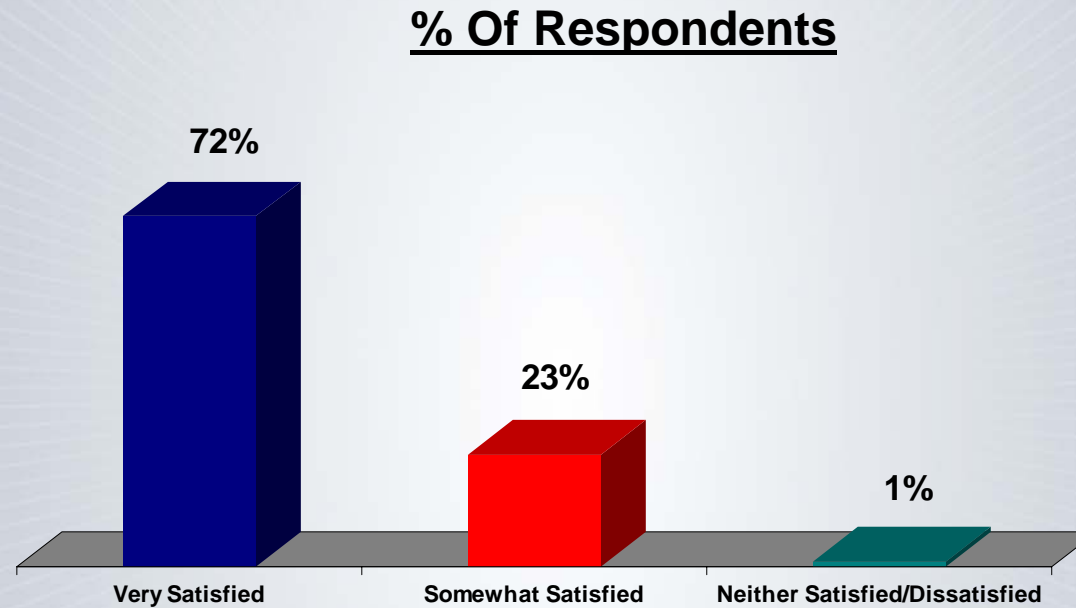
Ethnicity



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

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

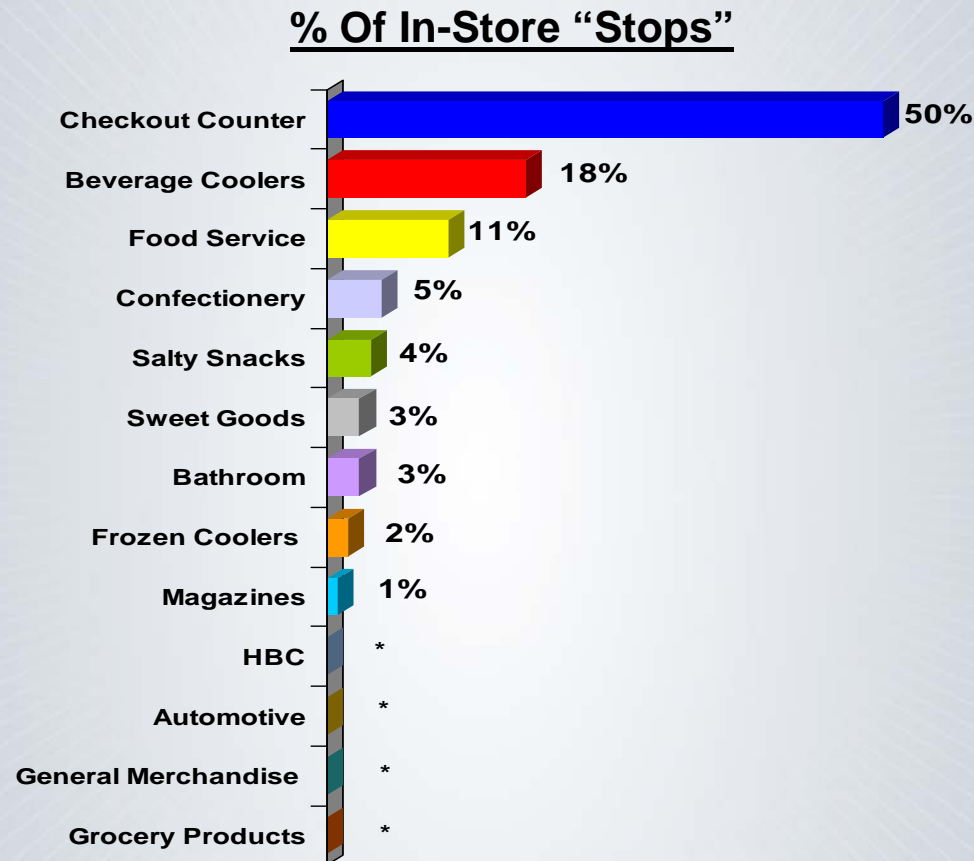
C-Store Shoppers Are Generally Very Satisfied With Their Shopping Experience



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**

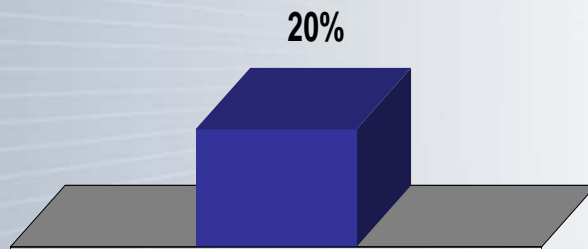
Source: C-Store Study, September 2004.

*Less than 1%.

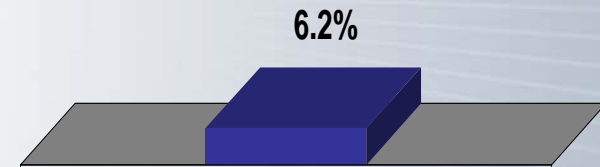
On A Unit Basis, Five-Stick Gum Packs Represent One Out Of Every Five Units Of Gum Sold

% Of Gum Sales

Units



Dollars

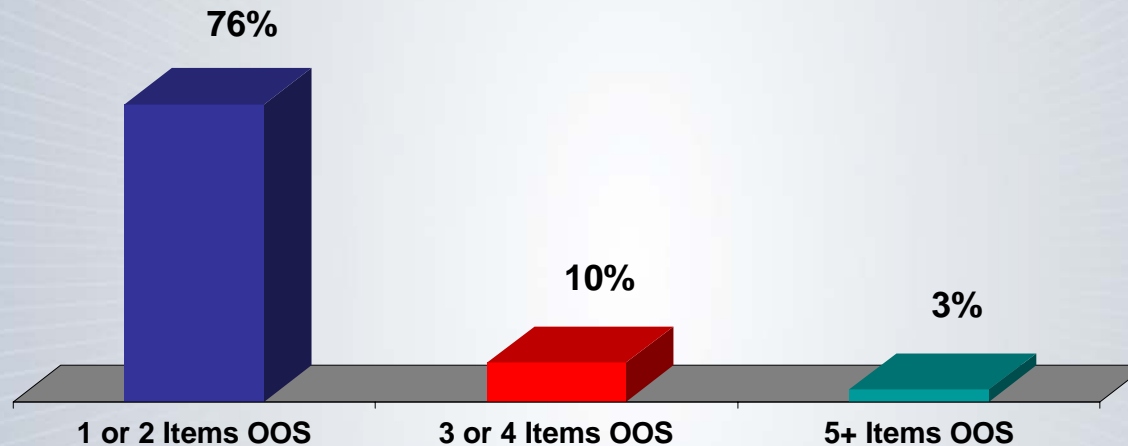


- **5-stick is an important pack type to stock in Convenience Stores**

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