

# **A sweet success:**

## UK Confectionery Category Report

December 2019

**SCOTLAND** MARKET  
**FOOD & DRINK** INTELLIGENCE



# The sweets and chocolate category growth is driven by innovation

**THE UK SWEETS AND CHOCOLATE CATEGORIES ARE BOTH SHOWING VALUE GROWTH AS CONSUMERS ARE WILLING TO PAY MORE FOR A SPECIAL TREAT**

Within the sweets and chocolate confectionery sector, NPD with unique USPs appeal to shoppers. Innovation is key for success within the category, whether different formats, textures and flavours help to differentiate from competitors, or going down the health, premium or ethical route, there are plenty of opportunities for businesses to capitalise on. The 'less but better' trend is seen within the wider food and drink market, including the sweets and chocolate market.

Consumers attitudes towards sweets and chocolates are changing and they demand more high-quality products that promote more than just a good tasting treat. An ethical and sustainable supply chain is high on the agenda.

Also, consumers enjoy consuming sweets and chocolates as an indulgent treat and increasingly choose more premium products and something special to cheer themselves up. Flavour innovation in the chocolate sector is booming and keeps the shopper interested.

# The UK sugar sweets market is currently worth £897.9m and is up +2.7%

Innovation is driving growth in the category

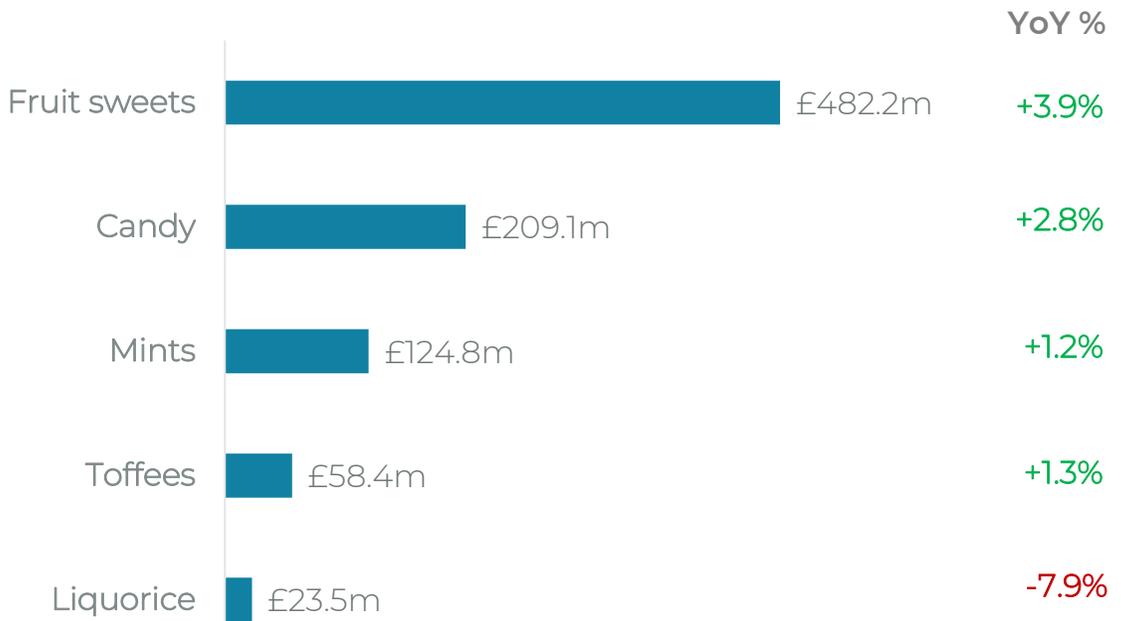
Retail value sales of the sugar sweets category - 52 w/e 16 June 19

Value  
£897.9m  
+2.7%



The average price of the sugar confectionery sector is up +1.4%. Consumers are looking for something new and exciting in the category and are willing to pay more for a special treat

The sugar-free category is currently worth £59m, up £10m compared to two years ago, whilst reduced sugar sweets account for £5m



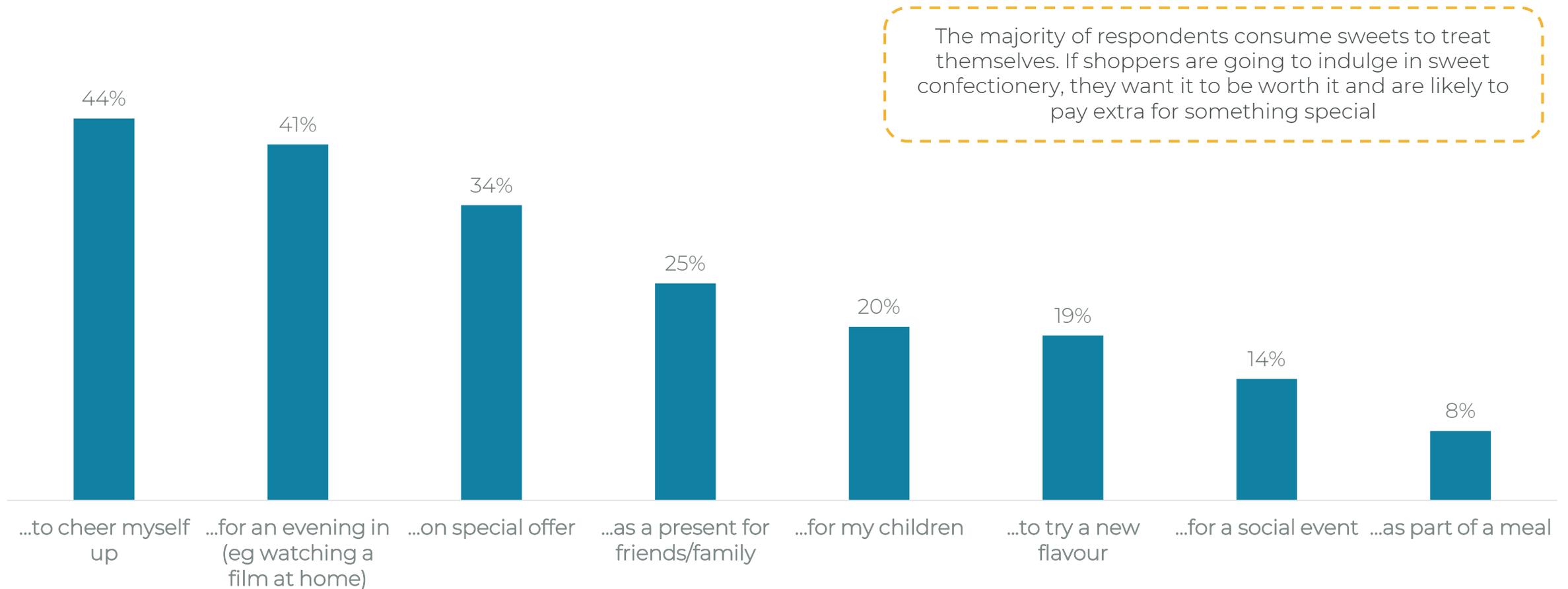
The category's success is driven by innovation. Innovation in different flavour profiles, textures and formats. Reduced sugar as well as vegan sweets are gaining popularity within the sector as well. New flavours which appeal to different target groups are key to differentiating from competitors



# 4 in 10 respondents eat sweets as an evening treat

1 in 4 purchase as a present for friends/family

Reasons for having bought sweets in the last 3 months, October 2018



Base: 1,386 internet users aged 16+ who have bought sweets in the last three months

Source: The Grocer Confectionery Report, 2019; Mintel 2019

# Dark chocolate has seen 11.1% growth over the last year

Driven by the ageing population as well as the health-conscious and experimental consumer

## Varieties of chocolate eaten in the last 3 months (March 2019)

Milk Chocolate



Dark Chocolate



White Chocolate



## Dark chocolate is outperforming category's growth

In June 2019, the overall retail chocolate category was worth £2.9bn with a year-on-year growth of +4.8%



Dark chocolate subcategory has grown by **+11.1%** and outperformed category's growth

## What's driving the growth of dark chocolate?

### Ageing population

Growth is driven by maturing population, who are looking for a richer-tasting dark chocolate

### Health

Dark chocolate has a lower sugar content and contains antioxidants associated with a healthier choice compared to milk chocolate. Dark chocolate is also becoming more popular among vegans with 11% launches with vegan claims in 2018 compared to 8% in 2017

### Flavour Innovation

Adding different flavours to dark chocolate removes the bitterness and dryness of it. Some brands add unique flavours to dark chocolate, such as orange & thyme or coconut & raspberry to make dark chocolate more appealing to consumers

Base: 1,840 internet users aged 16+ who have eaten chocolate in the last 3 months

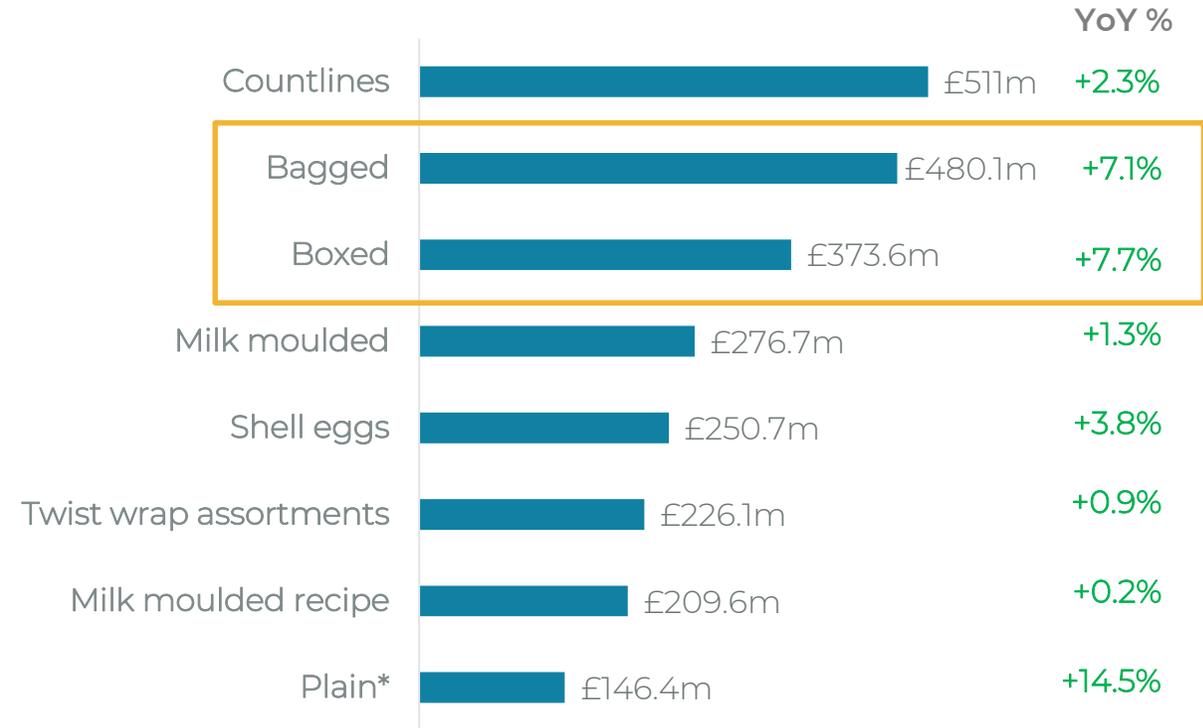
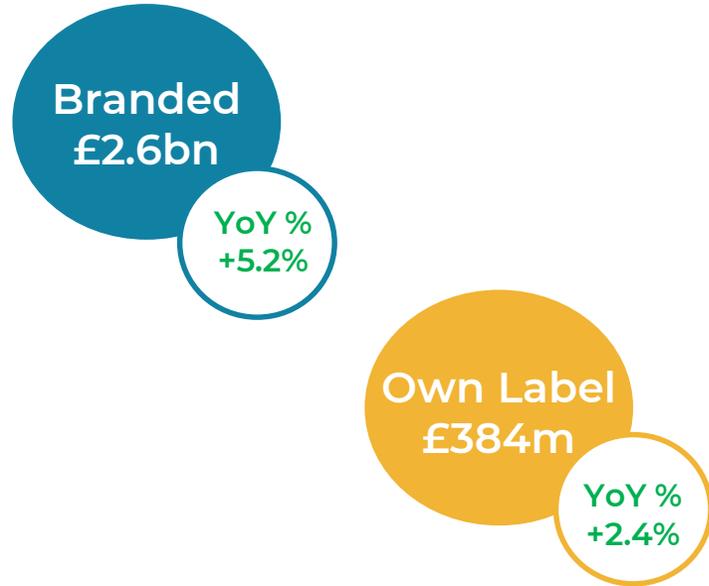
\*Kantar Worldpanel 52 w/e 9 Sep 19, \*\*Kantar Worldpanel 52 w/e 16 Jun 19

Source: The Grocer Confectionery Report, 2019; Mintel 2019

# The UK chocolate market is currently worth almost £3bn

Driven by bagged and boxed chocolate which is growing by over 7%

Retail value sales of the chocolate category - 52 w/e 16 June 19



Branded chocolate is dominating the sector. Sharing formats are the largest-growing category in the chocolate sector with premium boxes driving its growth



\* Plain chocolate blocks

YoY%: Year-on-Year % Change

Kantar Worldpanel 52 w/e 16 June 19

Source: The Grocer Confectionery Report, 2019

# Gifting and sharing are growing formats within the chocolate sector

4 in 10 consumers are willing to pay more for a luxury brand

Consumers are willing to pay extra for a luxury brand when buying a gift



**42%** of respondents pay more for a luxury brand

**31%** of respondents pay more for luxurious packaging

Mainstream brands are now targeting the gifting occasion as well



**27%** of respondents pay more for a luxury brand when purchasing for themselves



Signals the importance of self-treating opportunity



The demand for personalisation and uniqueness is growing, which could boost gifting further. Some luxury brands and smaller brands are already targeting customised chocolate options, in particular around key seasons

# The confectionery aisle is highly influenced by impulse purchases

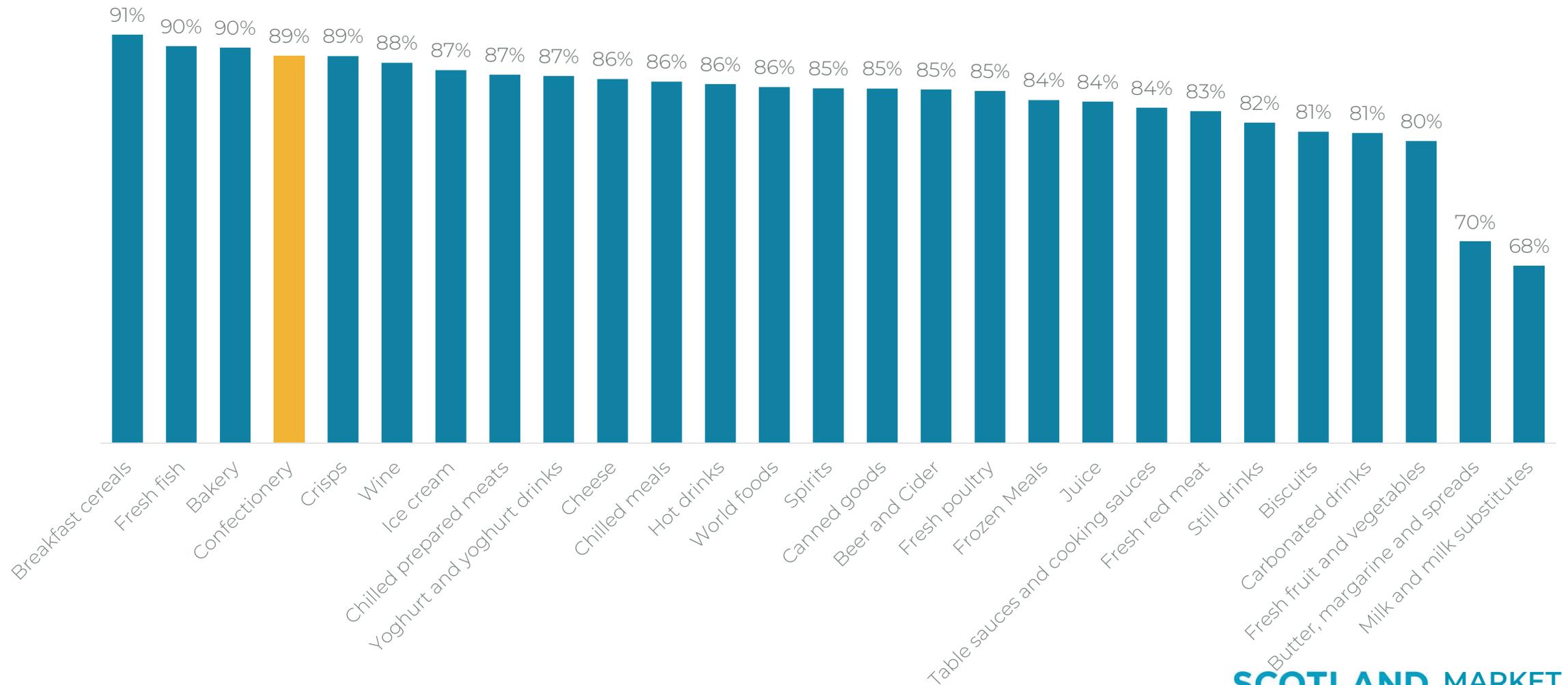
And shoppers enjoy browsing in-store when buying confectionery



# 89% of shoppers would like to try new and different confectionery products

Stand out packaging and unique flavour profiles are key to differentiate from competitors

"I am open to purchasing new and different products" – % of respondents who agree



# High-quality and premium chocolate appeal to the modern shopper

Sustainability and ethics also play an increasingly important role

87%

of respondents say that 'taste' is most important attribute when consuming chocolate

47%

of respondents would rather have a small amount of luxury chocolate than a large amount of regular chocolate

Customers are buying higher-priced items for the same weight as they understand that good-quality cocoa and ethically sourced ingredients cost more money. Premiumisation allows brands to put further investment into the quality of ingredients used, the origin of the cocoa and traceability

## Ethical chocolate

Ethical attributes are becoming more and more important for brands. 41% of UK adults claim that ethical production is very important when buying a chocolate brand (Kantar Research 2019).

Dutch brand Tony's Chocolonely is leader in working to eliminate slavery from the chocolate supply chain.



## Sustainability

Sustainability is becoming increasingly important to shoppers with 37% of UK adults claiming that sustainable packaging is very important when choosing a chocolate brand.

Also, Palm oil used in chocolate has become a controversy due to environmental concerns. According to Mintel, palm oil is seen as off-putting by 49% of respondents. More and more chocolate brands go palm oil free or use sustainable palm oil.



# Healthier chocolate alternatives appeal to the health-conscious consumer

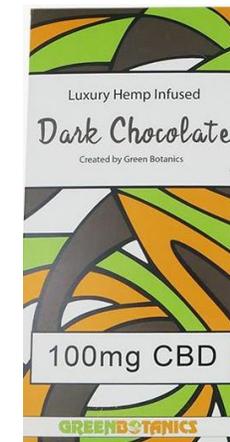
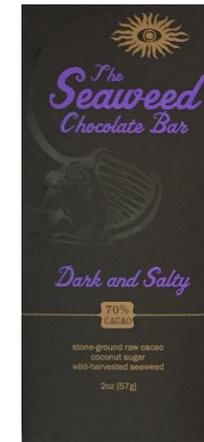
And chocolate with functional benefits show rising interest as well

Health and wellness mentality is shaping trends in the confectionery sector

Value sales of 'healthier' chocolate category in £million in 2018

Category	£million	YoY % Change
Organic Chocolate	£150m	↑ +3.6%
Reduced Sugar Chocolate	£35m	↑ +4.5%
Reduced Fat Chocolate	£7m	0.0%
Free From Chocolate	£4m	0.0%
<b>Total</b>	<b>£194m</b>	<b>↑ +3.6%</b>

Healthier chocolate with reduced sugar content, high protein or superfood ingredients as well as chocolate with other functional benefits, are gaining popularity among consumers



In 2017/2018, 15.6 million fewer chocolate bars have been sold and 44% of 25-34 year olds would be interested in trying lower-sugar chocolate. In addition, 20% of UK adults would like to see a greater range of healthier chocolate options

In the US, Good Night chocolate is a dark chocolate enriched with L-theanine, magnesium and casein protein aimed at promoting sleep



Beauty Bar chocolate is a dark chocolate including pearl extract which claims to promote collagen production (US)



# Flavour innovations in chocolates are occurring across the world

Ranging from cocktail-infused, Indian and Asian inspired flavours to native ingredients



## Cocktail flavoured chocolate

Flavours such as Mojito, Baileys, Whisky, Gin n' Tonic and Espresso Martini (Carpe Koko, Australia)



## Indian spiced chocolate

Flavours such as chillies, saffron, kashmiri kahwa tea (Bean Therapy, Mumbai)

Flavour infusions such as jackfruit and black pepper, mango, red capsicum & chilli, coconut, ginger & gondhoraj (Indian lime) (Earth Loaf, India)



## Singapore inspired flavours

Flavours such as kaffir lime caramel, laksa leaf lemongrass, BBQ bakkwa pork praline, jasmine milk tea, ginger flower, mango curry, kopi coffee (Janice Wong, Singapore)



## Native ingredients

Native Australian ingredients such as Riberry and spiced orange, Davidson plumb and chestnut, Forest mint and mango, Finger lime and coconut, Roasted wattle seed and macadamia nut, Lemon myrtle and eucalyptus (Nakamura Chocolates, Australia)

# Scotland Food & Drink Market Intelligence Services

# We're here to help grow your business on a one-to-one basis

This ensures confidentiality and tailors research and analysis to your business needs

Our market research team can provide you with independent research, analysis and expertise through a range of methodologies, such as primary research (from online surveys to focus groups) and EPOS data analysis. We can support your business growth by working with you on a one-to-one basis – it's a tailored approach that gives you the edge, at membership rates



## Understand the market

Know the size of the potential opportunity and whether the category is in growth or decline. We can assist you in uncovering what is happening within your market



## Understand and uncover consumer needs

Discover the 'why' that drives consumer behaviour. Propel brand performance by basing decisions on an understanding of customers' current and emergent needs



## Demonstrate brand and product performance

Our analysis gains and retains shelf space for Scottish food and drink business by providing insight into your brand (and competitors) performance down to individual product level



## Produce successful, innovative products

We can work with you from idea generation to evaluation of the product in market. During development, we help you get closer to consumers to incorporate feedback during the design process

## Meet the team



**HAYLEY BRUCE**  
**Commercial Market Intelligence Manager**

**Advanced Certificate in Market and Social Research Practice**, Market Research Society  
**MSc Marketing**, Edinburgh Napier University

With 6 years experience, Hayley previously worked within an Insight team of a FTSE 50 company where she led and managed primary research projects. She has experience in quantitative, qualitative and mixed methodology studies over a range of business areas

Since joining Scotland Food & Drink, Hayley has worked on several EPOS data analysis projects for food and drink manufacturers



**WIEBKE PETERSEN**  
**Market Intelligence Officer**

**MSc Nutritional and Consumer Economics**, University of Kiel  
**MSc Agricultural Business**, University of Kiel  
**Certified Dietitian**, University Medical Centre Hamburg

Wiebke has a background in quantitative and qualitative research. She is a key member of the Market Intelligence team at Scotland Food & Drink. Over the last 2 years, Wiebke has worked on a range of EPOS data analysis projects and she is the account lead on the analysis of EPOS data for one of our snack food clients, providing regular analysis every 2 months

# Contact Market Intelligence Team

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