



It's Beginning to Look a Lot Like KISSmas Winning the Holiday Season

December is upon us, and with it the jingling of bells and posting of wreaths and, who knows, maybe even the first flakes of snow. In the confectionery business, it's Holiday season, and with it a great deal of excitement, as once again consumers choose our brands to accompany some of their most cherished traditions.

Hershey is the share leader in Holiday, with 29.5% market share. We have grown consistently over the past four years, outpacing the category by 3 to 5 percentage points. However, in 2015, our sales growth slowed, running even with category growth resulting in no share gains that year. Still, Holiday is a very important season, with \$450 million sold over the course of the last two months of the year. The top two most popular brands are ours—*Kisses* at Number One and *Reese's* at Number Two—and we make seven of the Top Ten confectionery items sold during the season.

In seasons “consumers are looking for the brands they love,” explains [REDACTED], Sr. Director of Seasons. “Those are the brands that are even more relevant in seasons and have become linked to rituals and traditions.”

He offers *Kisses* as an example.

“*Hershey's Kisses* is the Number One CMG brand in the category over the Holiday period in the U.S.,” [REDACTED] says. “*Kisses* are part of the Holiday tradition, passed down down from generation to generation, they serve as a signal of the season, with strong linkage across many Holiday usage occasions – candy dish, baking, decorating and crafting, etc”. While each generation may put their own spin on a tradition, they continue to reach for *Kisses*, and other brands they love to make their seasonal celebrations special. The Hershey Company is blessed to have the *Kisses* brand integrally linked to Holiday celebration in the U.S.

"Red, green and silver *Kisses* is the Number One item in the category," [REDACTED] says. "It's part of a tradition—my mother, my grandmother, when I went to their house, I knew it was the holiday when they had red, green and silver *Kisses*. Then those things are passed on generation to generation. People continue to celebrate and use them in ways that were passed down to them. They may reinvent it a bit, but those are the brands they're reaching for. We're blessed to have *Kisses* as a top brand."

Seasonal Relevance

Seasonal marketers of iconic brands need to make those brands relevant to the given season. Red, green and silver *Kisses*, the #1 Holiday item in the category, are a great example of this. It's the same great chocolate consumers enjoy year-round, but it's wrapped specially for the season. As [REDACTED] points out, flavor is also a key driver of seasonal relevance.

"Candy Cane *Kisses* is the Number Three *Kisses* flavor sold all year long," he notes, "though it's only sold eight weeks a year. It's a flavor that's really loved as part of that holiday tradition."



Rob Smith
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Reese's does something similar with shape—the *Reese's Peanut Butter Cups 1 Pound* package is a terrific novelty that sells really well during the holidays.

"It's two 8 oz. Peanut Butter Cups," [REDACTED] explains, "but it's a 'wow' gifting item. And the reason that has over four or five years gone from nothing to the Number Three item in the category, is because people absolutely love *Reese's* and now they have a way to gift it to other people who they know also love *Reese's*. It's those kind of connections that help us make our brands very engrained into the rituals and traditions of the season."

Affection and Appreciation

Gifting has not always been Hershey's strong suit, something [REDACTED] acknowledges and explains by breaking gifting into two distinct parts—affectionate and appreciative.

"Think of affectionate gifting as stocking-stuffers," he says. "We do unbelievably well with those brands people love and we're packaging and using them in these ways. So the \$2 and \$1 Filled candy canes—they're perfect, a huge \$45-\$50 million business for us. We do really well in that casual gifting area and we continue to push it."

Where we've faltered a bit—largely because of our brand mix—is in appreciative giving, which tends to be more upscale. We've improved in this area (to the tune of four points in Holiday market share) and continue to make strides, with items like *Kisses Deluxe* and exclusive or custom items.

Kisses Exclusives

When the Holiday season rolls around, though, everyone looks to see what new things have been done with the *Kisses* brand, so rooted is it in the culture of the season.

"We like to always bring news in a meaningful way to our biggest brand, which is *Kisses*," [REDACTED] notes. "And one of the things we've been able to capitalize on in the last year is the ability to use what we call registered foils, so you can have the foil on the *Kisses* always placed the same way on each Kiss, so you can create designs."

This technology has been leveraged to great effect this year with exclusive, limited-edition *Hershey's Kisses Kissmas* foils at Walmart ("Kissmas" sweaters), Kroger ("Kissmas" trees), CVS ("Kissmas" presents) and Target (Santa hats). Not only will these designs delight shoppers at those stores; they'll also delight passersby at *Hershey's Chocolate World Times Square*, where they will be the focus of a window display on December 8, created by celebrity designer Christian Siriano.

According to [REDACTED], the foils are "a great example where we can infuse a little bit of fun and excitement into the brand in a way that not only drives that item, but creates excitement for the *Kisses* brand that drives sales for the whole brand."



Millennial Moms

One of the primary audiences targeted for the Holiday season is the Millennial Mom, one who has children between the ages of 3 and 12, who wants to put together a "Pinterest"-worthy holiday for her family, but who is stressed by demands on her time.

"What's really important to us," [REDACTED] says, "is as Mom begins to form her own rituals and traditions, how do we make sure that our brands are top-of-mind and part of those traditions?"

"What we're realizing is what's really important to the Millennial Mom is this idea of making memories," he continues, "and that idea that you're finding time because you don't always have it—because you're busy—but you're spending that extra time around those rituals and traditions to do crafts and to bake and to do things that are really important for both bonding with your child as well as celebrating the season."

One way the team is hoping to attract Millennial Moms is through a digital online recipe campaign on Facebook—a partnership with the popular recipe video series Tasty. The collaboration has yielded four holiday spots with that familiar "filmed overhead" look and instructions on how to make some delicious treats using *Kisses*, *Reese's* products and other holiday items. The campaign shows off the synergies not just between Hershey and Tasty, but also between our brands.

"The intent of the Seasons team is to identify a need and bring multiple brands as the solution," [REDACTED] says, "where the *Reese's* team is also thinking about occasions, but they're thinking about driving the relevancy of the *Reese's* brand to those occasions. So we're working in conjunction with *Reese's* and *Kisses*—which are the primary brands that are spending against seasonal advertising—and we're finding sweet spots where we can drive occasions with a portfolio approach."

e-Commerce Resets the Calendar

Our Seasons strategy is not without its challenges. Early holiday sales in recent years have been affected by new consumer habits, brought about by the emergence of e-Commerce.

"When early shopping is occurring," [REDACTED] notes, "rather than taking a trip to multiple stores to see what's there, there's a lot of online browsing, and as a result of that, there's a lost opportunity for impulse purchasing in-store."

He says consumers are still buying our brands, but the timing of the sales is different than in the past.

"The sales are coming," [REDACTED] says, "but they're coming later in the season. People are actually buying more when they buy, versus having the frequency throughout the season. So the last several weeks of the season are becoming more important."

The Seasons team is meeting this challenge by addressing the way they market to consumers in this period, ensuring the team is executing throughout the season, using the right merchandising elements, brands and occasions that shoppers are interested in, using the whole of its seasonal portfolio.

This feeds into a more general challenge the team has, which is heightened competition in-store.

"As the candy category has slowed a bit," [REDACTED] says, "we've seen a similar slowing of the overall seasonal category growth, and as a result there's just heightened competition in-store for retail space and for share. While we've still been succeeding in that environment, it's a lot harder."

New Ways to Love Our Brands

Innovation is another important challenge to consider. Customers and consumers alike have voiced their desire to find new ways to experience and enjoy the brands they've loved for years. This has accelerated the Seasons team's focus on the pace and quality of innovation.

"Coming out of last holiday," [REDACTED] remembers, "we had our national innovation plan that was certainly robust, but we realized there were many customer needs. Over a period of a month or month and a half, we worked with the Walmart, Target, CVS and Kroger customer teams, and another 18 to 20 custom items were developed just for this season to meet unique requirements that the buyer had."

The Magic of the Holidays

All the effort is worth it, though, when one considers the role our brands play in so many holiday memories—something that makes the Holiday season so special, certainly when compared to other occasions.

"Halloween is very much about the fun and fantasy and very much about your kids and their friends and your friends," [REDACTED] says. "And then the Holiday season comes and Holiday is very much about connecting with those very close to you—your family and those you work with and friends and caregivers—in ways that you wouldn't year-round."

He acknowledges the level of stress that also accompanies such a special time.

"There are lots of obligations and things that you do," [REDACTED] notes, "or things you must always do the same way. You know, that dinner that you have two nights before Christmas with your relatives and someone always cooks the same thing—the Christmas ham or Christmas turkey. There are things that are very regimented and ritualistic, and there are all the other things going on, so there is a level of stress that is prevalent within holiday.

"But there's also a lot of joy and togetherness and celebrations that occur as well," he continues. "It's a wonderful season that has great feeling, great sentiment and consumers really love this season. And the great thing is, candy is at the center of all these celebrations, and the needs the consumer has for seasonal candy are very different than they are for every day. As a result, it's really incremental to the category."

The holidays are often the time at which budding consumers are introduced to our brands, and become fans for life.

"That's where our brands continue to stay connected to consumers," [REDACTED] says. "A lot of time seasons are when consumers interact with brands at a very young age and start to develop an affinity and an emotional connection."