

Kisses and the Brand Management Decisions

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At the beginning of October 2012, Mariana Gutiérrez, senior Brand Manager of Kisses Mexico, one of Hershey's most important brands, was preparing her 2013 work plan which has to present to her boss in two days. The results of the previous three years had been excellent for the brand: it registered a double digit growth and therefore Mariana had a major challenge for the following year. As one of her first analysis actions, she reviewed the monthly sales profile and reflected again about his boss's comment in regards to the cyclical performance of the brand and the possibility of finding among this behavior, improvement opportunities. Kisses' demand pattern presented three important peaks: one in February, other in May and other in December (see **Annex 1**). She knew that a way to overcome her sales goal was to stimulate the demand in such a way as to generate a fourth sales peak between June and August (summer) using a promotional strategy such as the one already used in the current sales peaks (see **Annex 2**). With some ideas in mind, Mariana collected more information about the category, the client, the competence and the brand and she began working on a proposal that will be presented to her boss in two days.

Hershey's

Hershey's Company was founded in 1894 by Milton S. Hershey as a subsidiary of Lancaster Caramel Company that had opened in Philadelphia in 1876 and it is that in 1893, the founder of the largest chocolate factory in the United States today, discovered the art of making chocolate in the "World Columbian Exposition" held in Chicago. Mr. Hershey conducted his first experiment with chocolate using it as a coating for candies.

Hershey sold Lancaster Caramel Company in 1900 to focus on the chocolate's production and it was in that same year that the first Hershey's milk chocolate bar was introduced to the market in the United States. In 1905 the company began mass production of milk chocolate products and in 1907 the first Hershey's Kisses chocolates went on sale.

Along two decades Hershey's introduced several products to the market: Mr. Goodbar (1925); Hershey's Chocolate Syrup (1926); chocolate chips (1928) and the Krackel bar (1938). Some important acquisitions the company made during this period were: San Giorgio Macaroni and

This case was written by Dra. María Elena Vázquez Lira and Carmen Lucía Lucatero Castañeda and translated by Pedro Sandoval de Casas from Garnett translations company. The case was created with the objective to serve as discussion material in the classroom, it does not intend to illustrate good or bad administrative practices.

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Delmonico Foods (1966), Rowntree MacKintosh's (1970), Y&S Candies (1977), Dietrich's confectionery operations (1986), Peter Paul/Cadbury's US confectionery operations (1988); and Ronzoni Foods (1990).

In the year 2000, Hershey's bought the soft drink and chewing gum business unit from Nabisco; in Brazil, it acquire Visagi's chocolate and confectionery business. In 2003, introduced the 1 g Sugar Carb low calories Hershey's bar and in 2004, Hershey's Mexico acquired Grupo Lorena with brands such as: Pelón Pelo Rico and Crayón, entering into the segment of pulp and spicy candy.

As part of its expansion vision, Hershey's formed two business units in 2004: US Confectionary and US Snacks. In 2005, it acquire Joseph Schmidt Confections (Schmidt) and Scharffen Berger Chocolate Maker (Scharffen Berger). Schmidt was a premium chocolate production facility: truffles, chocolate tiles, handmade chocolates, among others.

In 2007, the Company announced its strategic alliance with Barry Callebaut, world leader in the production of cocoa, industrial chocolate and confectionery products; alliance that allowed them to share the best research and development practices.

During this same year, Hershey's made a *joint venture*¹ with Godrej Beverages & Foods, for the manufacture and distribution of confectionary products, snacks and beverages in India.

In 2009, Hershey's signed a licensing agreement with HP Hood, aiming that it will take over the production, sales and distribution of Hershey's flavored milks and milkshakes in the United States. In 2010, it unveiled its "Next Century" modernization for its supply chain, in which it invested between 200 and 225 million dollars for the implementation.

In that same period Hershey's reinforced it globally growing strategy and focused on key countries such as: Mexico, India, China, Brazil and Canada. Finally, during that year, Ice BreakersFrost sugar free mint was released.

In 2011, the Reese's brand unveiled Reese's mini, a smaller version of the chocolate and during this same year, Hershey's collaborated with the toy company Hasbro in the development of promotional strategies, specifically "Family Game Night of Hasbro".

With this history and tradition, Hershey's company has consolidated as a global leader in the production, sale and distribution of chocolate, confectionery products, chewing gums, refreshing mint candies, pastries and beverages, among others. The company operates centrally and the different subsidiaries located and the United States, Canada, Mexico, Brazil, Japan, Korea, The Philippines, India and China report to the corporate (Datamonitor, 2011).

The organizational structure for sales and marketing of the company was divided into Hershey's North America, Hershey's International and Global Marketing Group.

¹ Strategic Alliance.

Hershey's Company had more than 80 brands that were sold in 60 countries of America, Asia and Europe. Some of its main brands are: Hershey's, Reese's, Almond Joy, Milk Duds, Nutrine, IO-IO, Kisses Twizzlers, among others.

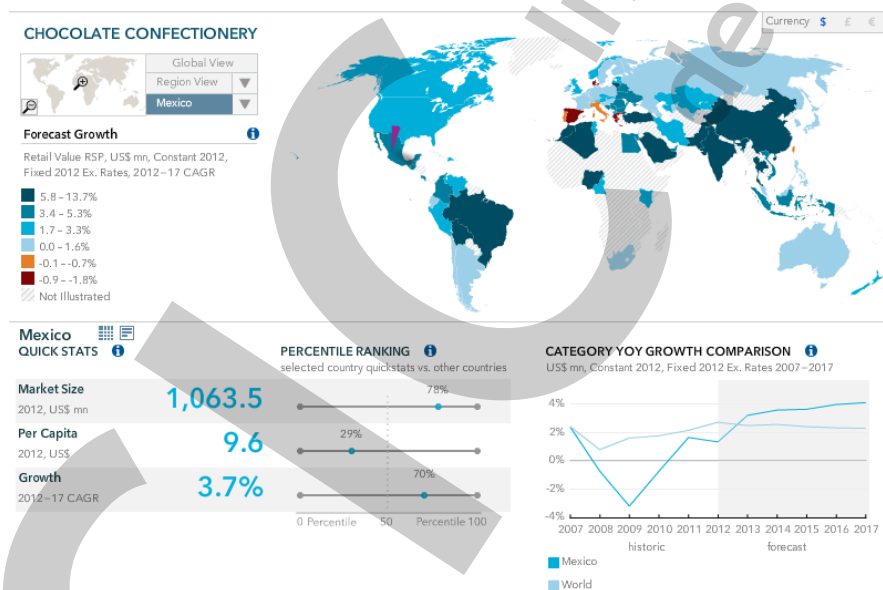
In 2011 the company obtained revenues for six thousand 081 million of dollars during the tax year with an increase of 4.2% in comparison to the previous year (Hershey's, 2011) (see Annex 3).

The chocolate industry in the world

During 2012 the world's confectionery market grew by 1.6% to reach a value of \$193,486.6 million dollars. For the year 2015 it is expected that this category has a growth of 15.8% of average annual growth rate from 2012. Of this market, the chocolate category is the most important representing 55% of the total market value (Euromonitor 2012).

The world chocolate confectionery market is worth \$107,363 million dollars with a growth of 2.6% in 2011 and an expected growth of 2.4% in 2017. For Mexico this market is worth \$1,093.5 million of dollars with a growth of 1.8% in 2011 and a 3.7% growth in 2017 (see Annex 4 and 5) (Euromonitor, 2012).

Figure 1. Global chocolate confectionery market



Source. Euromonitor, 2012.

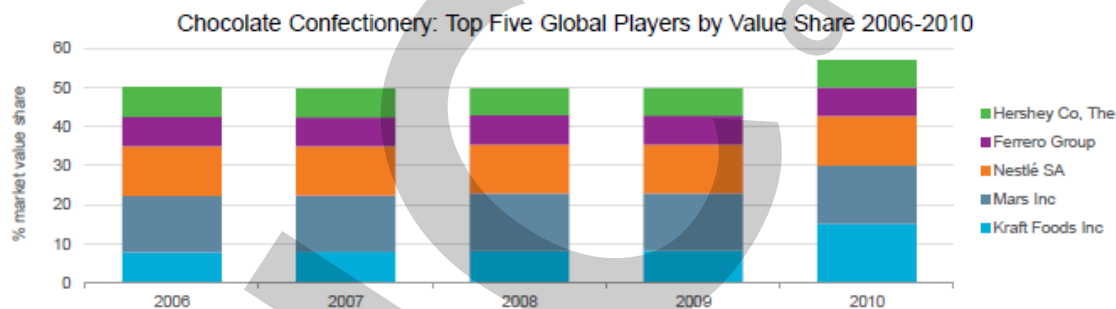
The companies that led this industry, besides Hershey's were (see Figure 2): Mars Inc., Kraft Foods Inc., Cadbury Plc, and Nestlé, S.A. Each with its own strategies to protect specific segments (see Table 1).

Table 1. Summary of the competition in the confectionary outlook

Confectionery Competitive Landscape Summary 2008-2009

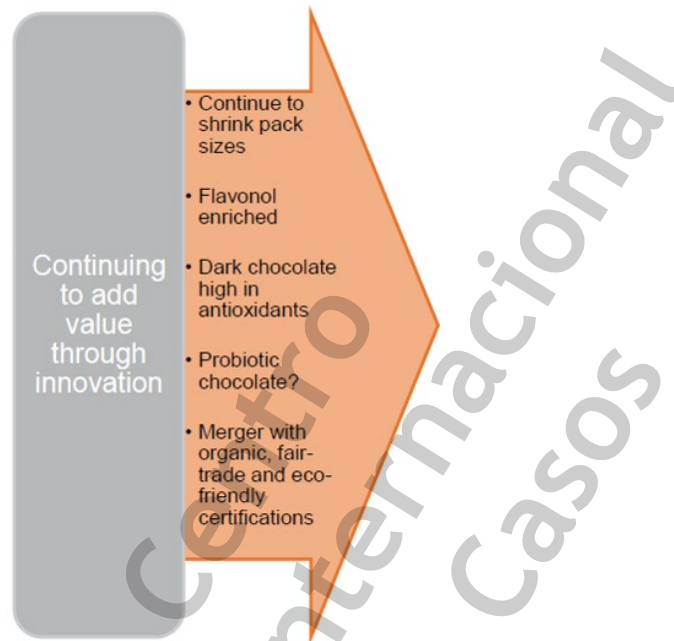
	Mars Inc	Cadbury Plc	Nestlé SA	Kraft Foods Inc	Hershey Co
Strategies:					
Increased Indulgence	Yes	Yes	Yes	Yes	No
Shrink Pack Sizes	Yes	No	No	No	Yes
Sugar-free	Yes	Yes	No	No	Yes
Fortified/ Functional	Yes	Yes	Yes	No	No
Organic	No	Yes	No	No	Yes
Fair-Trade	No	Yes	No	No	No
Raise Prices	Yes	Yes	No	No	Yes
Geographic Expansion	Yes	Yes	Yes	Yes	Yes
Diversify Portfolio	Yes	No	No	No	No
M&A	Yes	Potentially	Yes	Potentially	Yes

Source. Euromonitor, 2009.

Figure 2. Leaders of the global confectionery industry

Source. Euromonitor, 2012.

The economic crisis and health concern have been two of the main strengths that have limited the growth of the category globally. Nevertheless, pressure has persisted from consumers “who want the possibility of indulgence even in spite of this conditions; therefore, health, indulgence and convenience will be the main growth drivers in sales in this category either by the construction of a specific niche or by the use of tactics such as size reduction, premium products, or fortified products (see **Figure 3**) (Euromonitor, 2009).

Figure 3. Industry's innovation strategies

Source. Euromonitor, 2009.

Chocolate's Industry in Mexico

Category Context

During 2011, the chocolate confectionery category had an increase of 1% and 4% in volume and terms of value respectively; this represented a slow growth compared to other years (see **Annex 6**).

The above mentioned was attributable to the tendency to reduce the consumption of high sugar content products and to the fact that the consumer was more rational regarding the purchase of “non-essential” products (Euromonitor, 2012).

Commodity prices affected the industry. Cocoa did not have much impact on the *retail* price, because even when it increased 6% in the first six months of 2011, its price still remained 3% cheaper than previous years; however, sugar had experienced high volatility and if prices continued to rise, the pressure would be greater in the short term (Euromonitor, 2012).

Most of the chocolate bars were combined with regular milk (with a share of 50% in 2011) or filled (40%). Consumers preferred this type of chocolate because in Mexico the custom of dark chocolate was not so deeply rooted, despite the benefits that it could represent to health, when included on a diet. Companies such as Nestlé Mexico, S.A. de C.V. and Lindt & Sprüngli de Mexico, began to promote chocolates with higher cocoa content for their premium brands such as Sensación and Excellence, respectively.

Other brands within this category were: Bubulubu, Paleta Payaso, Paletón, produced by Ricolino, S.A. de C.V. (subsidiary of Grupo Bimbo) and considered as traditional Mexican brands; represented a sales value of 62% in 2010.

The chocolate industry in Mexico was facing a growing competition. Despite being a popular and enjoyable product, more affordable product options (cookies, sweet bread) and healthier options (bars, low calorie ice cream) were competing for the market of consumers cataloged as impulsive buyers for this type of products.

Competitive environment

The chocolate category in Mexico was led by multinational companies with a shared value in sales of 65%; among them, Nestlé Mexico, S.A. de C.V., Hershey's México, S.A. de C.V., Effem México S.A. de C.V., and Ferrero Mexico, S.A. de C.V., led the category with a market share of 19%, 14%, 13% and 13% respectively (See **Annex 4**). Their marketplace positioning was based on their brand and the established distributions channels that allowed them to reach a higher percentage of the population (Euromonitor, 2012).

Regarding national companies, the largest market share were held by Chocolates Turín, S.A. de C.V. and Ricolino, S.A. de C.V., which together represented 10% of the sales value in 2010 (Euromonitor, 2012).

The new products during the period of 2010 -2011 were Crunch, from Nestlé (crunchy wafers covered in chocolate); Effem launched a new version of its successful Snickers product, denominated Snickers Xtreme (it was basically the same product, with the difference that this last one does not contain nougat and includes five grams of protein) and MARS launched Milky Way Mouse (chocolate covered marshmallow).

During 2011 there were no innovations in packaging; however, both packaging and the label were important to the category since they facilitated the segmentation strategies of most operators.

From the consumers' point of view, another fundamental element was the price in order to keep up with the competition and differentiate an economic brand, a standard and a premium. A premium brand as Kraft Foods' Toblerone was sold for 360 pesos per kilogram, while a standard brand such as Effem's Snickers cost 273 pesos per kilogram, and finally, an economic brand like Bubulubu from Ricolino, was sold for 100 pesos per kilo.

The economic and standard brands were available in convenience stores, traditional channels, supermarkets and hypermarkets, while the premium brands were found only in supermarkets, hypermarkets and stores like Samborn's or Palacio de Hierro, in order to focus on consumers with higher income.

Nestlé México, SA de CV

Nestlé is the world's leading company in the food sector with operations in 86 countries on five continents; 276 thousand employees and 480 factories around the world. Nestle markets its products in 130 countries around the world and is the food and beverage company that invests the most in technological research and development. Its product portfolio includes water, pet

food, coffee and beverages, cereals, culinary lines, ice cream, dairy and refrigerated products. Specifically, within the chocolate category are the brands: Carlos V, Abuelita, Larín, Crunch, Nestlé Gold, Almon Ris, Tin Larín, Kit Kat and Seducción. In Mexico the company began its operations in 1930 and manages an extensive portfolio that includes categories such as confectionery, hot drinks, beverages, dairy products, cereals, ice cream and baby food. The company is considered “a leader in the development of healthy products” (Euromonitor, 2012).

Effem México, SA de CV

Effem Mexico began operations in 1994 in is better known as MARS Mexico, a company that manufactures and markets products for human an animal consumption. MARS is ranked among the five largest confectionery companies worldwide. It has two production facilities, one in Jalisco that produced pet food and the other in Nuevo Leon for chocolate and candies production. The brands it markets in Mexico are Pedigree and Whiskas in pet food an in confectionery Snickers, Milky Way, M & M's, Lucas, Skwinkles, Orbit and Life Savers (Euromonitor, 2011).

Ferrero de México, SA de CV

Grupo Ferrero was created in February 1946 in Italy and has 72 affiliated companies, including 38 operations centers and three social enterprises. The company employs around 22,000 people around the world and its products are distributed in more than 100 countries; it is considered the 5th confectionery company in the world. The chocolate category makes 90% of its sales with a premium positioning. Ferrero began operations in Mexico in 1992 with its brands Nutella, Kinder, Ferrero Fino and Tictac (Euromonitor, 2012).

Hershey's México

Hershey's arrived to Mexico over 40 years ago with the vision of becoming the favorite candy company in Mexico and Central America. It produces and distributes mass consumption products, and its operation is divided in three large business units:



According to the executives, the company's biggest values were its brands (see **Figure 4**), and had the commitment of offering through them, products with the highest quality standards, and to create connections and relationships of trust with its consumers in order to be part of their daily life.

Figure 4. Hershey's Mexico main brands

Source. Hershey's México.

Hershey's Mexico worked every day to avoid defrauding these consumers and its actions were governed by four main pillars that are shown in the **Figure 5** (Hershey's México, 2012).

Figure 5. Hershey's four pillars

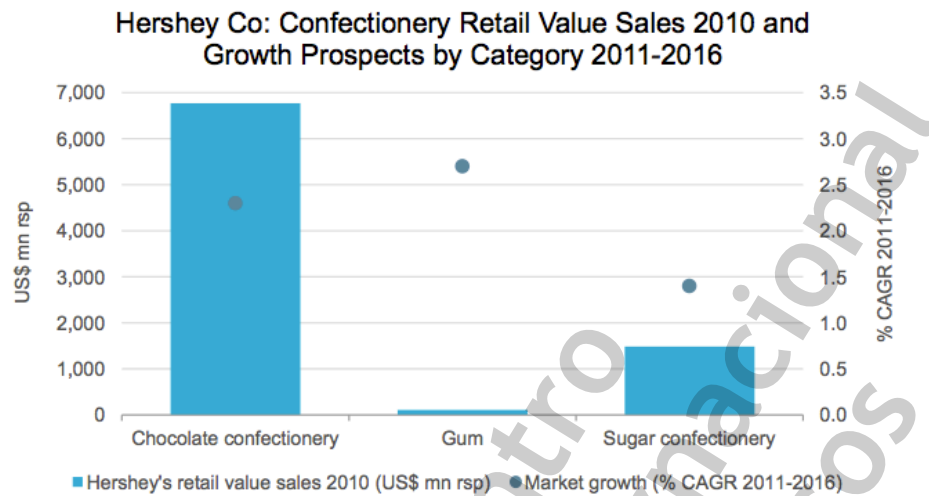
Source. Hershey's México.

Hershey's chocolate business unit

Hershey's global confectionery products market share fell from 8% in 2006 to 7% in 2010, as a result of a low presence in high-growth premium markets, specifically during periods previous to the recession in which the growth was supported by a high demand of product lines considered premium (Euromonitor, 2012).

Regarding the chocolate category, it should be noted that in 2010, Hershey's Kisses ranked second worldwide (Euromonitor, 2012).

The projects in sales value of confectionery products, as well as the growth in the market is shown in **Table 2** below.

Table 2. Projects in sale value of confectionery products and market growth

Source. Euromonitor, 2012.

The Kisses Brand

Within the chocolate business, one of the most iconic brands of the company was Kisses, launched on July 7, 1907 as an aluminum foil hand-wrapped milk chocolate (see **Figure 6**). Throughout its more than 100 years of history, the brand has gone through various stages (see **Annex 7**); although the origin of its name is unknown, a popular theory establishes that it came from the sound (*kissing sound*) made by the machine that produced them (Georgas & Nau, 2007).

These more than 100 years of consistent presence in the market have achieved that eight out of 10 people identify the brand; also declare that it is unique for its iconic shape, its name that denotes affection and its characteristic metallic wrap that gives it the perfect finish (Georgas & Nau, 2007).

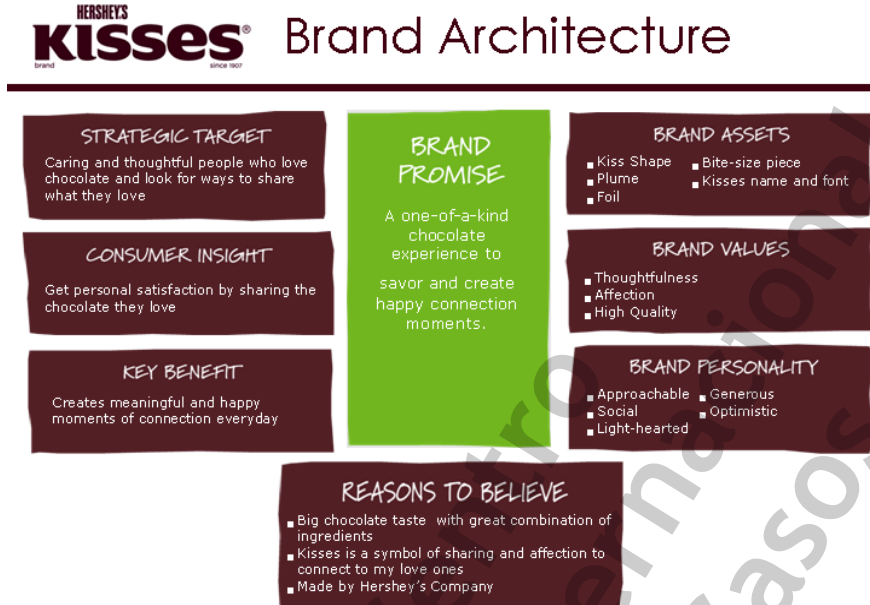
Figura 6. Kisses Chocolates

Source. Hershey's México.

Kisses Brand Proposal

Kisses brand proposal is explained in **Figure 7** (Hershey's México 2012):

Figure 7. Kisses brand architecture



Source. Hershey's México.

Product's portfolio

The base products that created its product portfolio were the following (see **Figure 8**):

Figure 8. Kisses brand base products



Source. Hershey's México.

And as of this base, Kisses innovated to develop gift and seasonal products.

In terms of consumer prices, the different Kisses presentations were between 29 and 59 pesos and its gross margin was 53% (see **Annex 8**).

Consumer Behavior

During the 2006- 2011 period, per capita spending on sweet and savory snacks increased in real terms by 15 percent. The most popular *snacks* were fries, chicharrones, churritos, peanuts, among others (Euromonitor International).

The *snacks* industry in Mexico has declined due to the bad perception that they represent facing the obesity problem of the country.

Based on a statement from Bimbo, the *snacks* were consumed once a week and the salty *snacks* were purchased to be consumed both inside and outside home.

More than half of the time, purchases of this type of products were not planned and the products were consumed the same day they were purchased. Despite the promotion and advertisement in the category, consumers were loyal to their preferred *snack* brand or to the one whom they were regularly exposed.

The main competition for sweet and savory *snacks* came from confectionery products: a child could select between confectionery products or *snacks*; for adults, specifically men, confectionery products did not really compete with a *snack*, they preferred to consume salty *snacks* during their social events.

Hershey's Kisses Target Market

Kisses' target market was focused on men and women aged 25 to 35, with a socio-economic level (NSE) ABC+.

The members of that group were loyal chocolate consumers seeking for a gift of their preferred brand. For them, small things could be meaningful in life and they did not miss the moments that were worth showing their affection to their loved ones and they valued spontaneity, they were simple and authentic.

Kisses sought to be the best chocolate options to give and share, for which it had identified that Mexican consumers gave chocolates on the occasions presented in **Figure 9**, below:

Figure 9. Main reasons to give chocolates in México

Source. Hershey's México

With all this information in her hands, Mariana Gutiérrez was preparing the plan to present to her boss in two days. She knew that in order to succeed with this proposal she had to take into consideration three essential elements: 1) Strengthen Kisses' brand position; 2) Generate profitability for the company; and 3) Increase sales to achieve the 2013 objectives. Confident that the possibilities were a lot, she sat down to work on her plan, which represented a great opportunity to secure her future in the company.

Annex 1. Kisses Brand monthly sales



Source. Hershey's México.

Annex 2. Seasonal promotion example

Concept:



Product:



Point of sale:



Source. Data provided by the company.

Annex 2. Seasonal promotional example (continuation)

Cuesta de enero



Vacaciones



Regreso a clases



Fiestas Patrias



Halloween

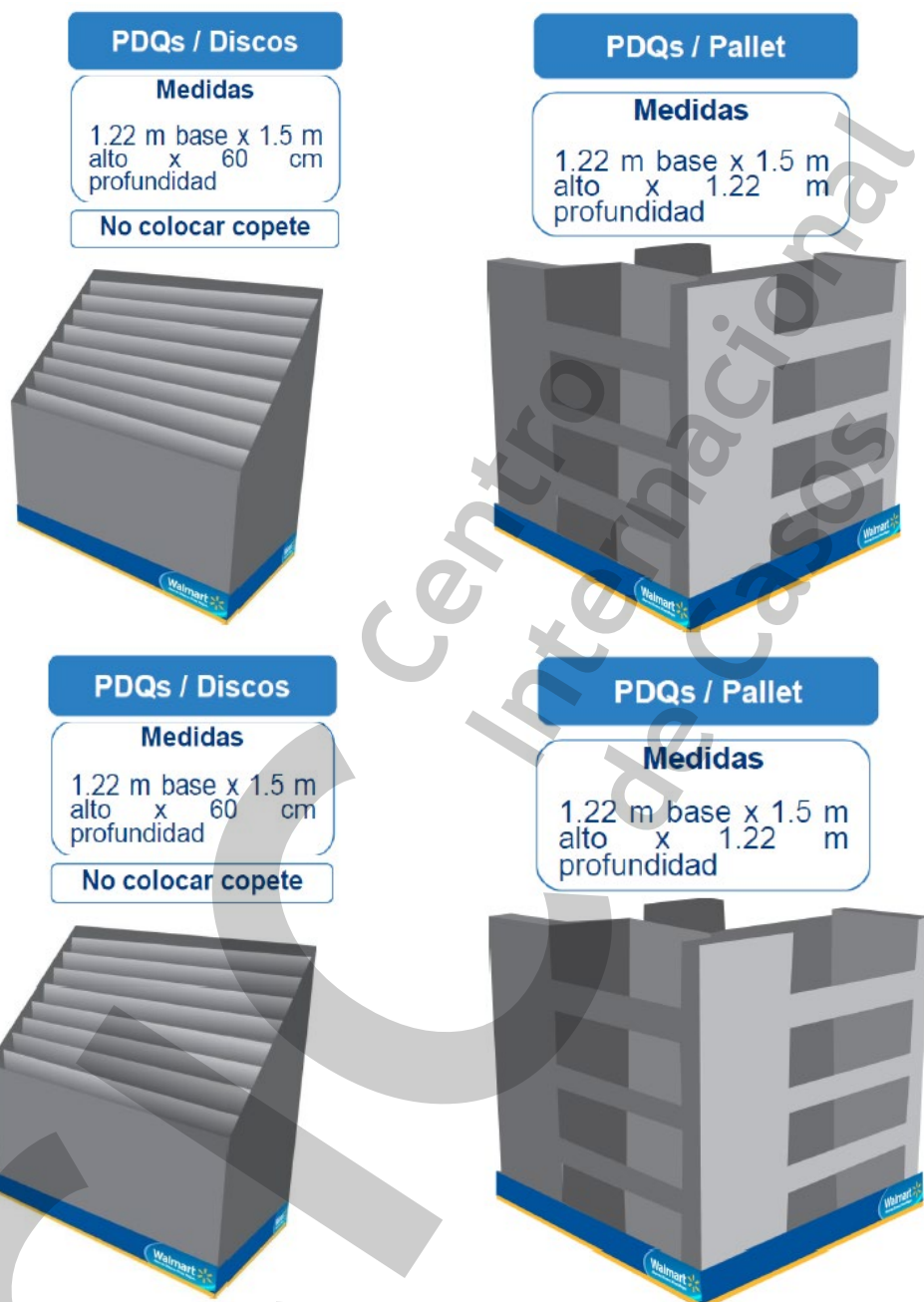


Navidad



Source. Data provided by the company.

Annex 2 Seasonal promotional example (continuation) Materials for POP assembly



Source. Data provided by the company.

Annex 2 Seasonal promotional example (continuation)



Source. Data provided by the company.

Annex 3. Hershey's 2011 Financial Results.

SIX-YEAR CONSOLIDATED FINANCIAL SUMMARY
All dollar and share amounts in thousands except market price
and per share statistics

	5-Year Compound Growth Rate	2011	2010	2009	2008	2007	2006
Summary of Operations							
Net Sales	4.2%	\$ 6,080,788	5,671,009	5,298,668	5,132,768	4,946,716	4,944,230
Cost of Sales	2.9%	\$ 3,548,896	3,255,801	3,245,531	3,375,050	3,315,147	3,076,718
Selling, Marketing and Administrative	11.4%	\$ 1,477,750	1,426,477	1,208,672	1,073,019	895,874	860,378
Business Realignment and Impairment (Credits) Charges, Net	NA	\$ (886)	83,433	82,875	94,801	276,868	14,576
Interest Expense, Net	(4.5)%	\$ 92,183	96,434	90,459	97,876	118,585	116,056
Provision for Income Taxes	1.0%	\$ 333,883	299,065	235,137	180,617	126,088	317,441
Net Income	2.4%	\$ 628,962	509,799	435,994	311,405	214,154	559,061
Net Income Per Share:							
—Basic—Class B Stock	3.3%	\$ 2.58	2.08	1.77	1.27	.87	2.19
—Diluted—Class B Stock	3.4%	\$ 2.56	2.07	1.77	1.27	.87	2.17
—Basic—Common Stock	3.2%	\$ 2.85	2.29	1.97	1.41	.96	2.44
—Diluted—Common Stock	3.2%	\$ 2.74	2.21	1.90	1.36	.93	2.34
Weighted-Average Shares Outstanding:							
—Basic—Common Stock		165,929	167,032	167,136	166,709	168,050	174,722
—Basic—Class B Stock		60,645	60,708	60,709	60,777	60,813	60,817
—Diluted		229,919	230,313	228,995	228,697	231,449	239,071
Dividends Paid on Common Stock	5.0%	\$ 228,269	213,013	198,371	197,839	190,199	178,873
Per Share	6.0%	\$ 1.38	1.28	1.19	1.19	1.135	1.03
Dividends Paid on Class B Stock	6.1%	\$ 75,814	70,421	65,032	65,110	62,064	56,256
Per Share	6.2%	\$ 1.25	1.16	1.0712	1.0712	1.0206	.925
Depreciation	0.8%	\$ 188,491	169,677	157,996	227,183	292,658	181,038
Advertising	30.8%	\$ 414,171	391,145	241,184	161,133	127,896	108,327
Payroll	0.9%	\$ 676,482	641,756	613,568	645,456	645,083	645,480
Year-end Position and Statistics							
Capital Additions	12.0%	\$ 323,961	179,538	126,324	262,643	189,698	183,496
Capitalized Software Additions	9.5%	\$ 23,606	21,949	19,146	20,336	14,194	15,016
Total Assets	1.2%	\$ 4,412,199	4,272,732	3,675,031	3,634,719	4,247,113	4,157,565
Short-term Debt and Current Portion of Long-term Debt	(30.2)%	\$ 139,673	285,480	39,313	501,504	856,392	843,998
Long-term Portion of Debt	7.0%	\$ 1,748,500	1,541,825	1,502,730	1,505,954	1,279,965	1,248,128
Stockholders' Equity	5.0%	\$ 872,648	937,601	760,339	349,944	623,520	683,423
Full-time Employees		11,800	11,300	12,100	12,800	12,400	12,800
Stockholders' Data							
Outstanding Shares of Common Stock and Class B Stock at Year-end		225,206	227,030	227,998	227,035	227,050	230,264
Market Price of Common Stock at Year-end	4.4%	\$ 61.78	47.15	35.79	34.74	39.40	49.80
Price Range During Year (high)		\$ 62.26	52.10	42.25	44.32	56.75	57.65
Price Range During Year (low)		\$ 46.24	35.76	30.27	32.10	38.21	48.20

Source. Hershey's México.

Annex 4. Sales of chocolate confectionary in Mexico by company

% retail value rsp Company	2006	2007	2008	2009	2010
Nestlé México SA de CV	17.3	17.4	17.5	18.7	18.5
Hershey México SA de CV	14.4	14.5	14.8	14.8	14.4
Effem México SA de CV	13.9	14.1	13.8	13.8	12.8
Ferrero de México SA de CV	12.6	12.6	13.0	12.9	12.6
Ricolino SA de CV	6.2	6.3	6.2	6.1	6.0
Chocolates Turin SA de CV	4.0	4.0	4.0	4.1	3.8
Joyco de México SA de CV	2.8	2.8	2.8	2.8	2.8
Cocoas y Chocolates la Corona SA de CV	3.3	3.2	2.4	2.4	2.4
Neilson International Ltd Canada	1.0	1.0	1.2	1.2	1.2
Wong's SA de CV	1.3	1.2	1.2	1.2	1.1
Grupo Bimbo SAB de CV	0.6	0.8	0.8	0.8	0.8
Chocolate Ibarra SA de CV	0.8	0.7	0.7	0.7	0.8
Lindt & Sprüngli de México SA de CV	0.6	0.4	0.6	0.6	0.6
La Suiza SA de CV	0.5	0.5	0.5	0.4	0.5
Montes y Cía SA de CV	0.4	0.4	0.4	0.4	0.4
Grezon SA de CV	0.3	0.3	0.3	0.3	0.3
La Cubana SA de CV	0.2	0.2	0.2	0.2	0.2
Kraft Foods de México SA de CV	0.2	0.2	0.2	0.2	0.2
Giselle SA de CV	0.2	0.2	0.2	0.1	0.1
Sabritas SRL de CV	0.1	0.1	0.1	0.1	0.1
Others	19.2	18.8	19.0	18.2	20.2
Total	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Source. Euromonitor, 2012.

Annex 5. Participation by brand in the chocolate confectionery market in Mexico

% retail value rsp Brand	Company	2007	2008	2009	2010
Carlos V	Nestlé México SA de CV	7.2	7.4	7.5	7.5
Hershey's Kisses	Hershey México SA de CV	6.5	6.6	6.5	6.4
Kinder Surprise	Ferrero de México SA de CV	6.4	6.4	6.4	6.3
M&M's	Effem México SA de CV	5.8	5.9	5.8	5.8
Snickers	Effem México SA de CV	4.4	4.0	4.1	3.7
Cajetoso	Nestlé México SA de CV	2.6	2.7	2.7	2.7
Hershey's Bar with Almonds	Hershey México SA de CV	2.5	2.6	2.6	2.6
Turín	Chocolates Turín SA de CV	2.6	2.6	2.7	2.4
Ferrero Rocher	Ferrero de México SA de CV	2.4	2.4	2.3	2.3
Ricolino	Ricolino SA de CV	2.3	2.3	2.2	2.2
Freskas	Nestlé México SA de CV	2.2	2.2	2.2	2.2
Hershey's Cookies 'n' Crème	Hershey México SA de CV	2.0	2.1	2.1	2.1
De Viller	Cocoas y Chocolates la Corona SA de CV	2.5	1.8	1.7	1.8
Hershey's Milk Chocolate	Hershey México SA de CV	1.7	1.7	1.7	1.7
Bocadin	Joyco de México SA de CV	1.7	1.7	1.7	1.7
Kinder Bueno	Ferrero de México SA de CV	1.5	1.6	1.6	1.6
Tin Larin	Nestlé México SA de CV	1.6	1.6	1.6	1.6
Larin	Nestlé México SA de CV	1.4	1.4	1.6	1.6
Nestlé Seducción	Nestlé México SA de CV	-	-	1.6	1.6
Kinder Chocolate	Ferrero de México SA de CV	1.4	1.6	1.6	1.5
Kranky	Ricolino SA de CV	1.5	1.5	1.5	1.5
Milky Way	Effem México SA de CV	1.6	1.6	1.6	1.3
Lunetas	Joyco de México SA de CV	1.1	1.1	1.1	1.1
Bubulubu	Ricolino SA de CV	1.1	1.1	1.1	1.0
Rafaello	Ferrero de México SA de CV	0.9	0.9	0.9	0.9
Bon o Bon	Grupo Bimbo SAB de CV	0.8	0.8	0.8	0.8
Hershey's Bites	Hershey México SA de CV	0.7	0.7	0.7	0.8
Ibarra Tablilla	Chocolate Ibarra SA de CV	0.7	0.7	0.7	0.8
La Corona Huevito	Cocoas y Chocolates la Corona SA de CV	0.7	0.7	0.7	0.7
Nestlé Gold	Nestlé México SA de CV	-	-	0.7	0.7
Others		32.0	32.3	30.0	31.3
Total		100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Source. Euromonitor, 2012.

Annex 6. Historical data and forecast of chocolate sales in Mexico (Mexican Pesos)

2007	2008	2009	2010	2011	2012
11,716.0	12,228.8	12,468.4	12,894.0	13,551.3	14,216.0
2012	2013	2014	2015	2016	2017
14,216.0	14,673.5	15,201.2	15,755.7	16,384.4	17,059.2

Market Sizes | Historic | Retail Value RSP | Current Prices

Geographies	Categories	2007	2008	2009	2010	2011	2012
World - US\$ mn - Year-on-Year Exchange Rates	Confectionery	155,571.9	169,451.0	163,803.2	173,750.3	189,687.4	193,486.6
World - US\$ mn - Year-on-Year Exchange Rates	Chocolate Confectionery	86,250.7	94,038.9	90,137.5	95,389.2	105,002.0	107,363.0
		55.4%	55.5%	55.0%	54.9%	55.4%	55.5%
Mexico - Mx\$ mn	Confectionery	47,413.9	49,856.1	50,596.6	52,736.8	55,447.8	58,399.8
Mexico - Mx\$ mn	Chocolate Confectionery	11,716.0	12,228.8	12,468.4	12,894.0	13,551.3	14,216.0
		24.71%	24.53%	24.64%	24.45%	24.44%	24.34%

Research Sources:

Packaged Food: Euromonitor from trade sources/national statistics

Note: Historic regional/global values are the aggregation of local currency country data at current prices converted into the common currency using y-o-y exchange rates

Note: All 2012 data is provisional and based on part year estimates

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Source. Euromonitor, 2012.

Annex 7. Hershey's Kisses brand chocolates 100 years of milestones

Milton S. Hershey introduced the world to *Hershey's Kisses*® Brand Chocolates in 1907. Today, the silver wrapped *Hershey's Kisses* Chocolates are a brand icon and symbol of affection the world over. Here is a look back at 100 years of magical moments:

1907	Milton S. Hershey introduces <i>Hershey's Kisses</i> Chocolates. The conical-shaped chocolates are wrapped by hand in silver foil with a tissue-paper insert.
1921	<i>Hershey's Kisses</i> Chocolates are no longer hand-wrapped due to the introduction of the first foil-wrapping machine, and the tissue-paper insert is replaced with the iconic plume.
1924	Milton S. Hershey secures a trademark for the <i>Hershey's Kisses</i> name and plume.
1942	For the first and only time in history, production of <i>Hershey's Kisses</i> Chocolates ceases due to the rationing of silver foil during and after World War II.
1949	<i>Hershey's Kisses</i> Chocolates resume production following World War II.
1962	<i>Hershey's Kisses</i> Chocolates are wrapped in colored foil for the first time – red and green foil-wrapped <i>Hershey's Kisses</i> Chocolates are introduced for the Christmas season.
1968	Pastel blue, pink and green foil wrappers are introduced for the Easter holiday.
1976	Hershey secures a trademark for the familiar <i>Hershey's Kisses</i> Chocolates conical shape wrapped in foil.
1986	<i>Hershey's Kisses</i> Chocolates debut Valentine's Day-themed foils.
1990	Hershey introduces <i>Hershey's Kisses</i> Chocolates with almonds.
1993	Hershey introduces <i>Hershey's Hugs</i> Chocolates – miniature <i>Hershey's Kisses</i> “hugged” by white chocolate.
2002	Hershey introduces the first-ever Limited-Edition <i>Hershey's Kisses</i> Chocolates, the <i>Hershey's</i> rich dark chocolates. Since then, Limited-Edition <i>Hershey's Kisses</i> Chocolates have included flavors such as toffee with almonds, extra creamy, double fudge and strawberry crème.
2003	<i>Hershey's Kisses</i> rich dark chocolate is launched as a permanent addition to the <i>Hershey's Kisses</i> Chocolates portfolio.
2004	Hershey combines the two most popular confectionery ingredients to introduce <i>Hershey's Kisses</i> Chocolates with caramel.
2006	Hershey introduces <i>Hershey's Kisses</i> Chocolate Truffles and <i>Hershey's Kisses</i> Chocolates with candy cane bits.
2007	The Hershey Company celebrates 100 years of special moments and personal connections with <i>Hershey's Kisses</i> Chocolates and lets consumers customize plumes for special occasions through www.hersheygifts.com . Custom plume options include “It's a Girl,” “It's a Boy,” “Good Luck,” “Over the Hill,” “Best Wishes,” “Congratulations,” “I Love You,” “Let's Celebrate,” “Thank You” and “Happy Birthday.”

Annex 8. Hershey's Kisses product catalog

Producto	Precio Venta	Gramaje (gr)	CV Retailer	CV Hershey's	CVHershey's/gr
Cookies & Creme	\$ 36.00	140	\$ 29.75	\$ 19.45	\$ 0.14
Kisses Milk Chocolate Cajita Navideña	\$ 35.00	60	\$ 28.93	\$ 18.91	\$ 0.32
Kisses Selección Especial Caramelo Tipo Holandés	\$ 15.00	32	\$ 12.40	\$ 8.10	\$ 0.25
Kisses with Almonds	\$ 40.00	140	\$ 33.06	\$ 21.61	\$ 0.15
Kisses Milk Chocolate	\$ 55.00	272	\$ 45.45	\$ 29.71	\$ 0.11
Kisses Milk Chocolate	\$ 32.00	140	\$ 26.45	\$ 17.29	\$ 0.12
Kisses with Almonds	\$ 62.00	272	\$ 51.24	\$ 33.49	\$ 0.12
Kisses Milk & Almonds (caja)	\$ 74.00	300	\$ 61.16	\$ 39.97	\$ 0.13
Kisses Selección Especial Cereza	\$ 53.50	120	\$ 44.21	\$ 28.90	\$ 0.24
Kisses Selección Especial Trufa	\$ 52.50	120	\$ 43.39	\$ 28.36	\$ 0.24
Kisses Selección Especial Crema Tipo Suiza	\$ 50.00	120	\$ 41.32	\$ 27.01	\$ 0.23
Kisses Milk Chocolate (Botella)	\$ 82.00	212	\$ 67.77	\$ 44.29	\$ 0.21



Source. Data provided by the author.

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