

Will Candy Wraps Still Be Sweet?

• by *Huston Keith* ●●●●●●●●●●

These delectable, irresistible morsels have long been sweet to flexible packaging converters. Confection sales account for \$808 million, reports Keymark Associates in *North American Flexible Packaging Strategies 2002*. It is the largest single flexible packaging application for food, exceeding snacks, processed meats, cheese and other important markets. Consumers will continue to be tempted by the immense variety of candies, driving packaging growth in excess of 8% annually.

IT'S ALWAYS THERE FOR US

Everywhere you go, candy is for sale – not just supermarkets and discount stores. It's at the convenience store down the street and small vending machines are at the exits of most retailers. Many merchants give away mints. Sporting events and theaters all figure prominently in confections sales. Gourmet chocolate shops dot malls and airport concourses. Even the teenager down the street sells chocolate bars for the school band.

Despite a cooling economy and consumer health and weight concerns, confectionery sales rode our impulses to post a 5.3% growth in 2001, reaching a total of \$24.5 billion, says the National Candy Association. Packaging is expected to grow accordingly.

DRESS IT UP TO TAKE IT OUT

Even just a casual walk down the candy aisle in your neighborhood supermarket shows the importance of packaging. Vivid colors, iridescent holograms, shiny metallic films all vie for attention to be placed in the cart. And if you resist, a proliferation of small packages of gum and candy tempt you at the checkout stand with equally bold packaging.

Why is packaging so important? As industry veterans note, no one puts candy on a shopping list, except perhaps for Easter and Halloween. So candy marketers depend on our whim of the moment to pick up that chocolate bar or pack of gum. So packagers turn to bright, high quality prints and shiny eye-catching materials, often at great expense to draw our attention.

Even the basic wraps are designed to attract attention. Candy bar wraps are made from an oriented polypropylene (OPP) with a white pearlescent sheen. Twist wraps need sparkle. Foil is used frequently, not just for barrier, but also because of its silvery shine. Papers are supercalendared and coated to make them glossy. And the efforts to beautify the package also make the bottom lines of packagers and converters a sight to behold.

To achieve needed graphic appeal, candy packagers have historically turned to the sharper images offered by rotogravure presses, although flexography has made inroads. But for even greater impulse purchase, holographic images and metallization are more frequently used, despite much higher cost. However, materials suppliers and converters have made great strides in making them cheaper

IT COMES FROM EVERYWHERE

While many small candymakers still thrive, many just with small kitchens in the back of a store, global giants drive the bulk of the market. Switzerland-based Nestlé, the largest candy company worldwide by a nose over Mars, is a leading candidate — among others — to buy Hershey, the largest US candy company. Mars itself has extensive international operations, as does Kraft, the new owner of Nabisco's LifeSavers.

The sweet smell of success in the US market is wafting overseas to many confectionery companies. Argentinean giant Arcor is developing a US network to market its extensive line of candies. It recently gained a big boost by snaring the opportunity to produce half of Brach's hard candies. Chupa, a large Spanish lollipop maker, has teamed with Mars to distribute here. The list of popular brands with overseas owners also includes Mentos, Werther's and now even Brach's, originally founded in Chicago.

Hard sugar candy production is rapidly moving offshore. Already imports are 20% of domestic consumption and climbing rapidly. Candy makers claim that US sugar prices, propped up by protectionist policies, can be as much as double world prices, available in Mexico, Canada and other countries. Wage costs are also less in these locations for this labor-intensive process.

Several companies have established production just across the Mexican border and are making candy for Farley, Spangler and other US candy marketers. Brach's is reportedly evaluating a Mexican facility to handle the other half of its hard candy production to be closed. Even American icon LifeSavers is closing its Michigan plant and moving to Canada. And a few of those that remain have faced bankruptcy and other financial challenges.

CAN CONVERTERS KEEP IT HERE?

What will happen to US converters as candy production sails to other lands? So far the Mexican and Canadian plants have continued to use US suppliers. And chocolate candy, over half of the market, will remain and likely grow. However, production from more distant sites will undoubtedly use nearby suppliers, so some losses are to be expected.

So savvy converters need to expand their global reach to keep up with their customers. Those that don't could face being washed away with the tide.