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# Case Study

HERSHEY'S

# Nielsen Insights in Action: Consumer Focus Brings Sweet Results

## Demand-driven approach helps Hershey target more profitable buyers

**Hershey Company**

For well over a century, The Hershey Company has played a leading role in satisfying America's sweet tooth. With annual revenues of about $6.6 billion in net sales, the Pennsylvania-based organization is the largest confectioner in North America and one of the biggest chocolate makers in the world. Today, the company has operations all over the globe reaching consumers in more than 70 countries. Hershey has a powerful portfolio of iconic brands, including Hershey's®, Reese's®, Kisses®, Kit Kat®, Twizzlers® and Ice Breakers®.

Hershey has benefited from a series of strategic acquisitions and new product introductions over the years, but in 2007 the company's management became concerned that growth was beginning to slow. With key competitors involved in merger talks – Mars and Wrigley in 2008, and Kraft acquiring Cadbury in 2010 – identifying unmet consumer demand took on added importance. With long-term sustainable growth as its goal, Hershey turned to The Cambridge Group, a division of Nielsen, to bring a game-changing approach to its "go to market" strategy.

## Company Facts

### Hershey Company

- Brands include Hershey's®, Reese's®, Kit Kat®, Almond Joy® and Ice Breakers®
- Largest producer of chocolate in North America
- Annual revenues exceed $6.6 billion

**The Business Issue**

Despite the company's enviable position atop the U.S. candy industry, Hershey's innovation efforts weren't consistently delivering the intended results. With a steady stream of new candy varieties and packaging types, the problem wasn't a lack of new offerings. Hershey's Kisses® brand alone had dozens of SKUs, including different types of chocolate and various fillings.

The concern was that these new varieties didn't align with the needs of consumers or retailers. The proliferation of line extensions meant higher levels of inventory and added cost to Hershey's supply chain, and potentially the erosion of brand equity. Cambridge offered a different approach in which consumer insights would drive product innovation, merchandising and programming events, and focused advertising. "We needed to go from a supply-driven approach to a demand-driven, consumer-focused one," said J.P. Bilbrey, who at the time was President of Hershey North America.

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## The Solution

One of the foundations of Insights Driven Performance®, as Hershey dubbed its new demand-based model, was a detailed analysis of the demand landscape. Cambridge segmented candy buyers into numerous categories, each defined by shared taste preferences, motivations, needs and even retailer choices. By selecting and focusing on the most profitable groups, including an important one known as "Engaged Exploring Munchers", category enthusiasts who enjoy trying new varieties, enabled the company to open the door to significant profitable opportunities. It was now clear to everyone that Hershey would win not by "pushing" line extensions into the marketplace, but by focusing on fewer, bigger, better new products and building its core brand equities. The path forward was to develop new and deeper insights into demand, starting with the demand landscape, and to leverage and build their powerful, iconic brands. Hershey's proprietary confectionary demand landscape answered the "who", "what", "when", "where", and "how" related to consumer consumption, shopping behavior, and purchasing motivations. This research helped clarify opportunities and drove the company to gather new data with respect to emerging demographic groups, need states, usage occasions, and the shifting shopper and channel dynamics.

"The first managers to apply the new approach to their businesses saw the results and became zealots who helped others internally adopt it," he recalled. "We were very decisive in creating one way forward."

*J.P. Bilbrey, Chief Executive Officer of Hershey's North America*

According to Bilbrey, the new strategy was one that soon permeated all aspects of the organization. "The first managers to apply the new approach to their businesses saw the results and became zealots who helped others internally adopt it," he recalled. "We were very decisive in creating one way forward."

The shift also helped Hershey better collaborate with its strategic partners. Rather than "pushing" new ideas onto retailers, the confectioner began to work with them as partners in its innovation and insights gathering processes. "The idea of collaboration is important, but where everybody gets enthusiastic is when they understand that we're converting both the retailer's data and Hershey's into a single operating system," Bilbrey said. "That's when the lights really go on."

## A Win-win Outcome

The impact on Hershey's bottom line was immediate. Consumers responded to the company's marketing strategies and its value added innovation and were willing to pay more for the benefits they would receive.

As a result of its more strategic approach, Hershey's sales growth and profitability accelerated resulting in strong operating cash flow. The organization was also able to lower inventories, reduce SKUs and simplify its operations. "The financial implications of all of this have been really profound," Bilbrey said.

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