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EXECUTIVE SUMMARY

Market Value

The United Kingdom chocolate confectionery market grew by 2.0% in 2003 to reach a value of $5.76 billion.

Market Value Forecast

In 2008 the market is forecast to have a value of $6.44 billion, an increase of 11.8% since 2003.

Market Volume

The market grew by 1.8% in 2003 to reach a volume of 684.6 million Kg.

Market Volume Forecast

In 2008 the market is forecast to have a volume of 743.8 million Kg, an increase of 8.6% since 2003.

Market Segmentation I

The largest sector of the UK chocolate confectionery market in 2003 was countlines, which generated 37.4% of the market's value.

Market Segmentation II

The UK market held the largest share of the European market in 2003, accounting for 28.9% in terms of value.
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CHAPTER 1  MARKET OVERVIEW

1.1 Market Definition

The chocolate confectionery market principally involves products that contain either real chocolate or a chocolate compound containing substitute raw material ingredients such as cocoa butter extenders. Sectors covered in this market include boxed chocolate, countlines, filled bars, molded bars, novelties and straightlines. Values are measured at retail selling price (RSP).

1.2 Research Highlights

The UK chocolate market is largely consolidated, with a high level of brand recognition.

The main problem faced by the UK chocolate industry is that many of its products are unpopular on the continent, where many countries prefer the pure taste of plain chocolate as opposed to chocolate with extra ingredients.

Companies such as Cadbury have not achieved the same kind of success on the continent as they have at home.

1.3 Market Analysis

During the 1999-2003 period, the UK chocolate confectionery market experienced fluctuating growth rates, seeing a low of –2.03% in 2001 and ending the period on a rate of 2.02%. The market increased in value by 6% over the period, and held the largest share of the European chocolate confectionery market in 2003.

The UK chocolate confectionery market reached a value of $5.76 billion in 2003, having grown with a compound annual growth rate (CAGR) of 1.5% in the 1999-2003 period. This growth was considerably weaker than that of the European market itself leading to the UK market's share decreasing by 2.9 percentage points between 1999 and 2003, accounting for 28.9% of the European market by the end of this period.

The leading revenue source for the UK chocolate confectionery market in 2003 was the countlines sector, which accounted for 37.4% of the market's value. In value terms this sector was worth $2.15 billion in 2003. The boxed sector generated the second largest revenues in 2003, reaching a value of $1.71 billion, equivalent to 23.8% of the market's value. It is unlikely that this sector will challenge the leading sector's position going forward.
During the next five years, the market is expected to experience stable growth rates. By 2008 the market is forecast to reach a value of $6.44 billion, a CAGR of 4.1% in the 2003-2008 period, lower than the European market. The UK market’s weak growth is highlighted by its decreasing share of the European market; from its 28.9% share in 2003, the market is forecast to account for 27.4% by 2008, a 1.5 percentage point decrease compared to France’s growth of 0.4 percentage points during this timeframe.
CHAPTER 2 MARKET VALUE

The United Kingdom chocolate confectionery market grew by 2.0% in 2003 to reach a value of $5.76 billion.

The compound annual growth rate of the market in the period 1999-2003 was 1.5%.

The strongest growth was in 2000 when the market grew by 3.5%.

Table 1: United Kingdom Chocolate Confectionery Market Value: $ billion, 1999-2003

<table>
<thead>
<tr>
<th>Year</th>
<th>$ billion</th>
<th>£ million</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>5.4</td>
<td>3,341.4</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>5.6</td>
<td>3,459.2</td>
<td>3.50%</td>
</tr>
<tr>
<td>2001</td>
<td>5.5</td>
<td>3,388.8</td>
<td>-2.00%</td>
</tr>
<tr>
<td>2002</td>
<td>5.6</td>
<td>3,471.1</td>
<td>2.40%</td>
</tr>
<tr>
<td>2003</td>
<td>5.8</td>
<td>3,541.0</td>
<td>2.00%</td>
</tr>
</tbody>
</table>

CAGR, 1999-2003: 1.5%

Source: Datamonitor

Figure 1: United Kingdom Chocolate Confectionery Market Value: $ billion, 1999-2003

Source: Datamonitor
CHAPTER 3  MARKET VOLUME

The United Kingdom chocolate confectionery market grew by 1.8% in 2003 to reach a volume of 684.6 million Kg.

The compound annual growth rate of the market volume in the period 1999-2003 was 2.1%.

The strongest growth was in 2000 when the market grew by 3.2%.

Table 2: United Kingdom Chocolate Confectionery Market Volume: Kg million, 1999-2003

<table>
<thead>
<tr>
<th>Year</th>
<th>Kg million</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>629.2</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>649.0</td>
<td>3.20%</td>
</tr>
<tr>
<td>2001</td>
<td>660.9</td>
<td>1.80%</td>
</tr>
<tr>
<td>2002</td>
<td>672.8</td>
<td>1.80%</td>
</tr>
<tr>
<td>2003</td>
<td>684.6</td>
<td>1.80%</td>
</tr>
</tbody>
</table>

CAGR, 1999-2003: 2.1%

Source: Datamonitor

Figure 2: United Kingdom Chocolate Confectionery Market Volume: Kg million, 1999-2003

Source: Datamonitor
CHAPTER 4  MARKET SEGMENTATION I

The largest sector of the UK chocolate confectionery market in 2003 was countlines, which generated 37.4% of the market's value.

Boxed chocolate accounted for a further 23.8% in terms of value.

<table>
<thead>
<tr>
<th>Category</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Countlines</td>
<td>37.40%</td>
</tr>
<tr>
<td>Boxed</td>
<td>23.80%</td>
</tr>
<tr>
<td>Moulded bars</td>
<td>15.10%</td>
</tr>
<tr>
<td>Novelties</td>
<td>13.00%</td>
</tr>
<tr>
<td>Straightlines</td>
<td>10.00%</td>
</tr>
<tr>
<td>Other</td>
<td>0.70%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: Datamonitor

![Pie chart showing market segmentation by value]
CHAPTER 5  MARKET SEGMENTATION II

The UK market held the largest share of the European market in 2003, accounting for 28.9% in terms of value.

Table 4: United Kingdom Chocolate Confectionery Market Segmentation II: % Share, by Value, 2003

<table>
<thead>
<tr>
<th>Regional</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rest of Europe</td>
<td>71.10%</td>
</tr>
<tr>
<td>UK</td>
<td>28.90%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Datamonitor

Figure 4: United Kingdom Chocolate Confectionery Market Segmentation II: % Share, by Value, 2003

Source: Datamonitor
CHAPTER 6  COMPETITIVE LANDSCAPE

The UK chocolate market is largely consolidated, with a high level of brand recognition. It is therefore very difficult for individual private label manufacturers to make an impact on the market, with most innovations coming from the market’s leaders.

Cadbury Trebor Bassett Ltd is one of the leading players in the market, producing around one fourth of all sweets sold in the UK. It produces a wide range of chocolates in the form of bars, blocks, bagged products, rolls, boxed assortments, chocolate eggs and novelties. Its key brands include Dairy Milk, Crunchie, Cadbury’s Buttons, Wispa and Double Decker. The company has gained a strong reputation with the British public through its involvement in community projects. It has recently invested in a lot of product innovation, introducing new brands of Dairy Milk such as mint, Turkish, bubbly and caramel.

Mars ranks closely behind Cadbury in the market. Its key brands include its eponymous leading brand, followed by Snickers, Milky Way, Galaxy, M & M’s and Maltesers. The company focuses on five principles to shape the business- quality, efficiency, mutuality, responsibility and freedom.

Nestlé, the world’s largest food company, is considered to complete the trio of leading companies. Its brands include KitKat, Yorkie, Aero, Milkybar and Toffee Crisp. Its innovations with its KitKat brand have proved largely successful, the introduction of Chunky KitKat overtaking the initial brand in sales, and it has recently launched KitKat Kubes to further satisfy demand for the product. Its recently launched Double Cream brand has also been a significant innovation, manufactured from double cream rather than milk and added vegetable fats.

The main problem faced by the UK chocolate industry is that many of its products are unpopular on the continent, where many countries prefer the pure taste of plain chocolate as opposed to chocolate with extra ingredients. Many UK chocolates are made with up to 5% vegetable fat, which countries such as France, Spain and Italy are opposed to, preferring chocolate made from 100% cocoa butter. This has caused Italy and Spain to restrict the amount of UK chocolate on the market, a restriction later declared illegal by the EU courts, while companies such as Cadbury have not achieved the same kind of success on the continent as they have at home.
CHAPTER 7 LEADING COMPANIES

7.1 Cadbury Schweppes plc

Cadbury Schweppes is the third largest soft drinks company and the fourth largest confectionery company in world. The company also manufactures, markets and distributes confectionery products through its Cadbury Trebor Bassett division. For the fiscal year ended December 31 2002, the company generated revenues of $8,563 million, an increase of 7% on the previous year.

Cadbury Schweppes owns some of the world's best known and most popular soft drinks brands, including Dr Pepper, Canada Dry and Snapple, as well as equally successful confectionery brands such as Cadbury and Trebor Bassett. Although based in the UK, the company generates most of its sales in international markets. Cadbury Schweppes is headquartered in London, UK.

7.2 Mars, Inc.

Mars specializes in branded snack foods, petcare products, main meal foods, electronic automated payment systems and drinks vending machines. The company has operations in North and South America, Europe, Asia Pacific, Africa and the Middle East. The company is privately owned and for the fiscal year ended December 31, 2002 the company's revenues are estimated to have been around $14 billion.

Mars' product portfolio includes such well-known global favorites as M&M's, Snickers, the Mars bar and a range of other confectionery products. The company also manufactures Uncle Ben's rice and the Pedigree, Sheba and Whiskas petfood brands. Mars is headquartered in McLean, Virginia, US.

7.3 Nestle S.A.

With global operations and some of the best known brands in the world, Nestle S.A. is the world's largest food manufacturer. In 2002, the company generated revenues of $64.6 billion, an increase of 28% on the previous year.

Nestle products are available worldwide and include dairy products, coffee, mineral water, ice cream, chocolate, baby food and pet food. Its largest global brands include Buitoni, Friskies and Nestle. Nestle is headquartered in Vevey, Switzerland.
7.4 Kraft Foods, Inc.

Kraft Foods, majority owned by Altria Group (formerly called Philip Morris), is the largest branded food and beverage company in the US and the second largest in the world. Altria Group spun off the company in June 2001 in one of the largest IPOs in US history. For the year ended December 2002, the company generated net revenues of $29.7 billion, a decrease of 12.3% on the previous year.

Kraft sells its products in over 145 countries, and operates 228 manufacturing facilities around the world. The company acquired Nabisco Holdings, the world’s largest manufacturer and marketer of cookies and crackers in December 2000. Kraft is headquartered in Northfield, Illinois.

7.5 CSM nv

With global markets and subsidiaries, CSM is a leader in the development, production, sale and distribution of sugars, confectionery, bakery ingredients and lactic acid. For fiscal year 2002, the company generated revenues of $3.4 billion, an increase of 1.8% on the previous year.

CSM serves both the consumer and business-to-business markets. Confectionery and sugar are produced for sale in the consumer market, while the company manufactures baking ingredients and products, sugar and lactic acid for sale business-to-business. The company operates primarily in Europe and North America, but also has locations in South America and Asia. CSM is based in the Netherlands.
8.1 Market Value Forecast

In 2008 the United Kingdom chocolate confectionery market is forecast to have a value of $6.44 billion, an increase of 11.8% since 2003. The compound annual growth rate of the market in the period 2003-2008 is predicted to be 2.3%. The strongest growth is predicted for 2004 when the market is forecast to grow by 2.7%.

Table 5: United Kingdom Chocolate Confectionery Market Value Forecast: $ billion, 2003-2008

<table>
<thead>
<tr>
<th>Year</th>
<th>$ billion</th>
<th>£ million</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>5.8</td>
<td>3,541.0</td>
<td>2.00%</td>
</tr>
<tr>
<td>2004</td>
<td>5.9</td>
<td>3,635.6</td>
<td>2.70%</td>
</tr>
<tr>
<td>2005</td>
<td>6.0</td>
<td>3,717.9</td>
<td>2.30%</td>
</tr>
<tr>
<td>2006</td>
<td>6.2</td>
<td>3,787.9</td>
<td>1.90%</td>
</tr>
<tr>
<td>2007</td>
<td>6.3</td>
<td>3,869.3</td>
<td>2.10%</td>
</tr>
<tr>
<td>2008</td>
<td>6.4</td>
<td>3,960.6</td>
<td>2.40%</td>
</tr>
</tbody>
</table>

CAGR, 2003-2008: 2.3%

Source: Datamonitor

Figure 5: United Kingdom Chocolate Confectionery Market Value Forecast: $ billion, 2003-2008
8.2 Market Volume Forecast

In 2008 the United Kingdom chocolate confectionery market is forecast to have a volume of 743.8 million Kg, an increase of 8.6% since 2003.

The compound annual growth rate of the market volume in the period 2003-2008 is predicted to be 1.7%.

The weakest growth is predicted for 2008 when the market is forecast to grow by 1.6%.

Table 6: United Kingdom Chocolate Confectionery Market Volume Forecast: Kg million, 2003-2008

<table>
<thead>
<tr>
<th>Year</th>
<th>Kg million</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>684.6</td>
<td>1.80%</td>
</tr>
<tr>
<td>2004</td>
<td>696.5</td>
<td>1.70%</td>
</tr>
<tr>
<td>2005</td>
<td>708.4</td>
<td>1.70%</td>
</tr>
<tr>
<td>2006</td>
<td>720.3</td>
<td>1.70%</td>
</tr>
<tr>
<td>2007</td>
<td>732.1</td>
<td>1.60%</td>
</tr>
<tr>
<td>2008</td>
<td>743.8</td>
<td>1.60%</td>
</tr>
</tbody>
</table>

CAGR, 2003-2008: 1.7%

Source: Datamonitor
CHAPTER 9   FURTHER READING

9.1 Sources

This report is based on a combination of primary Datamonitor research, including online, face-to-face and telephone interviews with consumer and industry players, and secondary research using various sources (including trade associations, news providers and others).

Industry Associations

International Confectionery Association
Rue Defacqz 1 - 1000 Brussels (Belgium)
Tel: 32 2539 18 00
Fax: 32 2539 15 75
http://www.international-confectionery.com/

9.2 Related Datamonitor Research

Datamonitor Industry Profiles

Global Chocolate Confectionery ($200)
Chocolate Confectionery in Asia-Pacific ($200)
Chocolate Confectionery in Europe ($200)
Chocolate Confectionery in the United States ($200)
Chocolate Confectionery in France ($200)
Chocolate Confectionery in Germany ($200)
Chocolate Confectionery in Japan ($200)