



Chocolate Confectionery in Europe

Industry Profile

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EXECUTIVE SUMMARY

Market Value

The European chocolate confectionery market grew by 3.8% in 2003 to reach a value of \$19.95 billion.

Market Value Forecast

In 2008 the market is forecast to have a value of \$23.52 billion, an increase of 17.9% since 2003.

Market Volume

The market grew by 1.7% in 2003 to reach a volume of 2.79 billion Kg.

Market Volume Forecast

In 2008 the market is forecast to have a volume of 3.04 billion Kg, an increase of 8.8% since 2003.

Market Segmentation I

The largest sector of the market in 2003 was boxed chocolates, which generated 31.8% of the market's values.

Market Segmentation II

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

TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
CHAPTER 1 Market Overview	7
1.1 Market Definition	7
1.2 Research Highlights	7
1.3 Market Analysis	7
CHAPTER 2 Market Value	9
CHAPTER 3 Market Volume	10
CHAPTER 4 Market Segmentation I	11
CHAPTER 5 Market Segmentation II	12
CHAPTER 6 Competitive Landscape	13
CHAPTER 7 Leading Companies	14
7.1 Nestle S.A.	14
7.2 Cadbury Schweppes plc	14
7.3 Kraft Foods, Inc.	14
7.4 Ferrero	15
7.5 Mars, Inc.	15
CHAPTER 8 Market Forecasts	16
8.1 Market Value Forecast	16
8.2 Market Volume Forecast	17

CONTENTS



CHAPTER 9	Further Reading	19
9.1	Sources	19
9.2	Related Datamonitor Research	19

LIST OF TABLES

Table 1:	Europe Chocolate Confectionery Market Value: \$ billion, 1999-2003	9
Table 2:	Europe Chocolate Confectionery Market Volume: Kg billion, 1999-2003.....	10
Table 3:	Europe Chocolate Confectionery Market Segmentation I: % Share, by Value, 2003	11
Table 4:	Europe Chocolate Confectionery Market Segmentation II: % Share, by Value, 2003	12
Table 5:	Europe Chocolate Confectionery Market Value Forecast: \$ billion, 2003-2008	16
Table 6:	Europe Chocolate Confectionery Market Volume Forecast: Kg billion, 2003- 2008	17

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 European chocolate market is largely consolidated, with companies such as Nestlé, Ferrero and Kraft leading the market.

Continental tastes have prevented the UK's main player, Cadbury Trebor Bassett, from making an impact on the European market as a whole.

The European market is expected to develop slower than its Asia-Pacific counterpart.

1.3 Market Analysis

During the 1999-2003 period, the European chocolate confectionery market experienced stable growth rates, ending the period on a rate of 3.82%. The market increased in value by 16.7% over the period, and held the largest share of the global chocolate confectionery market in 2003.

The European chocolate confectionery market reached a value of \$19.9 billion in 2003, having grown with a compound annual growth rate (CAGR) of 3.9% in the 1999-2003 period. This growth was the same as that of the global market itself leading to the European market's share increasing by 0.2 percentage points between 1999 and 2003, accounting for 46.4% of the global market by the end of this period.

The leading revenue source for the European chocolate confectionery market in 2003 was the boxed sector, which accounted for nearly 32% of the market's value. In value terms this sector was worth \$6.34 billion in 2003. The countlines sector generated the second largest revenues in 2003, reaching a value of \$5.36 billion, equivalent to 26.9% of the market's value. It is possible 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 \$23.5 billion, having shown a

CAGR of 3.4% in the 2003-2008 period, lower than the global market. The European market's relatively weaker growth is highlighted by its decreasing share of the global market, and by 2008 the market is forecast to account for 45.7% of the world's chocolate sales.

CHAPTER 2 MARKET VALUE

The European chocolate confectionery market grew by 3.8% in 2003 to reach a value of \$19.95 billion.

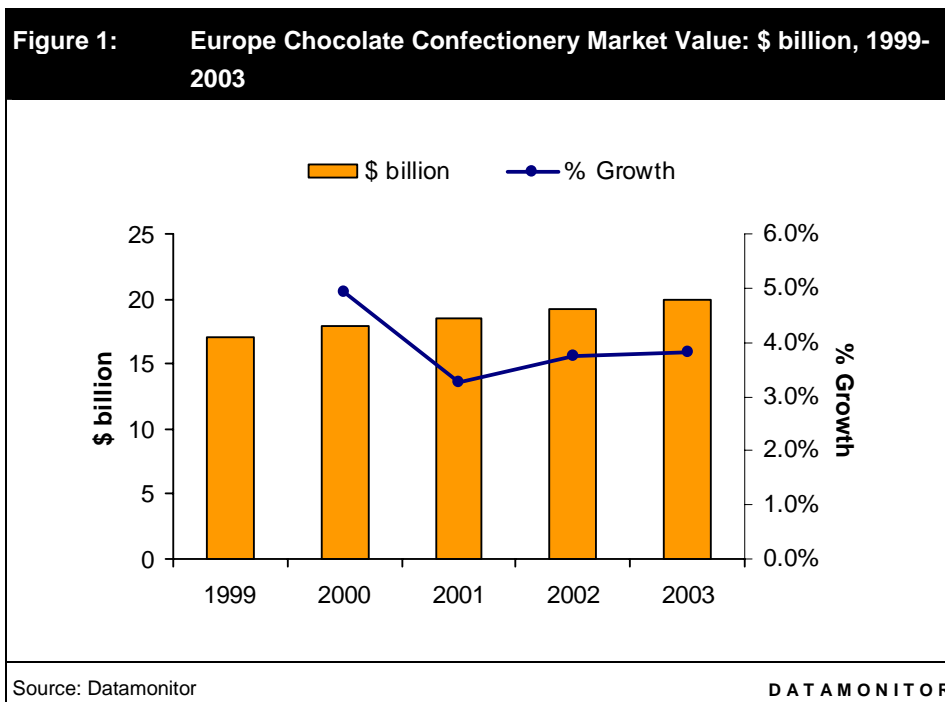
The compound annual growth rate of the market in the period 1999-2003 was 3.9%.

The strongest growth was in 2000 when the market grew by 4.9%.

Table 1: Europe Chocolate Confectionery Market Value: \$ billion, 1999-2003

Year	\$ billion	€ billion	% Growth
1999	17.1	15.2	
2000	17.9	16.0	4.90%
2001	18.5	16.5	3.30%
2002	19.2	17.1	3.80%
2003	19.9	17.8	3.80%
CAGR, 1999-2003:			3.9%

Source: Datamonitor DATAMONITOR



CHAPTER 3 MARKET VOLUME

The European chocolate confectionery market grew by 1.7% in 2003 to reach a volume of 2.79 billion Kg.

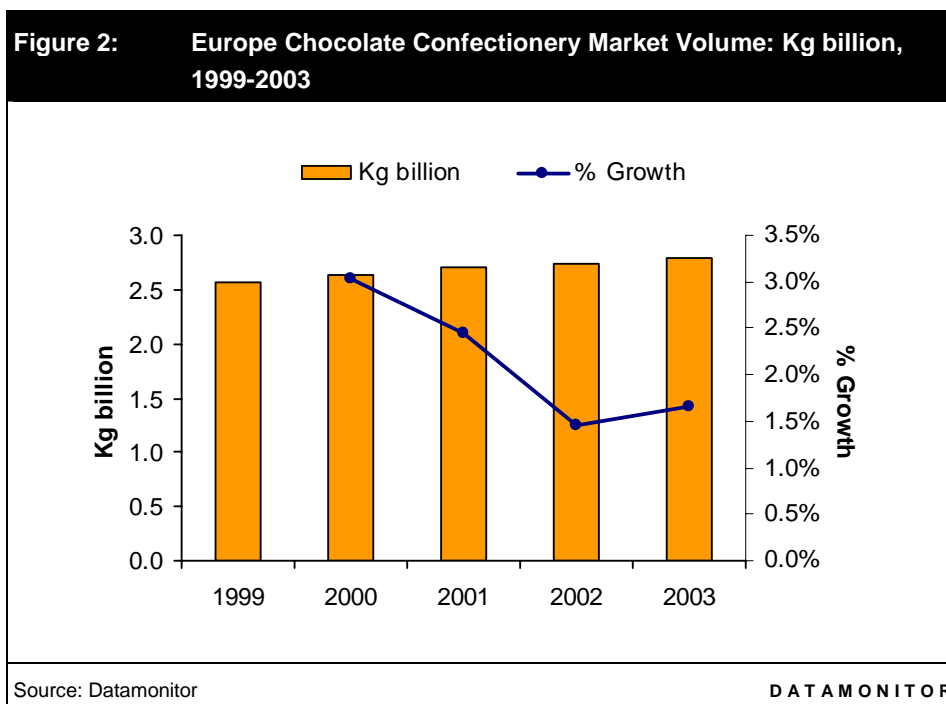
The compound annual growth rate of the market volume in the period 1999-2003 was 2.1%.

The strongest growth was in 2000 when the market grew by 3.0%.

Table 2: Europe Chocolate Confectionery Market Volume: Kg billion, 1999-2003

Year	Kg billion	% Growth
1999	2.6	
2000	2.6	3.00%
2001	2.7	2.50%
2002	2.7	1.40%
2003	2.8	1.70%
CAGR, 1999-2003:		2.1%

Source: Datamonitor DATAMONITOR



CHAPTER 4 MARKET SEGMENTATION I

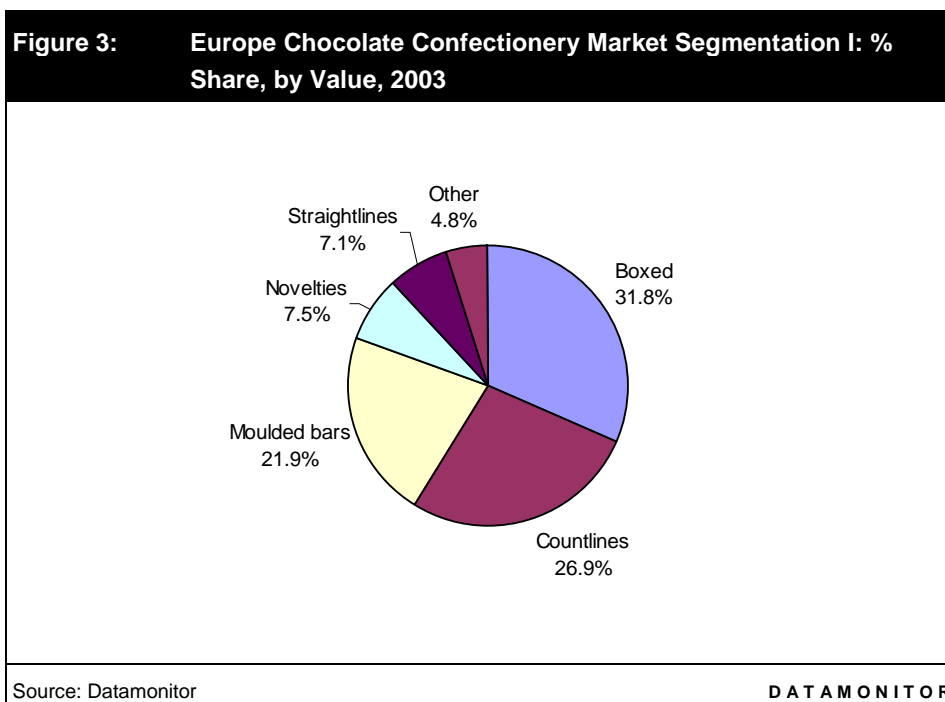
The largest sector of the European chocolate confectionery market in 2003 was boxed chocolates, which generated 31.8% of the market's values.

Countlines accounted for a further 26.9% in terms of value.

Table 3: Europe Chocolate Confectionery Market Segmentation I: % Share, by Value, 2003

Category	% Share
Boxed	31.80%
Countlines	26.90%
Moulded bars	21.90%
Novelties	7.50%
Straightlines	7.10%
Other	4.80%
Total	100.0%

Source: Datamonitor DATAMONITOR



CHAPTER 5 MARKET SEGMENTATION II

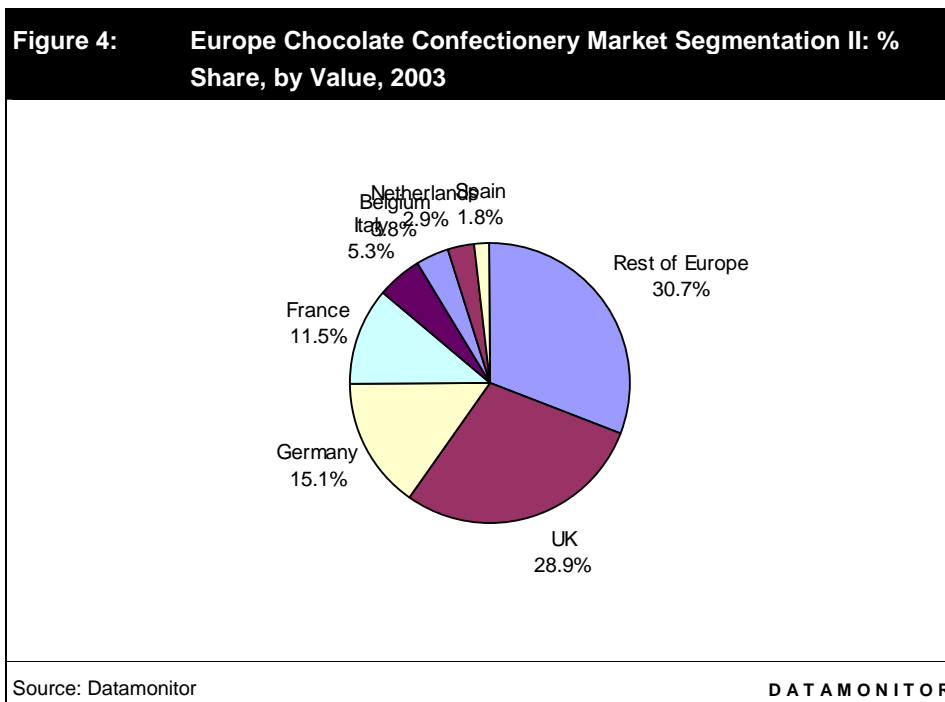
The UK market held the largest share of the European chocolate confectionery market in 2003, accounting for 28.9% in terms of value.

The German market generated a further 15.1% of the market's values.

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

Regional	% Share
Rest of Europe	30.70%
UK	28.90%
Germany	15.10%
France	11.50%
Italy	5.30%
Belgium	3.80%
Netherlands	2.90%
Spain	1.80%
Total	100.0%

Source: Datamonitor DATAMONITOR



CHAPTER 6 COMPETITIVE LANDSCAPE

The European chocolate market is largely consolidated, with companies such as Nestlé, Ferrero and Kraft leading the market. Few regional players have made a significant impact in the market. Most of Europe prefers chocolate made from 100% cocoa butter, valuing the pure taste of plain chocolate above chocolate with added ingredients. The UK is a big exception to this, with most of its chocolates containing around 5% vegetable fat. Continental tastes have prevented the UK's main player, Cadbury Trebor Bassett, from making an impact on the European market as a whole.

Nestlé, the world's largest food company, is one of the leading players in the European chocolate market. Its brands include KitKat, Yorkie, Aero, Milkybar and Toffee Crisp. Its innovations with its KitKat brand have proved largely successful, sales of Chunky KitKat overtaking the initial brand which has led the company to launch Kit Kat. Its recently launched Double Cream brand has also been a significant innovation, manufactured from double cream rather than milk and added vegetable fats.

Ferrero also has a leading position in the market. Its brands include Kinder, Duplo and Ferrero Rocher. Kinder has many different sub-brands, the most popular being Kinder Surprise, the milk chocolate egg with a toy inside, which has gained great success among children.

Kraft Foods, one of Europe's leading confectionery brands, also plays a major role in the market. The company's most popular brand is Milka, the leading European confectionery brand in volume. It is followed by Côte d'Or, and the internationally successful Toblerone. Kraft is currently looking for acquisitions to help it tackle competition against smaller and regional companies.

Mars is the strongest US company in the market, performing particularly well in the UK. 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.

CHAPTER 7 LEADING COMPANIES

7.1 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.

7.2 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.

7.3 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 span 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.

7.4 Ferrero

Ferrero is among the top five confectionery manufacturers in the world. The company is known for several household brands, such as Ferrero Rocher, Nutella and Tic Tac.

Ferrero products are available worldwide and include Kinder, Mon Cheri and Estathe soft drinks. It is a privately owned business, which employs approximately 15,800 people in 19 separate businesses and 15 production plants worldwide. Ferrero is headquartered in Alba, northwest Italy

7.5 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.

CHAPTER 8 MARKET FORECASTS

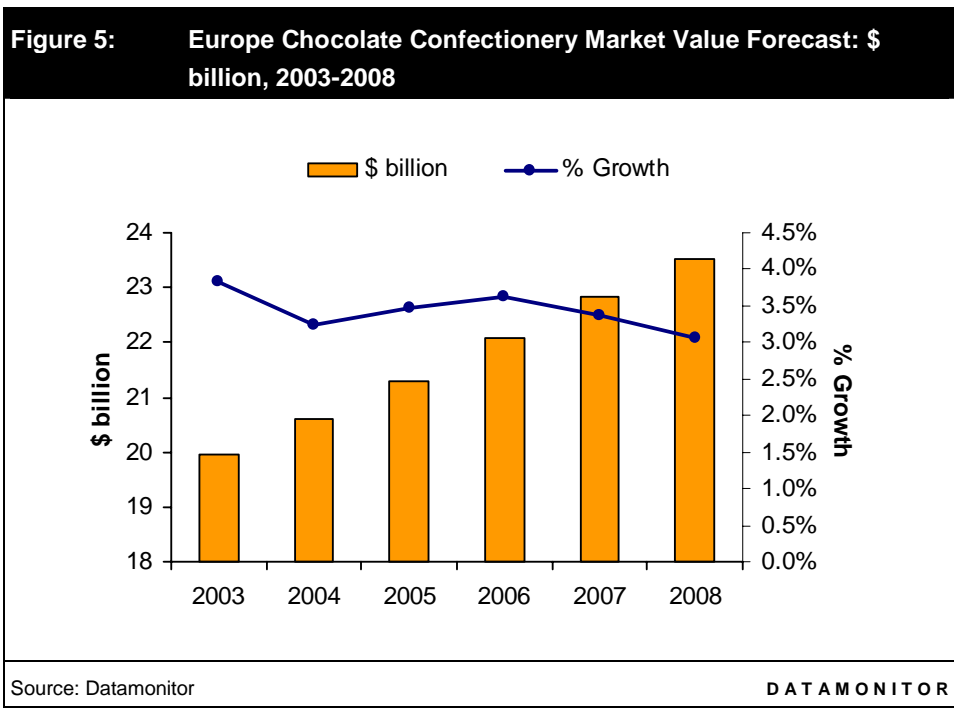
8.1 Market Value Forecast

In 2008 the European chocolate confectionery market is forecast to have a value of \$23.52 billion, an increase of 17.9% since 2003.

The compound annual growth rate of the market in the period 2003-2008 is predicted to be 3.4%.

The weakest growth is predicted for 2008 when the market is forecast to grow by 3.1%.

Table 5: Europe Chocolate Confectionery Market Value Forecast: \$ billion, 2003-2008			
Year	\$ billion	€ billion	% Growth
2003	19.9	17.8	3.80%
2004	20.6	18.3	3.20%
2005	21.3	19.0	3.50%
2006	22.1	19.7	3.60%
2007	22.8	20.3	3.40%
2008	23.5	20.9	3.10%
CAGR, 2003-2008:			3.4%
Source: Datamonitor			DATAMONITOR



8.2 Market Volume Forecast

In 2008 the European chocolate confectionery market is forecast to have a volume of 3.04 billion Kg, an increase of 8.8% since 2003.

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

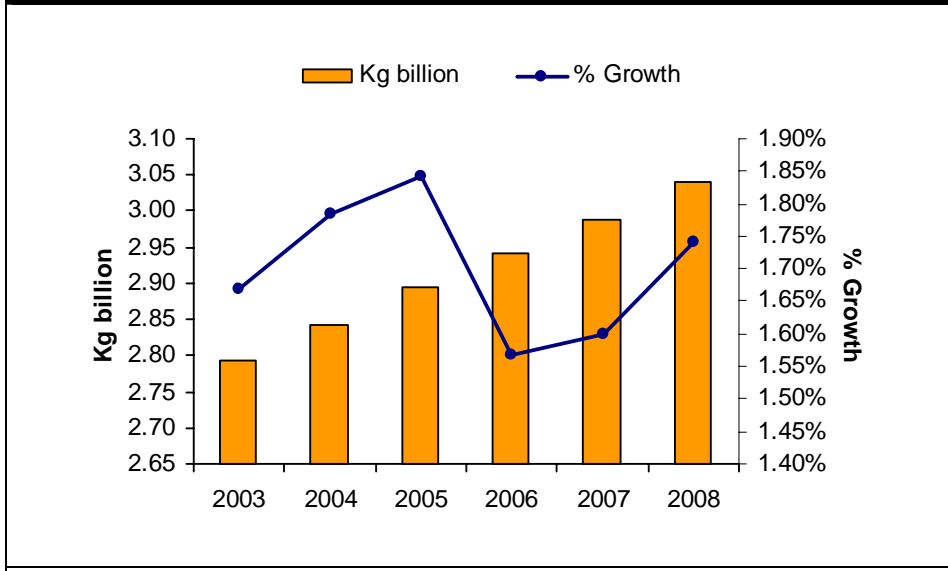
The strongest growth is predicted for 2005 when the market is forecast to grow by 1.8%.

Table 6: Europe Chocolate Confectionery Market Volume Forecast: Kg billion, 2003-2008

Year	Kg billion	% Growth
2003	2.8	1.70%
2004	2.8	1.80%
2005	2.9	1.80%
2006	2.9	1.60%
2007	3.0	1.60%
2008	3.0	1.70%
CAGR, 2003-2008:		1.7%

Source: Datamonitor DATAMONITOR

Figure 6: Europe Chocolate Confectionery Market Volume Forecast: Kg billion, 2003-2008



Source: Datamonitor

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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 the United States (\$200)

Chocolate Confectionery in the United Kingdom (\$200)

Chocolate Confectionery in France (\$200)

Chocolate Confectionery in Germany (\$200)

Chocolate Confectionery in Japan (\$200)