

TITLE OF CASE STUDY: Hostess 100 Calorie Packs “Real Cake” Launch Campaign

HOW DO YOU INVIGORATE ONE OF AMERICA’S MOST ICONIC BRANDS?

BE REAL.

3 Cakes. 100 Calories. Real Satisfaction.

That was the headline/tagline/rallying cry for the launch of the new Hostess 100 Calorie Snack Cakes at the beginning of 2007. It says it all.

It’s a deceptively simple expression of the offering. Like any great idea, in hindsight, it appears to be the obvious solution. However, in the Spring of 2006, it was anything but obvious.

THE REALITY. . . A DAUNTING TASK

Background

Business Situation and Competitive Landscape

In 2006, the iconic Hostess brand faced a series of challenges that threatened its viability.

Societal issues surrounding childhood obesity and overall health & wellness were taking their toll on sales – and on the brand itself. The brand had halted its previous youth-targeted advertising, and had basically gone dark. To many people, Hostess Twinkies were (incorrectly) the epitome of junk food in the battle against obesity in America.

The Hostess competitive set – Sweet Baked Goods (SBG) – was behind the curve in better-for-you (BFY) snacking. An IRI market structure analysis showed that better-for-you products made up 28% of all volume in the broadest Sweet Snack category, but only 5% of volume in Hostess’s narrower Sweet Baked Goods (snack cakes) segment.

Meanwhile, the 100-calorie, portion-control segment was already defining a new paradigm in better-for-you snacking. If this were going to be the direction we used to put the brand in the BFY space, we would be more than two years behind the leader, Nabisco. In addition to Nabisco’s leading sweet snack entries, many other categories already offered 100-calorie products. The “news” potential for Hostess was dwindling.

The one bright spot was that no SBG competitors had cracked the code on a better-for-you snack. Hostess had the opportunity to be first in the category with a BFY you product. But that meant we were blazing the trail when it came to understanding consumer insights and how to leverage those insights.

Business Objective

Given this setting, the objective was obvious but challenging:

Introduce a better-for-you product under the Hostess brand that:

Would profitably increase franchise sales

Revitalize the brand by building awareness and delivering on the well-known Hostess taste experience

Marketing Strategy

Through a combination of awareness-building and transaction-based communication, build interest in and purchase of a new Hostess BFY offering.

Budget – Year One (Calendar year 2007)

Communication budget: \$5.1 million

Total marketing spend: \$6.0 million

FRESH-BAKED INSIGHT

We knew the basic strengths and weaknesses of the Hostess brand, but that information was dated and lacked any relationship to the fast changing world of BFY snacking. We needed current research to gain the critical consumer insights to accurately develop and promote the Hostess BFY offering which, in turn, would lead to increased sales and brand rejuvenation.

Research Structure

We developed a flexible “roadmap” for our research process. We knew where we needed to end up, but we also knew that the route we took was not finalized – it would change based on new intelligence, data, and input. Broadly, we had two phases of research with multiple elements in each phase.

The first phase was designed to Narrow the Field - to answer basic questions about marketplace opportunities and consumer needs and perceptions, validate or disprove some hypotheses and allow us to focus resources quickly and smartly.

The second phase was to Confirm our Direction – it was a check to ensure we accurately applied the learnings from the first phase as we moved down the path to our launch.

Narrowing the Field

Research Components

Focus Groups with concepts, package/product format, product prototypes

Conjoint analysis of attributes and claims

Flavor “turf analysis”

Focus Groups with refined concepts, product tasting

Our first hypothesis, based on a thorough review of secondary data from Mintel and MRI indicated that females 25 – 54 should be our communication and sales target. Demographically, this aligned with our current purchaser. However, we layered on a psychographic element, based on MRI, that these women “watch what they eat but still indulge their sweet cravings.” In this regard, therefore, we were adding many new consumers to the franchise – consumers who were buying for self-consumption, rather than for their families.

KEY INSIGHT:

Hostess can and should offer a BFY product but ONLY IF the brand can deliver its trademark snack cake satisfaction.

There was an opening to be the first real product in 100 calories that was true to the experience of the original. Communicating the Hostess heritage AND the Hostess experience of the 100 Calorie product was the key to success for our launch creative.

INSIGHT: WITH HOSTESS, THE WAY TO OUR CONSUMERS' STOMACH IS THROUGH THEIR HEART.

Critical context of the insight:

Consumers trust Hostess to deliver quality and taste and would readily accept a better-for-you product from us. And Portion-Control/100 Calorie is the best offering.

Deep-seated emotional bonds with the brand, established in childhood, drive consumers' associations with the brand. We could leverage this reservoir of good will, but not abuse it. The product had to deliver.

Consumers have a "no compromise" attitude regarding BFY snacking – they want it all.

Consumers told us that existing 100 Calorie offerings, particularly in cookies, missed the mark. They didn't deliver the parent-brand experience consumers expected.

Thus, the Better For You component was easy - we would need to emphasize taste delivery.

Consumers did not need or want health communication beyond portion control/100 calories. Taste was critical. Even when looking for BFY snacks, taste was the primary consideration – these consumers didn't want to "waste" their calories on an unfulfilling snack. For Hostess messaging, that meant:

We needed to reinforce "real cake" - fresh, moist and delicious.

We needed to leverage the "good stuff" – icing and crème filling. These were the strongest drivers of trial in the conjoint analysis (calorie count followed).

Chocolate is king – Chocolate was the first expectation for flavor varieties. By far. We needed to lead with it and deliver on the taste.

Confirming the Direction

Research Components

BASES

Focus Groups with messaging creative

Millward Brown advertising campaign testing

At this point, sensory testing had confirmed that the Hostess 100 Calorie product delivered on the true Hostess cake experience. The line was optimized to 3-cake servings in 3 varieties: Chocolate cake/chocolate icing, golden cake/chocolate icing, carrot cake/cream cheese icing.

The challenge was now squarely on the creative to effectively convey the message that this 100 Calorie product delivered what no others had – the real experience of the parent brand – in our case, the experience of real cake satisfaction.

Campaign concepts were developed around the following messaging direction:

Only new, fresh-tasting Hostess 100-Calorie Packs give you the sweet snack satisfaction of real/authentic cake in 100 Calories.

Concepts reflecting that offering were developed and tested in BASES (with media plan inputs). Results indicated a year-one retail sales potential of \$52.1 million. This presented an exciting opportunity for the brand.

Four print campaigns were tested in focus groups.

INSIGHT: BE REAL. BE SIMPLE.

KEY INSIGHTS:

Messaging needs to focus on the product, not the emotions or reasoning around portion-control usage occasions.

When we looked at creative that spoke to the “guilt free” or “no excuse needed” idea behind a portion-control snack, it interfered with the strong emotional bond we were able to resurrect between our target and the Hostess brand. The messaging needed to validate that emotional bond, not try to leverage new emotional triggers.

Further, focus on the product emphasized our real cake delivery – the satisfaction of enjoying the original version. We needed to heighten this expectation to overcome doubts about 100 calorie products.

Settings that reinforce the “real cake” benefit of the product need to be general and not invoke specific cake events (birthdays, weddings, etc.).

Further refining our understanding of the expression of the “real cake” benefit involved a seemingly small but critical adjustment to the print ads. When we showed the product in specific cake-occasions, like birthdays, it drew consumers out of the broader concept of “real cake” and into the “reality” of the actual occasion. We learned that the “specialness” of those settings was about the occasion, not the cake. We avoided those settings, allowing consumers to accept the real cake/real satisfaction message.

Drawing these insights through the entire research process resulted in nearly unprecedented results in Millward-Brown quantitative testing. The campaign’s Ad Impact scores tell the story: the ads are in the top 5% of all ads tested by Millward-Brown (see appendix).

The attached spider diagram also demonstrates the strong emotional response these ads evoke (see appendix).

Further, the ads are above norm on all other measures: eye-catching, branding, comprehension, key benefit communication (“is great tasting” and “3 snack cakes equal 100 calories”), believability, and persuasion.

These outstanding quantitative results validated our process. The work that went into Millward-Brown testing incorporated learnings we had gained from each piece of research.

Campaign Description

3 Cakes. 100 Calories. Real Satisfaction.

When we link that statement with the Hostess brand, the combination is a powerful and emotional message for consumers and is the driver for the campaign.

Print Executions: “Diner” and “Restaurant”

In print, the lead medium, we reinforce that tagline with settings that almost effortlessly convey places you’d expect to find real cake. The settings are a quintessential, old-fashioned diner and a fine-dining dessert tray – simple to understand and easy to relate to.

Beyond Print

We extended this imagery wherever possible. The Hostess 100 Calorie microsite was a direct lift from the “Diner” print execution. Online banner executions also used the “Diner” motif to leverage the compelling nature of the work.

Where we were more limited by space or placement – in-store displays and signage, and Catalina coupons in particular – we still carried through the strong Hostess branding, the tagline and the product imagery that reinforced the true Hostess experience.

The campaign ran at “resolution and diet” times, launching in February – May, with additional support in the Summer/Fall transition period.

SNACK-LOVING CONSUMERS ATE IT UP.

Business Results

The outstanding Millward-Brown results were a validation of the impact of our research to identify and leverage consumer insight into our communication. But those results would be meaningless without success in the marketplace. And did we have success.

Sales Far Exceed BASES Projections

While BASES projected Year One sales of \$52.1million, actual sales are tracking in excess of \$70 million, an increase over projection of 34%. In post-analysis of the projections and actuals, BASES has attributed over 85% of the discrepancy to the strength of the messaging to drive purchase well beyond their normative expectations.

Trial Purchase Leads the Category

IRI tracking shows that we have driven consistently stronger trial rates than Nabisco, the originator of the 100-Calorie category (see appendix).

Hostess trial rate of 7.9% is a full +27% higher than Nabisco over the equivalent periods following each product launch.

Messaging is a strong factor in the trial rate, as Hostess media spend over the same # of introductory weeks was less than 25% of that of Nabisco in 2006.

Hostess 100 Calorie Has Grown the Category

IRI Infosource analysis also shows that, thanks to our messaging, sales of Hostess 100 Calorie Snacks drove growth of the Sweet Baked Goods category. We reached and motivated consumers who had shunned our category because it lacked relevance for them.

Brand household penetration grew by 25%

25% of Hostess 100 Calorie sales were sourced from outside the current SBG consumer set (see appendix):

16% of volume came from the better-for-you cookie aisle

9% of volume has been organic growth for the SBG segment

New Product Launch Has Created a Resurgence of the Base Business

While the snack cake category overall was declining (-\$11MM) and Hostess 100 Calorie Packs were generating unprecedented sales, the base business for Hostess (Twinkies, Cupcakes, Ding Dongs and other snack cakes) also grew (+\$16MM). We had achieved our goal of reinvigorating the brand both in terms of consumer perceptions and sales.

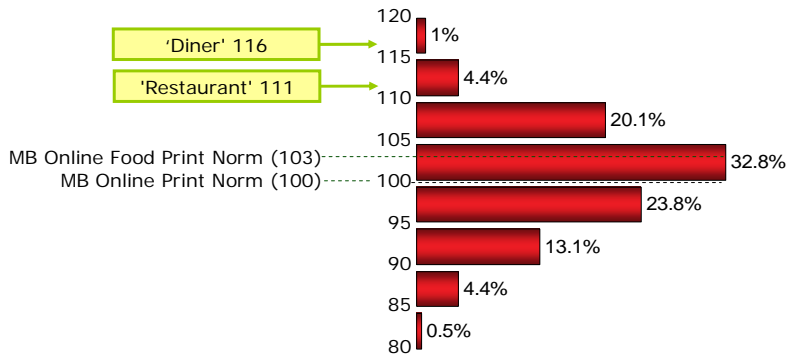
MAKING SWEET BAKED GOODS HISTORY

Summary

The bakers at Hostess did something no one else had – they delivered the true experience of the original brand in a satisfying 100 calorie portion. Through effective application of consumer research, the marketing team created a communication platform that did justice to that product achievement. The Chocolate 100 Calorie Pack now vies with Twinkies and Cupcakes as a leading seller in the Hostess portfolio. This effort might just be creating their next great snack icon.

Ad Impact Score

The Ad Impact Score summarizes an ad's ability to get noticed.

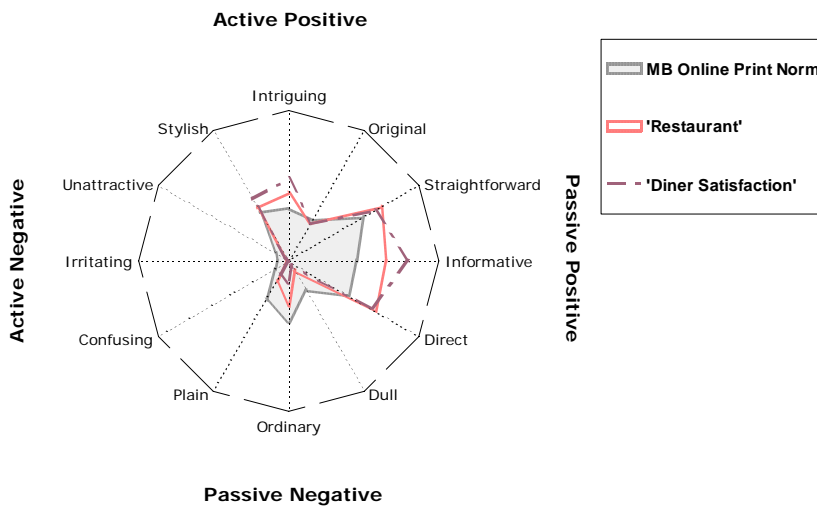


Base: 412 USA – English – Online Print Ads



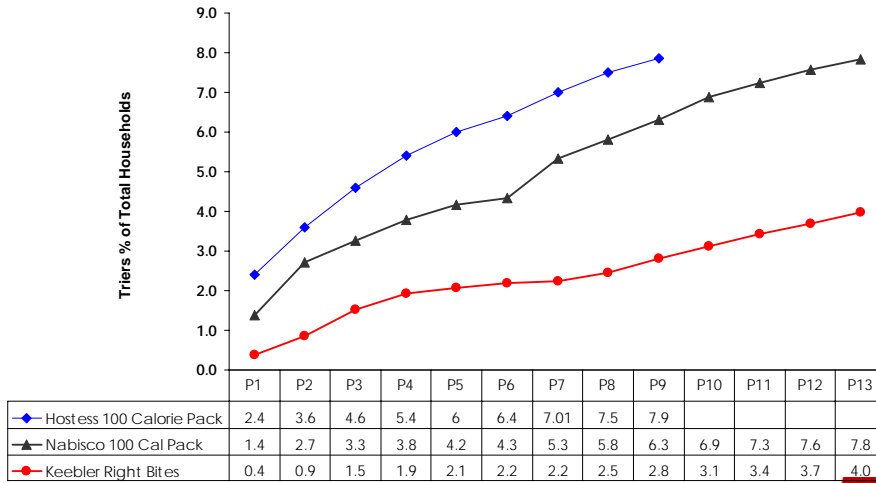
Engagement

Engagement | Q. 7/8/9: Which one of these applies most to the advertisement?



Cumulative Trial Benchmarks – Time Aligned

Hostess 100 Calorie Pack continues to have higher trial compared to Nabisco 100 Cal Pack and Keebler Right Bites.



Nabisco 100 Cal Pack includes Oreo & Chips Ahoy
 Keebler Right Bites includes Chips Deluxe, Sandies & Fudge Stripes



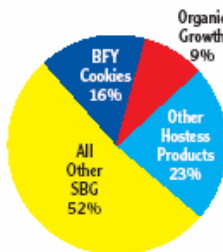
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Messaging Campaign Drives Strong Incremental Sales for 100 Calorie Product Launch

Hostess 100 Calorie Packs are growing sales for the category.

- 16% of Hostess 100 Calorie Pack volume is from the better-for-you cookie aisle.
- 9% of volume is organic growth.

Hostess 100 Calorie Packs Source of Volume



IRI Information, July 2007

Hostess is stronger than ever despite a decline among other sweet baked goods.



RI, 24 weeks ending 8/12/07.

- Hostess 100 Calorie Packs generated \$29 million in sales in their first six months.
- The Hostess base business also continues to grow—up \$16 million vs. one year ago.