

# Premium Chocolate Holds Steady in Tough Economy

*More-Selective Consumers Make Each Morsel Count With Emphasis on Ingredient Sourcing and Artisanal Production*

By HOLLY HENSCHEN

Even in a recession, frugal consumers shell out cash for popular premium chocolate, but the variety they purchase depends on its value, quality and manufacturer.

Analysts said trendy, pricier premium cocoa varieties promote chocolate consumption growth. Throngs of products from smaller specialty as well as major chocolate manufacturers line store shelves. But consumers are buying the sweets less often and more discriminatively as household incomes contract with the U.S. recession and world economic crisis.

"Chocolate may very well be recession-proof -- it's just a matter of how much consumers want to pay for it," said Krista Faron, senior analyst at Mintel, a market-research company, in Chicago.

Premium chocolate is typically characterized by an emphasis on sourcing and the production process, much like wine. A premium price tag also tends to accompany the pursuit of quality.

"In volume terms, growth in the premium chocolate segment has slowed somewhat in recent months as a result of the global economic crisis. However, in value terms, this category is still growing," said Josiane Kremer, spokeswoman for Switzerland-based [Barry Callebaut](#). The company sells chocolate to industrial food manufacturers, artisans and chefs as well as international chocolate retailers and consumers.

In the year ended Nov. 2, total chocolate candy sales in supermarkets, drugstores and mass merchandise outlets totaled \$4.99 billion, a 2.2% increase from the year before, according to data compiled by Information Resources Inc., a Chicago-based research firm. That data excluded Wal-Mart Stores Inc. In the same period, however, average unit sales decreased by about 3.8% and average price per unit increased by nine cents, according to the data. Chocolate makers felt price pressure and many large manufacturers increased prices in 2008 amid multidecade highs in raw cocoa prices.

Large chocolate manufacturers Barry Callebaut and [Hershey](#) Co. delved into the premium chocolate realm previously occupied primarily by smaller-scale specialty

manufacturers. In 2008, Mars Inc.'s Mars Snackfood US introduced M&Ms Premiums in flavors such as mint chocolate and raspberry almond, as well as dark chocolate varieties.

Consumer familiarity gives some brands an advantage over others amid the glut of premium chocolates on the market as new lines continue to be launched, Mintel's Ms. Faron said.

"The [brands] that have the highest quality and offer superior taste [that] are backed by strong brands already will probably have an advantage," she said.

Smaller specialty premium manufacturers have a better chance at staying afloat during tough economic times because they have less competition than large manufacturers, Ms. Faron said.

"Those [consumers] want to support small and local producers and that's where their loyalties are going to lie," she said.

Two specialty companies are Askinosie Chocolate in Springfield, Mo., and Guittard Chocolate of Burlingame, Calif., which have their own approaches to making and selling chocolate.

Askinosie Chocolate has a hands-on, personalized production method and business model, according to founder Shawn Askinosie. The company purchases approximately 20 tons of cocoa beans annually, just a fraction of a major manufacturer's supplies, Mr. Askinosie said.

The company is a member of Craft Chocolate Makers of America, a group of independent chocolate makers that stresses the importance of small batches and select ingredients to produce quality chocolate.

"We're not trying to appeal to a mass consumer audience," said Mr. Askinosie.

Gary Guittard said his company saw more sales of its chocolate to candy manufacturers as discretionary spending received a nudge higher from easing gas prices. Guittard Chocolate is a member of industry group Chocolate Council of the National Confectioners Association. The council's members represent more than 90% of the chocolate processed in the U.S.

"Everyone has a place in the market," Mr. Guittard said.

Most consumers are unaware of the difference between smaller specialty and larger premium chocolate manufacturers, said Judy Ganes-Chase, president of J Ganes Consulting, in Katonah, N.Y. The firm specializes in agricultural commodities.

"[Major manufacturers' premium varieties are] good enough for the average consumer, and they'll enjoy it and think they have something really special," said Ms. Ganes-Chase.

Though consumption continues, consumers are failing to respond to gimmicks and unessential quality assurance in premium chocolate as budgets feel the squeeze, Ms. Faron said.

The shine of chocolate health claims will soon fade as consumers become desensitized to the fad of value-added superfoods, she said. Additionally, fair trade-certified chocolate is less attractive amid economic uncertainty. Fair-trade products pledge to pay producers a price higher than the typical market rate for commodities such as cocoa and coffee.

"For something like fair trade, which is strictly about the ingredient sourcing, they're not going to see the difference in the quality of the product," Ms. Faron said.

But competition will continue in the premium chocolate arena as private-label premium chocolates may have the advantage. The chocolates, sold under trusted chain-store labels or in retail locations with an exclusive brand, are typically less expensive than the major brands but have the same quality, she said.