

Meeting the consumer demand

Consumer and market insights are a key source of input for our product development, marketing and branding. It is important to understand all parts of the consumer journey in order to provide brands and products that are liked, purchased and consumed.

The consumer in the spotlight

Cloetta continuously monitors market trends to gain valuable information to feed into the development of new ideas and concepts. Cloetta tests different hypotheses, concepts and prototypes to ensure our offerings resonate well with consumers, and that there is a good fit with Cloetta's brands.

By evaluating the physical products, consumers provide essential feedback to our innovation team who subsequently improves the product recipes to fully meet consumers' preferences before launch. We manage and make use of our own consumer panel to efficiently conduct product tests, establishing a direct line with consumers, which supports the improvement of our current products as well as the development of new ones.

We closely follow the health of our brands through advanced tracking tools based on specific KPIs to systematically follow the effect of our marketing activities and new launches. The high frequency of data points ensures a thorough understanding of the brand performance and enables quick and effective actions when needed.

Strategic product development

Product development is one of the key drivers to win new consumers and drive brand health while differentiating in the market. On an ongoing basis we introduce product extensions such as launches of new flavours, textures and packaging as well as adaptations to local needs on already existing product lines. A product that is successful in one market can be launched in another market under an existing local brand.

To ensure valorisation and competitive edge, we focus on fewer but bigger innovations every year to provide truly new taste and ingredient experiences based on key consumer insights. It enable us to enter new market segments, grow categories, be margin-accretive and launch these innovations cross markets to ensure synergies of scale.



Brand and category leadership

Good availability and visibility in stores, alongside strong brands with high recognition and loyalty, are critical to confectionery sales in retail. Cloetta's continuous development and care of its brands, together with a strong sales force, are of vital importance.

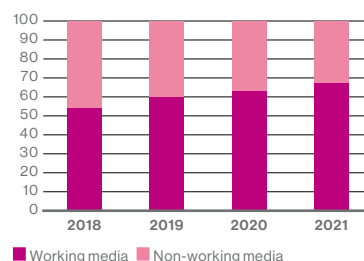
We focus on accelerating marketing return on investment with increased emphasis on the largest brands of the brand portfolio. Cloetta's ten largest brands account for more than half of the Group's sales. For each brand there is an individual development plan aimed at continuously developing and strengthening the brand. One overarching ambition is to ensure that the marketing investments we make are effective in driving incremental sales and brand equity for the long term. This involves creating the right impactful content combined with a suitable media channel mix, which must be carefully developed and planned ahead of each campaign, based on the defined performance objectives.

Cloetta typically combines marketing activities with in-store campaigns. New products are normally given sales support through campaigns, events, in-store activities and advertisements to reach consumers as quickly as possible.

Over the last years, efficiency gains have enabled us to increase its share of marketing that is visible to the consumers, up from around 40 per cent in 2017 to around 70 per cent in 2021.

We believe that the consumers are the key to growth, which is why they are at the centre of all our strategies.

Share of working media vs. non-working media

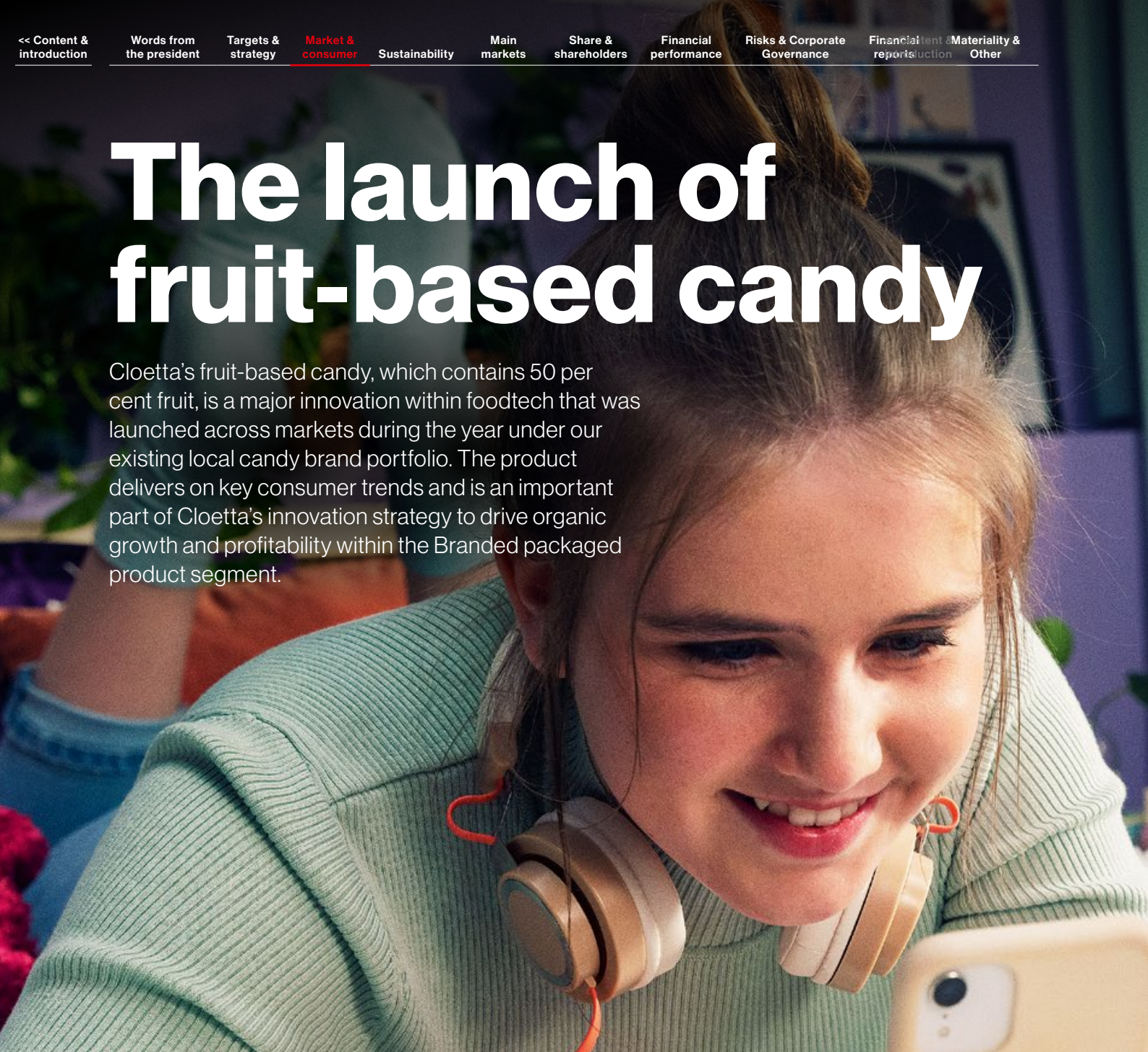




Welcome to the party

The launch of fruit-based candy

Cloetta's fruit-based candy, which contains 50 per cent fruit, is a major innovation within foodtech that was launched across markets during the year under our existing local candy brand portfolio. The product delivers on key consumer trends and is an important part of Cloetta's innovation strategy to drive organic growth and profitability within the Branded packaged product segment.



Consumer insights

By keeping track of different trends and behaviours, we get valuable information to develop new ideas and concepts. The development of our fruit-based candy is a great example that was built on consumer insights, such as the need of increased transparency and a focus on more natural ingredients.

Idea, tests and solution

Fruit-based candy is a completely new type of product in the candy category and the result of a long-term innovation and development process that evolved for about two years. The product was developed with our internal capabilities and in our own factories. We knew what we wanted to develop, but also the challenges we faced. From a production point of view, it was indeed a challenge to produce a product that contains a lot of fruit and at the same time tastes, looks and feels like candy.



The new fruit-based candy, which contains 50% fruit and consists of natural colors and flavors, is vegan and was developed in close dialogue with consumers to ensure the best result. The high fruit content gives the products a fresh, juicy and natural fruity taste. The colors of the candy come from foods with coloring qualities, such as black carrot, sweet potato and black currant. Natural dyes such as curcumin and paprika extract are also used.

International launch

Cloetta developed its fruit-based candy to fit several different local brands enabling a cross-market launch and thereby capturing the benefits of scale. The innovation adds to previous launches such as Kexchoklad Vegan, Gott & Blandat 30% less sugar as well as the use of natural sweeteners in the products.

The joint launch of the fruit-based candy in several markets took place in the spring of 2021. In Sweden, it was launched simultaneously in most stores in the service and retail sector in the country.

The new candy was launched in two taste variants:

- Berries and fruit - with flavors of red apple, pear, strawberry, blueberry, pomegranate and raspberry.
- Tropical - with flavors of green apple, pear, passion fruit, pineapple, peach and mandarin.

The products are also available in different packsizes in the different markets to give the consumers a selection of products that meet different needs at different moments.

Once an innovative launch like this has been public, the product development team is already on their way to launch new products based on learnings and insights from the previous one.