

# Understand and excite the consumer

Consumer centricity is our long-term passion and commitment to satisfy consumer needs. 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. Our strategic efforts are centered around the following three key areas.

## The consumer in the spotlight

Cloetta continuously monitors market trends to gain valuable information to feed into the development of new ideas and concepts, see pages 16–17. 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 which 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.

**We focus on accelerating marketing return on investment with increased emphasis on the largest brands of the brand portfolio.**

## 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 enables 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 trial, 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.

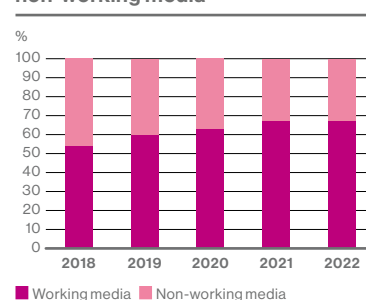
We focus on accelerating marketing return on investment with increased emphasis on the largest brands of the brand portfolio. Cloetta's ten largest brands account for more than half of the Group's sales. For each brand there is an individual development plan aimed at continuously developing and strengthening 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 the share of marketing that is visible to the consumers, reaching close to 70 per cent in 2022 helping us to invest competitively.

Share of working media vs. non-working media



A woman with curly hair is applying makeup with a brush to her cheek. She is wearing a red top. In the foreground, there are two glass bowls: one filled with various fruits and the other with colorful candies. The background is a softly lit room with large windows.

“Finally,  
the weekend



# Strategies driving penetration

Cloetta is executing various strategies to accelerate brand growth and advance the consumer base. The following three cases are examples of how we successfully grow consumer penetration and consecutively grow our brands.

## Exploit adjacent segments – Tupla Crispy Puffs

The launch of Tupla Crispy Puffs in Finland during 2022 is an example of how an iconic chocolate bar brand was able to expand into a new adjacent chocolate bag segment – growing total sales.

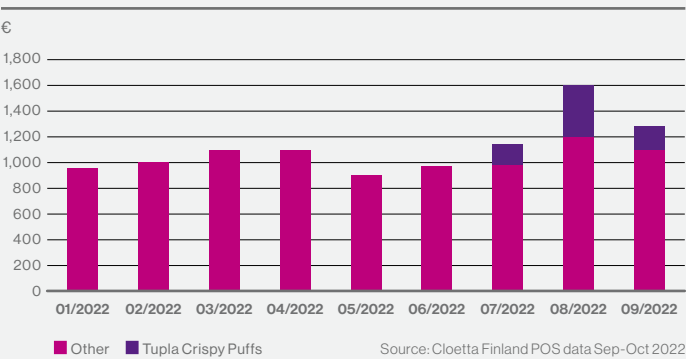
During the initial launch period the following was seen for the Tupla brand:

- Household penetration grew with over 50 per cent
- The repurchase rate exceeded targets

Tupla Crispy Puffs increased the chocolate bag market segment at Kesko, one of Cloetta’s customers in Finland. At the same time a new consumer range was added to the brand.



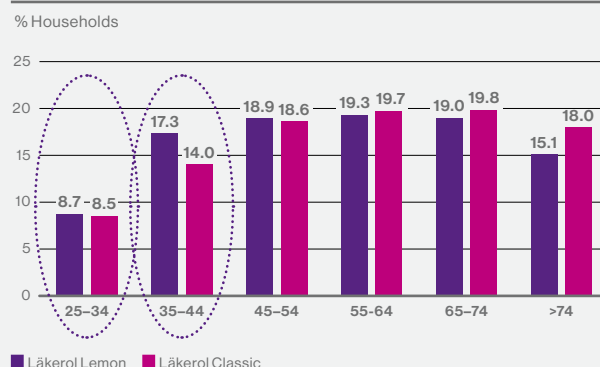
Chocolate candy bags value sales, Kesko







Division of Läkerol Lemon and Läkerol Classic per household



Source: ICA Selfserve data, w 7-45, 2022, % Households vs Age Group

## Attract younger consumers – Läkerol Lemon

Läkerol Lemon is a new taste of Läkerol that was introduced during 2022, with the aim to reach younger consumers that prefer fruity flavors.

Since the launch of Läkerol Lemon flavor, the Läkerol Classic showed an overall growth of 10 per cent in Sweden. 80 per cent of this sales increase was driven by the new

launch of Läkerol Lemon. Furthermore, shopper data shows that the largest growth rates were seen among the younger target groups.

Läkerol Lemon helped increasing the Läkerol Classic incremental sales while at the same time recruiting the younger target groups up to 44 years.

Source: Nielsen, P2 to P11 22, DVH+SVH+LPH, VS%, Total Pastilles and ICA Selfserve data, w 7-45, 2022, % Households vs Age Group.

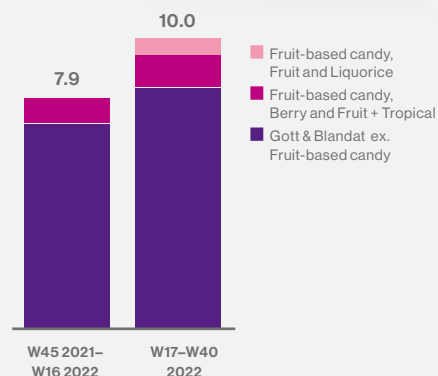
## Maximise innovations – Fruit-based candy

Fruit-based candy was developed to meet strong consumer demand for more natural ingredients in confectionery. Our first products were launched in Sweden and Finland in 2021. Using the learnings and insights following the introduction, Cloetta developed an innovation roadmap to attract more consumers and fuel the growth of the range. In 2022 a new variant which combines fruit and liquorice was successfully launched. The fruit-based candy range is sold in all Nordic markets and in the Netherlands under our local brands Gott & Blandat/Godt & Blandet, Aakkoset and Red Band.

The fruit-based candy range has helped to recruit new consumers to our brands and doing so, increased market share of the brand.



Market share value, Sweden, %



Source: Nielsen, Sweden, Sugar confectionery, DVH+SVH.

