

See's CANDIES®

THE MARKET

People of all ages love their sweets. More than just a tasty treat, candy is often a welcomed pick-me-up, a wonderful gift, a little piece of happy™. In fact, even when money is tight, candy is an indulgence many are not willing to give up.

Small wonder, then, that despite a stressed economy and increases in commodity costs, including cocoa and sugar, the global candy manufacturing industry has continued to grow over the last five years. The market generated \$120 billion in annual revenue and is expected to see moderate growth over the coming years.¹ The boxed-chocolate market specifically was up 4 percent in 2012.²

ACHIEVEMENTS

After opening its first shop in 1921, See's Candies quickly developed a reputation for making unusually high-quality, delicious candy. Customers waited in lines around the block just for a taste. Because of this buzz, See's grew steadily, opening 12 shops by the mid-1920s — and 30 more shops during the Great Depression. Today, the California-based mainstay has over 200 retail shops along with a thriving ecommerce site to satisfy chocolate fans around the world.

The brand's biggest achievement, however, may actually have come in the form of a 7,003-pound chocolate treat. In the summer of 2012, See's made history by setting the Guinness World Record for largest lollipop with its 16-foot, seven-inch confection.



and into the homes of candy lovers everywhere. After moving his mother and family from Canada to California, Charles found a financial backer and opened the first See's Candies shop in Los Angeles.

With plenty of competition on the market, Charles knew he needed a key differentiator to make his product special. From the beginning, he decided that distinction would be quality — from the recipes, which would be his mother's, to the ingredients, which would only be the finest.

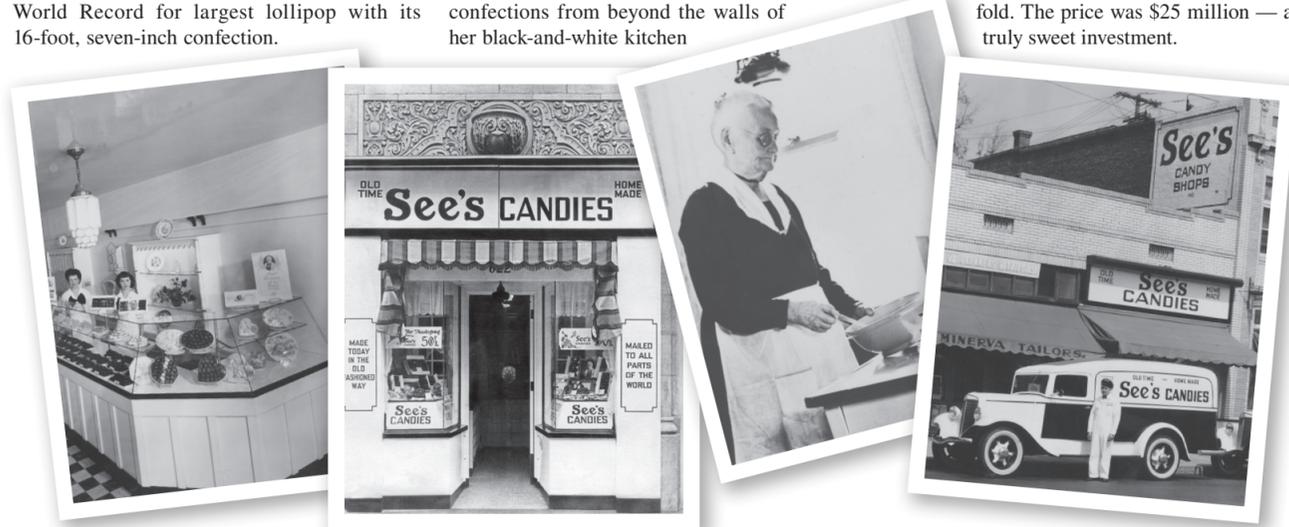
Customers discovered that See's Candies tasted as good as, if not more delicious than, homemade candy. Better yet, prices were affordable. Even during World War II — when sugar, butter, and cream were in extremely short supply — the company found a way to uphold its commitment to quality. The solution was simple. The best ingredients would still be used, but See's would make less candy. The shops were given a quota, and when the candy ran out, the shops would close until they received additional candy to sell.

For the next 30 years, See's Candies flourished — so much so that the company caught the eye of legendary investor Warren Buffett. From his first bite, Buffett was a fan. He also greatly respected the company's business ethics and quality standards. Thus, in 1972 he and Charlie Munger agreed to bring See's Candies into the Berkshire Hathaway fold. The price was \$25 million — a truly sweet investment.

This supersized moment was happily shared with over 1 million Facebook fans.

HISTORY

Mary See and her homemade recipes were the inspiration behind See's Candies. But it was her son, Charles A. See, who helped take Mary's confections from beyond the walls of her black-and-white kitchen



THE PRODUCT

See's makes over 100 different candies, from chocolates and fudge to lollipops (See's spells it with a "y"), bon bons, and brittles. Many of the treats are available year-round, but special seasonal pieces are also featured during the holidays, like the ever-popular handmade, hand-decorated eggs for Easter, creamy Pumpkin Pie Truffles for Thanksgiving, and Scotchmallow® Trees for Christmas.

Mary See's original recipes are still used for some of the most beloved products, including Victoria Toffee and Peanut Brittle. But for new products, See's relies on its resident candy scientist to create these flavors. When developing a new product, See's prefers to come up with treats people can enjoy for generations, shying away from trends or fads. The process is extensive and time-consuming as every element must be refined to perfection; flavor, color, texture, and even how the product will be shipped are all carefully scrutinized.

When manufacturing its candy, See's uses only the very best ingredients available, always eschewing added preservatives. Two California-based candy kitchens churn out up to 1 billion pieces of candy each year, with modern machines and dedicated employees working side by side.



An automated chocolate waterfall coats the candy, and conveyors move the pieces along. Meanwhile, nuts are sorted by hand for quality. Rocky Road is hand-mixed. And every box is carefully packed by hand. The mix of technology and tradition is unique and wonderful.

RECENT DEVELOPMENTS

For most of its 92 years, See's has had the good fortune of making candy so tasty, it practically sells itself. Little marketing and advertising effort was ever needed. Loyalty and recognition on the West Coast have historically been nonissues for See's, since virtually everyone either grew up with the candy or is familiar with the brand. But venture east, and it's a different story.

As See's continues to expand its retail presence into uncharted territory, new challenges and opportunities have emerged. Targeting new markets requires reaching customers who have never heard of or — more importantly — never tasted See's Candies. Facing this dilemma, the company believed the time was ripe to refine the brand experience.

As part of this effort, See's recently developed a new brand book and style guide to move the company from old-fashioned to timeless, from just plain sweet to sweet . . . with a wink. Catalogs, ads, emails, shop signs, flyers, and every other customer touchpoint have all been refreshed to reflect the new vision and voice. What See's did not change, and never will, are its core values of taste, quality, tradition, and service.

PROMOTION

Every person who visits a See's Candies shop is offered a piece of candy to try. This long-standing tradition makes it easy for customers to explore flavors they've never tasted before or to enjoy established favorites. Those who know See's will often make a special detour when out shopping just for this daily treat.

To bring in new customers, the company finds creative ways to introduce people to its delectable confections through fun local events. One such event was held in the middle of New York's Times Square, with a piece of giant 3-D sidewalk art featuring See's lollipops. Free lollipops

were handed out to the crowd, and everyone was invited to snap photos of the street art and share their experience via their favorite social network sites.

During peak holiday periods, See's promotes its seasonal products through print and online campaigns, featuring enticing imagery that is clean and simple, letting the candy speak for itself. Most recently, and for the first time in company history, See's began offering free shipping for online and catalog orders — which, to no surprise, was well received by customers.

BRAND VALUES

Everything See's is, and everything See's does, connects to the customer. The company's brand



values — taste, quality, tradition, and service — are the basis for its success. Taste creates devoted customers; quality, satisfied customers; tradition, loyal customers; and service, happy customers. It's a simple formula, but one that See's has wholeheartedly followed from day one.

¹IBISWorldGlobal Candy & Chocolate Manufacturing Market Research Report, June 2013.

²Fortune, September 3, 2012.

THINGS YOU DIDN'T KNOW ABOUT SEE'S CANDIES

- Mary See was real, born September 15, 1854. Her own black-and-white kitchen inspired the design of the See's Candies shops.
- See's is one of the few remaining manufacturers that ages its chocolate. Aging the chocolate results in a smoother, more mellow flavor that's unique to See's.
- The famously funny *I Love Lucy* episode "Job Switching" was inspired by the See's factory in Los Angeles.
- Many See's employees have been at the company for 20, 30, 40, even 50 years. They feel See's is like family.
- Everyone who visits a shop is offered a yummy piece of candy, resulting in over 1 million pounds of candy given away each year.