

m&m's[®]

CHOCOLATE CANDIES

THE MARKET

Chocolate is a perennial American favorite when it comes to confectionery products, and the United States is near the top in per-capita chocolate consumption. Polls show that more than half of American men and women choose chocolate as their favorite flavor for confectionery products and desserts.

Out of the \$27.9 billion in 2005 retail confectionery sales, \$15.7 billion alone was from chocolate retail sales. Candy sales often increase during holiday seasons —



Halloween, Easter, Christmas, and Valentine's Day, in order of volume. The year 2005 saw a 2.3 percent increase in Halloween candy sales over the year before, and a 2.4 percent increase in Christmas candy sales.*

ACHIEVEMENTS

Today, the M&M'S Brand is sold in more than 100 countries and is the most popular confectionery brand in the world. In North America, M&M'S Candies are the number-one brand, 50 percent larger than the number-two brand. Sales have grown by more than 1,000 percent over the last two decades, rocketing the brand to approximately \$2 billion in retail sales, while growing at twice the rate of the category and achieving nearly double-digit compound growth since 1995. The M&M'S Brand has maintained its leadership in the category through an unwavering commitment to making the essence of "colorful chocolate fun" fresh and relevant to its millions of loyal and new consumers.

HISTORY

M&M'S Chocolate Candies started in one man's kitchen and grew into an international brand. As the story goes, Forrest

Mars Sr. visited Spain during the Spanish Civil War and encountered soldiers who were eating pellets of chocolate in a hard, sugary coating, which kept the chocolate from melting. Inspired by the idea, Mr. Mars went back to his kitchen in America and invented the recipe for M&M'S Milk Chocolate Candies. They were introduced in



1941 and immediately became part of American GIs' rations during World War II.

During the 1950s, M&M'S Chocolate Candies quickly became an American household staple, with the help of the

now-famous advertising slogan, "The Milk Chocolate Melts in Your Mouth — Not in Your Hand." In fact, in 2004, M&M'S were voted the number-one advertising icon and number-one ad slogan by consumers in the annual *Advertising Week* poll.

In the 1980s, M&M'S Chocolate Candies broadened their horizons by becoming part of the American space program. In 1984, M&M'S Candies made their first trip on the Space Shuttle and have been a part of Shuttle missions ever since. Aside from venturing into space, M&M'S Chocolate Candies also

began establishing an international presence, sponsoring the 1984 Olympic Games in Los Angeles.

As the twentieth century came to an end, the M&M'S Brand Characters proclaimed themselves the official candy of the new millennium.

THE PRODUCT

M&M'S Chocolate Candies are a unique blend of the highest-quality milk chocolate with a flavor that is not too sweet or satiating. Individual candies are covered with a thin, crisp, colorful sugar shell that imparts the M&M'S Candies texture. The shell colors are bright, shiny, and lustrous. The milk chocolate inside and the crisp outside sugar shells provide all the taste; the color is actually flavorless.

M&M'S come in ten core varieties: Milk Chocolate Candies, Peanut Chocolate Candies, Peanut Butter Candies, Almond Chocolate Candies, MINIS Milk Chocolate Candies, MEGA M&M'S Milk Chocolate Candies, MEGA M&M'S Peanut Chocolate Candies, Milk Chocolate and Semisweet Baking Bits, Dark Chocolate Candies, and MY M&M'S Chocolate Candies.

M&M'S Dark Chocolate Candies offer consumers a new fun way to eat dark chocolate, in a new, eye-catching purple package. Based on strong



consumer interest and the resounding success of M&M'S Star Wars Episode III "Go to the Dark Side" promotion, M&M'S Dark Chocolate Candies are now a permanent line in the portfolio.

The candies are in the original color blend that consumers have enjoyed for years — red, yellow, green, blue, orange, and brown, with the word "Dark" printed underneath the "m" on the candies. M&M'S received more than 30,000 consumer requests to make Dark Chocolate M&M'S Candies. Dark chocolate is one of the fastest-growing segments in the chocolate category.

RECENT DEVELOPMENTS

Over the years, the M&M'S Brand has grown into an American icon while continually adapting to changing times. New developments keep the brand fresh and fun for chocolate lovers.

In 1995, more than 10 million Americans voted to add blue to the M&M'S Brand color mix, which has become a permanent addition. M&M'S Chocolate Candies entered the virtual age in 1996 with the launch of mms.com. Today, the Web site features games, fun facts, an



online store, and more. As the M&M'S Brand Characters have evolved, the line of M&M'S Brand merchandise has grown, and much of it can be found on the Web site.

MY M&M'S Milk Chocolate Candies with custom printing were introduced in early 2005, allowing consumers to put their feelings into words by printing their own sweet sayings directly on M&M'S Candies. Among the most popular sayings are "I Love You" and "Marry Me," as well as brides' and grooms' names along with their wedding date. Purchasers can choose from 21 colors, 17 of which can be personalized, and select from a variety of packaging. The personalized message appears on one side, with the trademarked "m" on the other.

MY M&M'S saw growth in providing occasion-driven solutions for consumers, whether for gift-giving or event planning. In fact, a Masterfoods USA survey found that 90 percent of Americans claimed personalizing a wedding celebration gave it a special touch and personal meaning. Since then, extreme trend growth has occurred toward customization and personalization for all occasions, not just weddings. The trend is growing because of consumers' desire to stand out and express their individual personalities and style in today's society.

The My M&M'S online retail business uniquely offers mass customization backed by a brand that consumers adore. The success of the business is growing daily, with fresh innovations constantly in the pipeline, including a business-to-business offering to print company logos and custom messages, new fonts, and new flavors. It's all about My Message, My Color, My Package, My Brand, and My Flavors — all accessed through mymms.com or by calling 1-888-MYMMS-88.

PROMOTION

The M&M'S Brand began its television advertising in 1954, and the M&M'S Brand Characters were also introduced that year. Over the decades,



they continued to evolve, eventually becoming the most recognized characters in America in 1996.

Green (the first female character) was introduced in 1997, and Orange arrived in 1999. All of the M&M'S Brand Characters can be found on the Web site.

For the past five seasons, M&M'S has been associated with NASCAR as a promotional partner, and this year M&M'S moved to the next step, completing a three-year agreement to serve as the Official Chocolate of NASCAR. In addition, Masterfoods USA announced the extension through 2008 of its relationship as primary sponsor of the #38 Ford, with Elliott Sadler behind the wheel for his third season at Robert Yates Racing. M&M'S involvement in NASCAR dates back 15 years, starting as an associate sponsor, with a small sticker

on the side of a NEXTEL Cup car.

M&M'S Brand Candies introduced M&M'S White Chocolate Pirate Pearls candies in conjunction with the July 7, 2006 release of Disney's *Pirates of the Caribbean: Dead Man's Chest*. In stores for an 8- to 10-week period, White Chocolate M&M'S are a custom pearl/Caribbean color blend including white, cream, pastel yellow, and light blue candy shell colors with nautical and pirate symbols on the candies.

Along the story line of the movie, other brands in the M&M'S Candies line also reflect the tone, colors, and imagery of the movie, including changing-color M&M'S MINIS Sunken Treasure Mix, M&M'S Milk Chocolate Pirate Gems, and M&M'S Peanut Chocolate Captain's Gold varieties.

The packaging also showcases the loveable M&M'S Brand Characters in a variety of pirate costumes alongside actor Johnny Depp, as Captain Jack Sparrow.

BRAND VALUES

The M&M'S Brand has represented superior quality and enjoyment to customers since Mr. Mars developed the brand in 1940. The appeal of M&M'S Chocolate Candies is universal, crossing age, gender, and national boundaries, bringing colorful chocolate fun to everyone.

* National Confectioners' Association, U.S. Department of Commerce

THINGS YOU DIDN'T KNOW ABOUT M&M'S CHOCOLATE CANDIES

- The original M&M'S Brand color mix contained brown, yellow, red, orange, green, and violet candies.
- The "M" imprint was not added to M&M'S Chocolate Candies until 1950 — in black. Today's white "M" imprint was introduced in 1954.
- A special machine imprints the "M" onto each M&M'S Chocolate Candy. The machine is carefully calibrated so as not to crack the candy shell.
- Four to eight hours are needed to make an M&M'S Chocolate Candy, depending on the variety — Milk Chocolate, Peanut, Almond, Peanut Butter, or Crispy.
- The original M&M'S Chocolate Candies were somewhat larger than today's product and were sold in a tube for five cents.
- The relationship between M&M'S and NASCAR is strong on many levels. The common thread between the two iconic brands is family. Both corporations have been part of American culture for more than a half century and to this day remain family run and operated.