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From Teen Fashion to Hershey Kisses: New Ways to Sell the Brand

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How do you market to an audience that is skeptical of traditional advertising, very media savvy, and possessed of short attention spans? And how do you turn a product that is highly dependent on seasonal sales into a product of choice year-round?

Both topics were addressed at this year's Wharton Marketing Conference which included a panel on "What Teens Want: Capturing the Attention of the Trend-Driven and Lucrative Teen Dollar," and a keynote presentation by Richard H. Lenny, chairman, president and CEO of The Hershey Company.

Whether a company's marketing target is the $175 billion that 30 million teenagers in the U.S. will spend annually on everything from fashion to electronics, or the $65 billion that U.S. consumers spend on snacks every year, the goal is "to play to win," conference participants emphasized. "Very simply, it's what we all do," said Lenny. "Whether you are in marketing, sales, operations or trying to get a Supreme Court Justice appointed, playing to win is what's most important."

One Fickle Market

But with the teen market, noted the panelists on "What Teens Want," that goal is particularly challenging. Teens, after all, constitute a very unique segment -- fickle, competitive, ever-changing and constantly on the move. Companies that want to get a toehold in the teenage landscape must be able to speak their language, identify their latest trends and find the optimal ways to target them through everything from music downloads to instant messaging advertising.

"Teens are an enormously important segment because they are disproportionately powerful in terms of being trend setters and early adopters," said Keith Niedermeier, Wharton visiting professor of marketing and panel moderator. "Additionally, they are an attractive market because of the lifetime value they offer. Capturing teens and establishing brand loyalty can launch decades of positive yields in the future. It is an incredibly lucrative market, but definitely not for the faint of heart. Nowhere in marketing does marketing research have a shorter shelf-life than when talking about the teen segment."

But while the teen market is indeed fickle, it is also increasingly sophisticated and challenging, noted the panelists, who included Michael Marquis, group product director, Clean & Clear Skin Care Business, Johnson & Johnson; Stacey Paddock, senior product manager, Frito Lay; Lisa Reiner, vice president, retail management, at The Beanstalk Group, responsible for development and management of the mary-kateandashley brand; and Melissa Lavigne of The Intelligence Group, a leading research, consulting and trend analysis company that specializes in Generation X (those born after the Baby Boom in the 1960s and 1970s), Generation Y (those born from the late 1970s to the early 1990s) and Tweens (a relatively new term used to describe anyone who is a pre-teen from 10 on up).

Panelists discussed the trends that influence a company's ability to capture the growing teen market, including teens' skepticism toward traditional advertising, their knowledge of different forms of media and the fact that their attention is easily diverted. "They are the proverbial moving target," said Niedermeier.

According to J&J's Marquis, from ages 12 to 19, teens "have a desire to be spoken to like adults. And from their [own] perspective, they are under more pressure than adults. They are worried about getting good grades, making the sports team, getting into college -- whatever it might be. They look at themselves as adults, as being mature. If you are putting yourself into their mindset, you have to tap into that desire to be spoken to as a sophisticated user."

When marketing to teens, Frito Lay's Paddock suggested that companies have to "first understand key business drivers, and second, match communication efforts with the target audience." For instance, while leading the teen marketing efforts for the Frito Lay Doritos brand, Paddock created partnerships with MTV Spring Break and MTV Video Music Awards, Yahoo Music and Universal Music, and later created a partnership between Doritos and walmart.com to offer teen consumers free music downloads with a purchase of Doritos. Said Paddock: "We had to think about what's important to teenagers? Fashion, email, instant messaging, video games, movies. In looking at all of those platforms, we decided to focus on music. Music is the best fit for Doritos, and in 2005, we offered five million free downloads through Doritos bags. Our ROI was enormous, and it was an incredible success."

Once established, it's important to stay true to the marketing message around teens, said the Beanstalk Group's Reiner. For example, with the mary-kateandashley brand and lifestyle products, "we have kept the brand promise: To be aspirational, accessible and age appropriate. We stuck to this marketing strategy around the globe, and the global population of tween girls has proved that the (brand promise) transcended barriers, although we were warned that it would not."

When it comes to macro trends, The Intelligence Group's Lavigne sees many that have important implications for marketing to teenagers. First, teens have multiple personalities and enjoy expressing different aspects of who they are: gifted athlete, scholar, member of a band. "In the 1980s, teens were fragmented, very specific. Now, with the Gen Ys, it's cool to have different aspects of your personality as something that identifies who you are."

Second, today's teens are defined by groups. "Gen X was all about me; Gen Y is about groups or being a part of a group of friends," said Lavigne. This teen dimension has been fueled in part by the increasing levels of communication available to teens, from instant messaging to cell phones to text messaging. "There are a lot of ways to be in touch." And teens today are all about "experiences -- the new social currency," she said. "Products can be replicated or knocked off, and there are so many of them today that it is difficult for kids to identify themselves through what they own. When marketing, it's important to integrate experiences like trips they take to South America with their families. Their experiences can't be 'knocked off.' They're real."

The panel participants acknowledged the significant subsets in the teen market. For example, female teenagers, global teens, and even 19-year-old boys were identified by Paddock as specific target groups for Doritos during one campaign. Paddock gave one example to show how targeting teens can be tricky. When an advertisement that featured male teens looking up girls' skirts proved offensive, it was pulled the first day. "We really thought this was the way to talk to 19-year-old boys, but the problem was that we focused on 4% of the population and basically offended" the other 96%, she said. Recent advertising efforts that offer music downloads for teens have proven much more effective.

Marquis agreed that "teen segmentation is important. In skin care, there is a group of girls who are confident and take good care of their skin. There is another group of girls who are extremely image conscious and concerned about every little pimple on their forehead. And there is another group of girls who don't care, who use soap and water and that's okay. You have to marry the segmentation to the mind set and tailor your messaging accordingly."

But when it comes to marketing to teens, it's difficult to identify the so-called "leading edge." The biggest marketing challenge, said Lavigne, "is understanding that for every 100 things teens experiment with, one or two things will trickle down. The early adopter is sometimes called a trend setter, but they don't really care about the trend. They are so immersed in video or technology that they just know what the cool things to look for actually are. And then you have the influencers; they are looking to the early adopters, but they are not going to figure it out on their own. They are leading edge, but they don't look too far head. In marketing, these are the ones you want to get a hold of, because they will spread the word about products and trends."

Kiss and Tell

When Hershey's Lenny talks about "playing to win," the playing field he competes on is the $65 billion snack world, where every year nearly 38% of all sales falls into the category of confection or candy. Lenny credits the steady "emotional connectivity" that Hershey has with its customers for making it the number-one sales leader within the candy category, with 29% of the total candy business. "We are an iconic brand," he noted, displaying pictures of Hershey Chocolate Bars, Hershey Kisses and Reese's Peanut Butter Cups, to name a few. "We have 14 $100-million brands."

When Lenny arrived at Hershey in 2001, he quickly realized that the chocolate giant was just "doing okay" -- a lukewarm endorsement based on his assessment that the numbers didn't add up right. "We had sales growth and compound growth rate of 4%, net income of 2% and earnings per share of 5%.... There are a couple of things happening here. One, when sales are growing faster than net income, the company is not getting leverage through the business system. And when EPS is growing faster than net income, this isn't a sustainable business model going forward. So for us, our strategic priorities were clear."

First, Lenny worked to reset the company's cost basis in order to capture the money needed to reinvest in the business and invest in brand building. Overhead was reduced, underutilized factories were closed and non-profitable businesses were sold. But the key growth opportunity was "to accelerate innovation. We have some of the best brands in confectionaries, some of the best brands in the cold snack market. Yet our product track record was hit or miss. We weren't investing from a customer standpoint in terms of being innovative with our retail trade."

The good news, as Lenny saw it, was that Hershey was "dealing from a position of strength. We are a market leader. We are an iconic brand. We had to look first at winning more consumers."

Consider the company's new marketing approach with Reese's peanut butter cups and Heshey's Kisses. Objective? Leverage the brands. While others looked at Reese's and saw only a chocolate-covered peanut butter cup, Lenny saw "a billion dollar platform, a significant opportunity to broaden the appeal and satisfy multiple needs with the Reese's franchise. Here you had one of the largest brands in the confectionary category, clearly the largest brand at Hershey, and yet we weren't capitalizing on the opportunity to expand the equity."

Enter White Chocolate Reese's, Reese's Pieces, Reese's Bites and, coming soon, Reese's with Fudge and Reese's with Caramel. "Reese's Peanut Butter Cup makes a lot of sense in the United States, but fill it with marshmallow or hazel nuts in the Far East or Western Europe, and now you start thinking about creating a global platform for Reese's as opposed to expanding it in the United States."

Next, consider Kisses, the Hershey's chocolate kiss created by company founder Milton Hershey over 100 years ago that has grown into a $400 million brand. "But here is an interesting statistic, which is either a problem or an opportunity, and we saw it as an opportunity," said Lenny, who pointed out that 60% of the Kisses business is seasonal, centered around special holidays. Why not make Kisses the candy of choice year round? Towards that goal, the company has now come out with dark chocolate and mint-flavored Kisses as well as peanut butter and caramel-filled Kisses. And most recently, there are Kissables, single-serve snack packs of candy-coated Hershey's Kisses readily available for pick-up in local convenience stores. "The orders are exceeding our expectations," said Lenny.

He noted other examples to show how Hershey now leverages existing products into new consumer and marketing avenues. For example, the company:

· Offers single-serve cookies, Hershey snack bars, nut products and Hershey hot chocolate in convenience stores, to not only build brand following but capitalize on the burgeoning convenience store market and new opportunities in "permissible" snacking.

· Tweaks gums and mints to offer a refreshment benefit through such products as Ice Breakers Liquid Ice.

· Co-brands confectionary products like Jolly Ranchers, Kisses and Hershey Miniatures for the U.S. Hispanic consumer through Thalia, a popular singer and actress in Mexico.

· Creates exclusive products for retailers like Target or 7-Eleven stores that guarantee exclusive marketing promotions, customized advertising placements and in-store support.

The results? Lenny pointed to what he called a "dramatic up tick" in net sales over the past 10 to 11 quarters, with 6.5% to 8% growth in the first three quarters of 2005. "That's a very good performance, driven primarily by new product innovation," he said. The company's earnings per share have increased from 5% in 2000 to nearly 13.5% over the last four years, and is up 16% in the first three quarters of 2005.

Lenny also offered a few lessons -- under the rubric of "Increasing the Odds" -- "that might be applicable in what you do from a career-business standpoint." First, learn from the past; don't live in it. "I was the first CEO from outside the company in its 108-year history. It was a shock for both of us." Second, understand the true sources of your company's competitive advantage. Within Hershey, Lenny cited brand franchise, confectionary expertise and superior selling capability. "If you forced me to pick one of the three, I'd say superior brand franchising. We knew our big brands had room to grow and we capitalized on them."

Third, rely on insight-driven consumer marketing and insight-driven customer marketing. Fourth, "maintain a foot in the familiar. It makes a lot of sense for Hershey to go into the cookie business in a certain segment. It does not make a lot of sense for Hershey to go so far that we can't leverage our source of competitive advantage. There's an old expression, 'You can go a long way staying close to home.' I think that applies to brands."

Fifth, when it comes to leadership and people, "marginalize the middle one-third. There's one-third who are with you, one-third who are against you, and one-third who are in the middle. The goal is to marginalize the middle third. Hopefully you can move them up to the one-third that likes you, to where they are understanding and supportive of your agenda, or they go down." And sixth, "realize that neither brands nor leaders are industry neutral. Brands either create energy with consumers or they sap energy; leaders do likewise."