

# Why Hershey, Hostess, Mondelez, and others are boosting their outlooks

## Article

**The news:** Despite some stiff economic headwinds, several snack food and sweets manufacturers are increasingly bullish about their outlook for the remainder of the year.

- **Hershey** boosted both its 2022 full-year net sales growth range and adjusted earnings per share (EPS) growth to 14% to 15% from 12% to 14%.

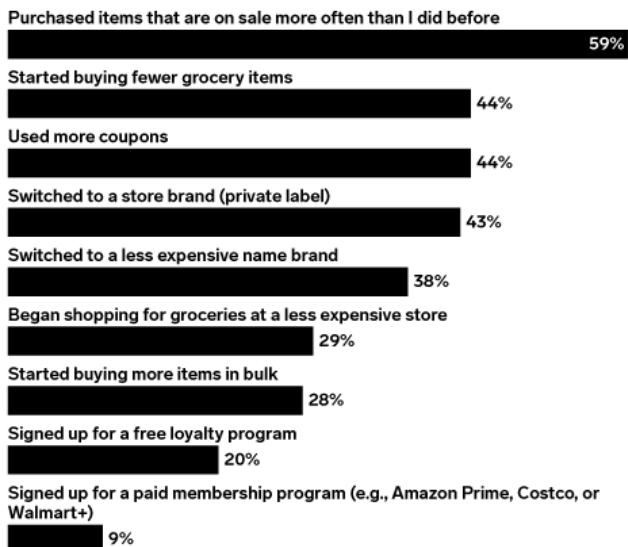
- **Hostess** adjusted its 2022 full-year net revenue expectations to a gain of 17% to 19% up from at least 15%, and its adjusted EPS to 96 to 98 cents, which narrows the range from the 93 to 98 cents it previously provided.
- **Kellogg Company** raised its organic net sales growth guidance to 10%, up from 7% to 8%, and its adjusted EPS to 3%, a tick up from 2%.
- **Mondelēz** increased its 2022 fiscal outlook so that it now expects at least 10% organic net revenue growth, up from 8%, with its adjusted EPS at 10%, a gain from its prior outlook of mid-to-high single digits.

**An affordable treat:** Inflation has driven a large share of consumers to take steps to save money at the grocery store. For example, **43% have traded down to a private label brand**, per our Insider Intelligence Grocery Survey conducted with Bizrate Insights.

- Those decisions make sense given the price of groceries grew 11.4% year-over-year (YoY) in August, the largest 12-month increase since May 1979, and only slightly receded to 11.2% YoY in September.
- However, not all consumer decisions are fully rational. Many continue to indulge in snacks and sweets in spite of, or perhaps because of, the economic challenges. For example, **Andrew Callahan**, Hostess president and CEO, pointed to a recent consumer survey during the company's earnings call that found that while the majority of consumers plan to cut back spending due to economic conditions, a vast majority of those same people will continue to look for new snacking options.
- Hershey's CEO **Michele Buck** noted a similar phenomenon. "Our products remain an affordable treat for families and for consumers," she said during the company's call.

## Actions US Grocery Buyers Have Taken to Save Money at the Grocery Store, Sep 2022

% of respondents



Note: in the past two months

Source: "The Insider Intelligence Grocery Survey" conducted in Sep 2022 by Bizrate Insights, Sep 27, 2022

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**Paths to growth:** While many consumer packaged goods brands such as **Kraft Heinz** and **Conagra Brands** used **price hikes** and shrinkflation to deliver solid financial results despite a slowdown in sales volume, both Mondelēz and Hostess saw volumes grow thanks in part to products that parents can pack in their children's lunches.

- Hostess introduced new formats, such as Bouncers, which are "poppable" versions of treats such as **Twinkies** and **Ding Dongs**.
- Mondelēz noted that it has seen strong growth in products popular for school lunches, such as snack packs featuring **Oreo** or **Nutter Butter** cookies, as well as **Ritz** crackers. In Europe, it continues to see growth in items such as chocolate bars.

**The big takeaway:** Consumers are not fully rational. If they were, phenomena such as the **lipstick effect**—the term used to describe consumers' willingness to indulge in less costly luxury goods such as lipstick in the midst of an economic downturn—would not exist.

- While times may be tough for some people, there's a significant opportunity for retailers across categories to sell small indulgences.

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