

A Work Project, presented as part of the requirements for the Award of a Master's degree in  
Management from the Nova School of Business and Economics.

**Launching additional product versions:**

**A zero-sum game or net growth driver for fast-moving consumer goods?**

Results from the case of the Twix<sup>®</sup> chocolate bar in Germany

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## Acronyms

%	Percent
bn	Billion
cw	Calendar week
FMCG	Fast-moving consumer goods
KPI	Key-Performance-Indicator
m	Million
Mars	Mars Wrigley Germany
MP	Multi Pack
Nielsen	The Nielsen Company
P / p	Period
ROS	Rate of Sale
ROS <sub>P</sub>	ROS Sales Volume in Pickups (Weighted) – Baseline
SC	Salted Caramel
SP	Single Pack
Twix <sup>®</sup>	Twix <sup>®</sup> Core / Twix <sup>®</sup> Original (gold packaging)
W / w	Weeks
Wtd	Weighted

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## **1. Abstract**

New product versions of known products are often a marketing strategy to stimulate consumers of a brand and respond to trends. To better understand the total impact a new product version has on an existing product portfolio this paper processes, with real-life data, the results observed in the biggest German supermarket chain. The data is analysed with a positivist approach, following a deductive structure, and uses data from mixed methods. Secondary data from a longitudinal study is extended with primary data from a cross-sectional consumer survey. Connecting the data funds the value of the paper as it is joining together actual data and perceived reality from consumers. The findings not only show that an additional product version can even positively affect the total sales of a product within the German for fast-moving consumer goods, but also allows, once the developments of each products are determined, to decide upon several marketing related measures. The focus on one brand in one market leaves potential for further investigation of other product categories within the fast-moving consumer goods industry and its behaviour when being exposed to new product versions in the long-term.

### **Keywords**

Marketing, Marketing Strategy, Marketing Research, B2C Marketing, Mars Wrigley, Twix, Product Portfolio, Cannibalisation, Incrementality, Redistributed

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## 2. Introduction

Chocolate is often associated with a relaxing afternoon coffee or a recharging moment during a stressful day. In a cultural setting, chocolate also plays a pivotal role, often associated with religious celebration such as Easter and Christmas. Chocolate is a part of everybody's life, regardless of generation, gender, or location worldwide, presenting a plethora of different benefits for general well-being.

In Germany, 8,93m consumers had a chocolate bar several times a week in 2020 (Statista.com 2020). In total, the German confectionery and snacks market reached revenues of 18,8bn € in 2021 (Statista.com 2021). The majority of this sale value is generated by Mars, *Ferrero*, and *Storck* – the largest players within the chocolate subset of the German consumer goods market (Mars Wrigley 2021).

Within its assortment, Mars carries the Twix® brand, established in 1967, and introduced in Germany 1976. The first, and up until now the only, core product of the brand, is a caramel shortbread chocolate bar in a recognizable golden packaging, followed by a number of different versions in form of limited editions. Seasonal limited editions are in-store only for several weeks. The first limited edition, in 2004, was the Twix® White, performing strong as a limited edition on a yearly basis until today. These product versions generated vast additions in sales, with Nielsen data identifying the Twix® Salted Caramel as Mars' best-selling limited addition by sales volume through 2019 and 2020 (Nielsen Company 2019). The continued success in 2021 and similar success stories in other countries, led to the consideration to have the Twix® Salted Caramel not only as a limited edition, but to keep it as a permanent product beside the established Twix® Core bar in Germany. To add an important decision parameter, beside the development of the Twix® Salted Caramel, it was necessary to get an indication on a potential cannibalisation on the core product, the established Twix®. Hence, during my internship in the marketing team for chocolate bars at Mars, I had to examine and process this impact on the

Twix® Core which would then allow to get the total net development of the grown Twix® family.

This study begins with the examination of the existing literature around product versions as part of the extension of product portfolios, the redistribution of sales when launching a new product and the possible incremental sales gains resulting from product launches. The Literature Review ends with linking the findings and stating the research question. Next, the Analysis chapter describes the Applied Methodology of the collected data. Following this, the two different data sources are presented and discussed. The final section concludes with a connection of the data analysis and the literature, the Recommendations as well as Limitations found which identifies potential avenues for further research.

**3. Literature Review**

**3.1. Product Versions in the Product Portfolio**

There are multiple reasons for companies to increase the number of products they generate and offer to the market (Garousi Mokhtarzadeh et al. 2020). As a result, the product portfolio of companies, such as Mars, grows as a response to these reasons, such as changes in consumer needs, short and long term trends, and competition (Kenneth B. Kahn 2011) (Kotler et al. 2019). Each company needs to weigh the opportunities in the market to gain market share. This can be achieved with current or new products, in the current or new markets. Many companies increase their product portfolio with new product versions, which leads to a *Product Development Strategy*, since it is a new product in the current market (Kotler et al. 2019) (Kenneth B. Kahn 2011).

	Current product	New product
Current market	Market penetration strategy	Product development strategy
New market	Market development strategy	Diversification strategy

Figure 1 Ansoff's product-market expansion grid

Source: Ansoff's product-market expansion grid (Kotler et al. 2019)

In this paper, the terms product version, product variation and product variance are used as synonyms. By launching a new product variation, a company is introducing “*a product with a set of dimensions basically similar to those of earlier products of the organization, though with refinements and modification*” (Normann 1971). Therefore, product versions stay in the existing framework of the company. Hereby, a product fulfils the same needs as the base product but modifies the features of it (Meffert 2002). Most noticeable would be a change of the *aesthetic properties* such as colour and shape of the product at hand (Meffert 2002). Moreover, the *physical* and *functional properties* could be varied, resulting in a higher or lower quality (Meffert 2002). Another *functional property* would be the taste of a product (Meffert 2002). When changing a feature of the product, a new *symbolic property* can be created (Meffert 2002). An example for a varied *symbolic property* is the new product variant Coca-Cola Zero which was targeted to men as a counterbalance for the Coca-Cola Light (Kotler and Pfoertsch 2010). Taking into account all these properties which can be changed, each company decides, if these changes should be implemented through incremental and constant correction (*product care*) or with an extensive change in one or more of the above properties (*product modification*) (Meffert 2002).

In addition to various strategic factors, business performance as a whole needs to be observed when considering an expansion of the product portfolio. According to N. Morgan “*a firm’s brand portfolio strategy is linked to its business performance*” (Morgan and Rego 2009). Their paper argues that an increase in brand portfolio leads to a higher market share which in turn has a significant positive relationship with the cash flow performance (Morgan and Rego 2009). Consecutively, selling, general, and administrative expenses do not present a direct relationship to the cash flow, but affect it positively in the long term (Morgan and Rego 2009). This indicates that investments in marketing, such as increases of product portfolios, can be observed as “*an investment rather than an expense*” (Morgan and Rego 2009) and no immediate financial

outcomes should be expected. An additional view on financial parameter is conveyed by K. Lancaster who assumes higher sales, but questions whether the increased revenues from a more varied product line outweigh the loss of economies of scope and scale (Lancaster 1990).

Rivals in the market compete for the same consumers and overtake a newly introduced product fast by their innovative product, which leads to more products with shorter life cycles (Kotler et al. 2019). Moreover, these changes not only need to lead to adaptation, but must also be well forecasted and considered early enough to still hold the capability to compete in the market.

Figure 2 shows the three potential total outcomes of this extension of the product portfolio. Incremental Sales, Redistributed Sales, and Decremental Sales. All outcomes have different reasons and diverse results on the brand and its KPIs.

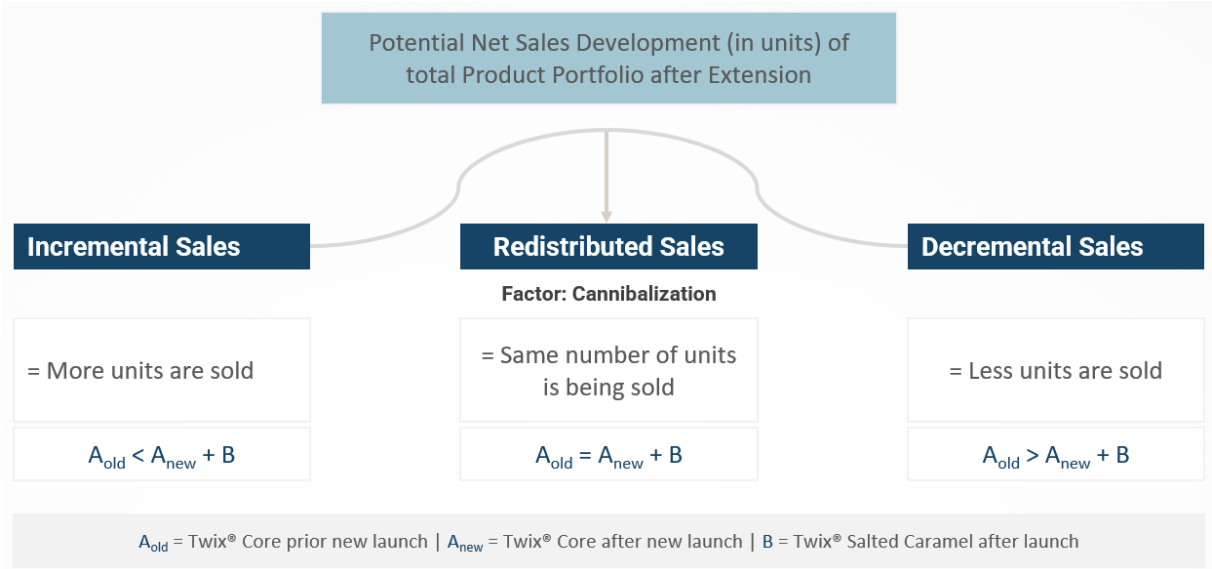


Figure 2 Potential Net Sales Development (in units) of total Product Portfolio after Extension

### 3.2. Redistributed Sales

Contrary to Mars, competitor company *Unilever* saw a need to downsize the brand portfolio by over 60% to rationalize the strategy and counteract several disadvantages (Jones 2005). The latter conveys how a larger product portfolio is not expected to bring solely positive effects, such as more sales, to the company. Further, companies may decrease brands and varieties due to inefficient “*manufacturing and distribution economies*” (Morgan and Rego 2009). Furthermore, the total unit sales could be redistributed by consumers. The description of

redistributed sales on a company level is cannibalisation. Whereas, when observing the macro behaviour within the confectionery industry, a switch between brands would also be defined as redistributed sales. As a characterization within marketing departments the definition by J. Gabszewicz can be used: “*Cannibalisation refers to a reduction in total sales revenue of one variant as a result of the introduction of a new variant by the same producer*” (Gabszewicz, Marini, and Tarola 2015). More specifically, cannibalisation describes a company, offering a product which fulfils the same needs as another product in the same brand portfolio. Ideally, sales for a new product stem through “*market expansion or switching from competitor brands, or a combination of the two*” (Lomax, Hammond, and Clemente 1997). In reality, fast-moving consumer goods (FMCG) companies observe consumers purchasing the new product, but will no longer be regular consumers of the prior available product (Lomax, Hammond, and Clemente 1997). As a result, product demand is shifted from one product to another instead of increased. A basic example of the cannibalisation effect refers to the offering of a new flavour by the popular ice cream brand Ben & Jerry’s. As soon as Ben & Jerry’s offers a new flavour, this may not increase the amount of ice cream bought by the consumer. Instead, they might purchase the new flavour as a direct alternative to the old one. Consumers might even wait until the new one becomes available - slowing down the sales cycle (van Heerde, Srinivasan, and Dekimpe 2010) and turnover rates of the products in supermarkets. However, cannibalising overlaps occur both within and between categories (van Heerde, Srinivasan, and Dekimpe 2010). When the Apple iPhone was introduced, it cannibalised two different categories: the portable media players and mobile phones (van Heerde, Srinivasan, and Dekimpe 2010). This resulted in a completely new category at that time: the smartphone.

As a result of the initially mentioned possible risk of a zero-sum game of newly introduced products, blue chip companies tend to only launch products with minor modifications (Chandy and Tellis 2000). Whereas, start-ups and smaller businesses are the ones coming up with

product versions showing fundamental changes (Chandy and Tellis 2000). R. Chandy and G. Tellis argue that a new product cannibalising another product from the same firm should be a desired action for any seller (Chandy and Tellis 2000). A company can benefit from cannibalisation since radical product innovations help the firm progress technologically, allowing it to succeed in an industry. Apple disrupted with the iPhone introduction the media players industry they were successful in. However, it was Apple's best decision since the development of the new created smartphone category is bringing Apple major profits. Furthermore, successful cannibalisation of a former product lead to the company being considered a pioneer in the industry with the newest flavours, variants or technologies. In fact, when a new market is opened by an innovation, the durability of the pioneer is much higher (Kotler et al. 2019). As a result, Apple was able to become one of the market leaders in the industry. Therefore, it is often desirable for a company to innovate and as Steve Jobs once said: *"If you don't cannibalise yourself, someone else will."* (Isaacson 2011).

### **3.3. Incremental Sales**

Cannibalisation is not always directly forecasted. However, the sales development of all products is being measured, which lets the observant analyse a possible positive net effect new products have on the existing portfolio. Additional sales, exceeding the normal total sales level generated by a specific event are defined as incremental sales (Bawa and Shoemaker 2021). The source of the additional unit sales can be new customers purchasing the product or an increased consumption of existing customers (Norvell and Horky 2017). The incremental sales are favoured to be as high as possible, as this amount is being added to the current sales values. Every year, more products are newly introduced (Fellman 1999). Out of these, over 95% do not feature any innovation in their key features (Fellman 1999). S. Srinivasan identifies that the reason for such uninventive product launches must have a positive sales effect for the whole existing brand portfolio (Raghavan Srinivasan, Ramakrishnan, and Grasman 2005). A broader

product portfolio helps - on average - firms to reach more customers, service more demand and, as a result, increase business and profitability (Lancaster 1990). Additionally, a bigger product range with more variants can be a mechanism to avoid customer turnover to other competitors (Gabszewicz, Marini, and Tarola 2015). In an ideal world, these customers are then, not only buying the product variant, but also other products from the company (Lomax, Hammond, and Clemente 1997). To exploit the aforementioned advantage, major confectionery companies use a colouring tactic to get customers to connect their products to each other and the according brand. Typical for *Ferrero's Kinder* brand is the white and orange design. Another competitor, *Storck*, relies on a significant light blue and white combination for all products belonging to their brand *Knoppers*. Nevertheless, taking advantage of the cross selling strategy (Tang, Wang, and Huang 2014) by the colour must run through the companies whole product portfolio. To outline further advantages of an increase of the product portfolio, a study has shown that purchase decisions of consumers are based on their outcome of buying the product in relation to the price (Gale 1992). When identifying a known brand, a consumer associates the product with high quality and high value relative to the price. A brand which has a "*positive quality association(s)*" (Gale 1992) by consumers reduces their risk of receiving inferior value for their invested money and hence, the hurdle of investing the amount into the product is much lower (Smith and Park 1992). A significant investment of time and money is required when building a new brand and can, however, be avoided when capitalising on the base of an existing brand. Next to the internal costs, the production of the product is a cost factor in the confectionery industry. When using a product, which is already produced on a daily basis, and changing specific features, such as the filling, producers can benefit from economies of scope (Kotler et al. 2019), which present a significant cost advantage. When planning promotions with, for example in-store displays, companies can use various products from the brand and join them into one display. When doing so, the marketing costs and expenses of time and manpower

become much lower per brand or variety in contrast to a promotion where every product is displayed by itself.

### **3.4. Decremental Sales**

To complete the logic of this thesis, the potential scenario of decreased net sales in the product portfolio has to be stated. Such a scenario occurs if the lost sales from the core product exceed the sales of the new product. The result would develop worse than a zero-sum-game. Literature does not explicitly investigate such a theoretical outcome, but touch this point, when explaining decremental margins. A possible factor in this scenario would be rising production costs against the stable sales price (Downes and Goodman 2014).

### **3.5. Summary & Research Question**

Cannibalisation in the food industry is possible. A cannibalisation effect is indispensable since consumers preferences change and new trends arise. The best possible outcome, incremental sales, is highly desirable. The increased brand portfolio through new products can lead to incremental sales, cost advantages, and a higher brand awareness.

To better understand the complete sales effect this paper analyses, with an example, specifically:

- How do sales of the Twix<sup>®</sup> Salted Caramel develop when newly launched?  
and
- How do sales of the Twix<sup>®</sup> Core product change?

## **4. Analysis**

The Twix<sup>®</sup> Salted Caramel is a permanently launched product in multiple European countries and is, since several years, an annual limited edition in Germany. To add on the existing academic evidence, this analysis contributes with an analysis of real-life customer data and an independently published survey.

#### **4.1. Applied Methodology**

To project the specific case of the Twix® Salted Caramel in Germany through consumer behaviour, this analysis is using data from Mars directly and independently collected survey data from a representative group of consumers. As presented in Saunders book *“Research methods for business students”*, the explanation of the methodology of this analysis follows the *“research onion”* (Saunders, Lewis, and Thornhill 2019). Through the provided data, an estimate of consumer behaviour can be derived and in consequence a positivist approach for the survey can be taken. While explaining the observations from the provided data with an independent survey, this analysis is concluding and, therefore, can be described with a deductive approach examining empirical evidence (Saunders, Lewis, and Thornhill 2019). Firstly, it will explain secondary data collected by Mars. To gather and analyse the data, this analysis used the program Nielsen, with an access provided by Mars, and Excel. To further develop the secondary data, the analysis is using primary data in form of a survey with the goal of explaining people’s perception of the Mars brand, the Twix® Salted Caramel and the potential for cannibalisation. As a result, the methodology is a mixed-method strategy for an observational study. The data provided by Mars are longitudinally designed since KPIs are measured at different points in time every calendar week or period in every year. The survey is a snapshot from a moment in time and was conducted cross-sectionally. Now, the data collection and data content will be explained. The next chapter will analyse the data.

To test a product and its performance in Germany, Mars uses a method called *“Test & Learn”*. This testing approach includes a test phase within which the respective product is listed in a representative number of markets. The results of this evaluation help Mars to estimate consumer behaviour and customer related KPIs, such as rate of sales and sales volume. In the case of the Twix® Salted Caramel the *“Test & Learn”* in 2021 was conducted in a sales region of the largest German supermarket corporation Edeka. The supermarket chain is comprised of over 4,000

stores in Germany including “small corner stores” and “hypermarkets” (Steigemann 2019). A total of 1,491 stores are located in the sales region Edeka Minden-Hannover in the North of Germany. These generate the most revenue out of all German regions (Edeka 2020), making it the most representative. To see how the Twix® Salted Caramel will be accepted by the consumer, the Multipack (MP) of the variant was listed next to the Twix® MP as a regular product for multiple weeks. Consumers buying Singlepacks (SP) are assumed to be less likely to buy more than one product or try different varieties since they may only intend to purchase a quick snack. In contrast, the buyers of MPs buy these sizes on a weekly grocery run and have space and time to pick up more than one package. Therefore, MPs are focused in this study. Both listed MPs of the test include five full sized Twix® chocolate bars of the respective flavour. The duration of the listing was dependent on each store’s willingness to include the product. The KPIs from the time listed were collected, merged, and broken down as an average for each store in the region. Nielsen reports these numbers on a weekly basis sorted by calendar weeks (cw). For this analysis, Mars provided KPIs for all available calendar weeks in 2020 and 2021 (ending on 10.10.2021). Each Edeka store in the region could decide on its own whether or not it wants to list the product. Therefore, the first step is to set a time within the Twix® Salted Caramel was properly listed in a significant number of stores. This is represented by a *Weighted Distribution* of the Twix® Salted Caramel of over 24%. Consequently the focus will be on April 2021 (cw 16 2021) to July 2021 (cw 26 2021).

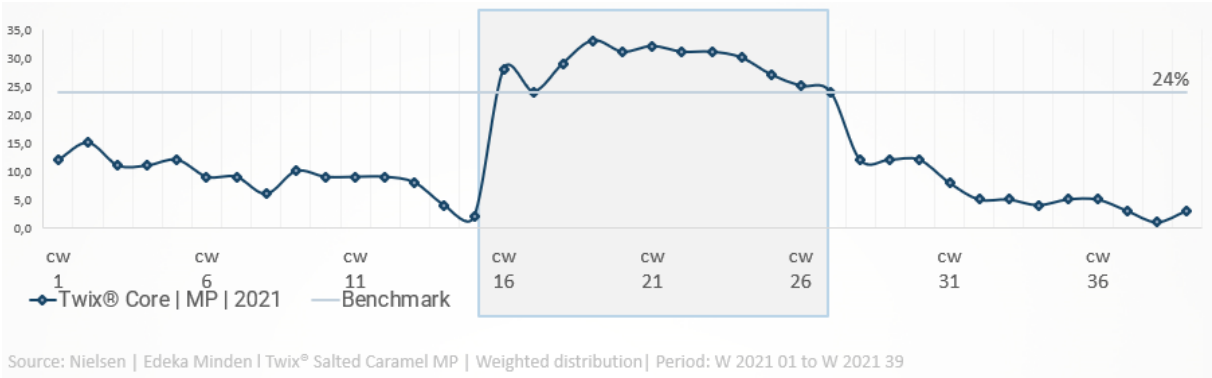


Figure 3 Nielsen: Weighted Distribution: Twix® Salted Caramel MP 2021

To have a proper reference for the KPIs within this timeframe the same weeks in 2020 are compared.

To get an overall understanding of whether the product performed well, it is crucial to evaluate the rate of sale (ROS) of a product. The data provided includes the “*ROS Sales Value in Euro (Wtd) – Baseline<sup>1</sup>*” as well as the “*ROS Sales Volume in Pickups (Wtd) – Baseline<sup>1</sup>*” for the Twix<sup>®</sup> Salted Caramel MP and the Twix<sup>®</sup> MP to compare. Through the factor “*baseline*” this analysis ensures that the values are adjusted according to promotions and are, therefore, already free of effects from advertisements including leaflets. The internal standard at Mars is to provide the “*ROS Sales Volume in Pickups (Wtd) – Baseline<sup>1</sup>*” (further called ROS<sub>P</sub>) for all stakeholders of the project as a reference which can be compared to other prior or future products. In general, the ROS<sub>P</sub> can also be described as the movement of the product which is naming the category *fast-moving* consumer goods. The higher the ROS in Pickups the better since the FMCG industry prefers a faster movement of a product. Additionally, the supermarkets measure the success of a product with the movement during a certain time which is represented by the ROS<sub>P</sub>. A high ROS<sub>P</sub> is therefore necessary to be listed long-term in the markets, which is the goal for a new introduced product. Moreover, Nielsen provided the “*Volume in Pickups Sales<sup>1</sup>*” (further called volume sales) for the Twix<sup>®</sup> Salted Caramel MP and the Twix<sup>®</sup> MP for all available calendar weeks in 2020 and 2021 (ending on 10.10.2021). This KPI represents the sales units being sold. Due to the prior mentioned *Weighted Distribution*, also this is focused on the cw between April 2021 (cw 16 2021) and July 2021 (cw 26 2021). The goal of including this KPI is to identify a possible cannibalisation of the Twix<sup>®</sup>. If consumers buy the same amount of Twix<sup>®</sup> in general and only shift their behaviour from one product to another, the volume sales would expose it. On the other hand, seeing an increase in the volume sales for both products would prove incremental sales effect of the newly

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<sup>1</sup> Wording by Nielsen Company

introduced Twix® Salted Caramel. This analysis will focus specifically on the Twix® Core MP sales from 2020 compared to 2021 and the general sales performance of the Twix® Salted Caramel MP in 2021.

To ascertain more specific reasons for the KPIs in the secondary data, a survey with 141 participants was designed, published via “Qualtrics” and was kept online for 14 days (6.11.2021 to 20.11.2021). The survey was asking a total of 18 questions. The first four questions identified customers demographic and, most importantly, split the respondents into German and non-German customer. To obtain findings on the German market, German customer were questioned regarding chocolate consumption, product versions, and the Twix® Salted Caramel on German shelves. During the survey, respondents were split into further consumer groups. Since the online survey was specifically developed for this analysis, it consists of primary data and includes a component of quantitative research. To use the data during the in-depth analysis of the survey, questions were asked with a quantitative focus, resulting in quantitative data which can be transformed into qualitative data if necessary.

## **4.2. Discussion**

By examining the data from the “Test & Learn” phase implemented by Mars an analysis of real behaviour can be conducted. In contrast, when asking consumers if and why they behave a certain way via a survey, the test store data can be put into perspective and reasons can be identified. Since it is possible to derive a hypothesis from the “Test & Learn”, the survey was based on this thesis and was initiated to understand the reasoning of the behaviour.

### **4.2.1. Secondary Data: Mars KPIs**

Due to the significant weighted distribution between April 2021 (cw 16 2021) and July 2021 (cw 26 2021), this period was the starting point of the analysis.

Additionally, the examination of the data focuses firstly on the “*ROS Sales Volume in Pickups (Wtd) – Baseline<sup>2</sup>*” (further referred to as ROS<sub>P</sub>) representing the movement of the product on shelves in the selected markets.

In case of the Twix<sup>®</sup> Salted Caramel MP at the Edeka Minden-Hannover stores, and during the chosen time frame in 2021, the average ROS<sub>P</sub> was 3,6. More specifically, each week in an average Edeka store of the Minden-Hannover region the product was turning over 3,6 times on the shelf. In other words, each week it was sold 3,6 times. For comparison, in the same time frame, the Twix<sup>®</sup> MP had an average ROS<sub>P</sub> of 4,7. This means the Twix<sup>®</sup> Salted Caramel MP had a sales potential equal to 77% of the sales potential of the Twix<sup>®</sup> MP. Some of the bigger stores in the region even reached a ROS<sub>P</sub> of the Twix<sup>®</sup> Salted Caramel MP as high as 97% of the Twix<sup>®</sup> MP. This is an important indicator that consumers are willing to buy the Twix<sup>®</sup> Salted Caramel MP with a similar purchase rate as the Twix<sup>®</sup> MP. With the background of cannibalisation and incrementality it is necessary to compare the ROS<sub>P</sub> 2021 of the Twix<sup>®</sup> MP to the ROS<sub>P</sub> of the same time in 2020. Between April 2020 (cw 16 2020) and July 2020 (cw 26 2020) the Twix<sup>®</sup> MP had an average ROS<sub>P</sub> of 4,6 (4,7 in 2021).

**ROS Sales Volume in Pickups: Twix<sup>®</sup> MP 2020 vs Twix<sup>®</sup> MP 2021 (incl. Average)**

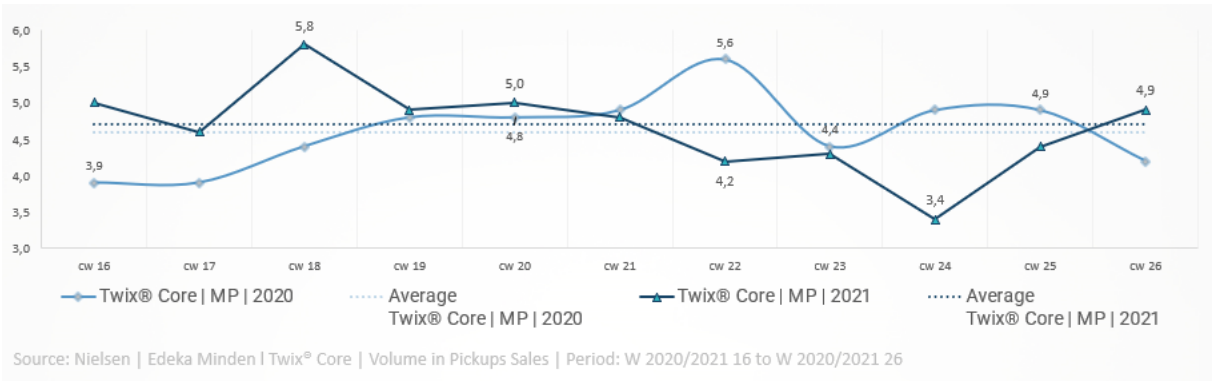


Figure 4 Nielsen: ROS Sales Volume in Pickups: Twix<sup>®</sup> MP 2020 vs Twix<sup>®</sup> MP 2021 (incl. Average)

Hence, the conclusion can be drawn that the Twix<sup>®</sup> Salted Caramel MP did not cannibalise the Twix<sup>®</sup> MP during the focused time of this study. Unlike expectations, the Twix<sup>®</sup> Salted

<sup>2</sup> Wording by Nielsen Company

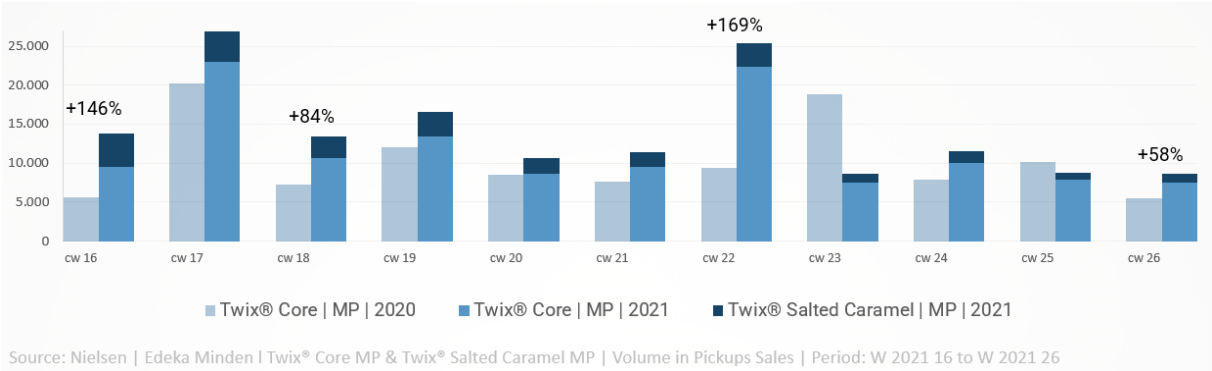
Caramel MP even gave the Twix<sup>®</sup> MP a slight uplift and it was sold partly even better than without the Twix<sup>®</sup> Salted Caramel MP being listed. In conclusion, it can be referred from the data that, when additionally listing the Twix<sup>®</sup> Salted Caramel MP in the Edeka region Minden-Hannover, a total uplift of 79% in sales of the total Twix<sup>®</sup> MP portfolio from 2020 to 2021 was observed.

Another KPI provided by the Nielsen data is the “*Volume in Pickups Sales*<sup>3</sup>” (further referred to as sales volume), which represents the absolute sales volume of the products. Against the background of cannibalisation, the sales figures will uncover if there is a direct connection between the amount sold with and without the listing of the Twix<sup>®</sup> Salted Caramel MP and by how much it benefitted the Twix<sup>®</sup> brand.

Firstly, when comparing the volume sales of both products (2021), the sales of the Twix<sup>®</sup> MP were in total over five times higher than the sales of the Twix<sup>®</sup> Salted Caramel MP. From this observation, no conclusion regarding the research question can be extrapolated. The disproportionate number of sales in cw 17 and cw 22 2021 are the result of a leaflet campaign and are not adjusted by Nielsen for this KPI.

To provide a clear conclusion regarding the effect of cannibalisation for the Twix<sup>®</sup> the following graph shows the total sales of the Twix<sup>®</sup> MP in 2020 compared to the sales of all Twix<sup>®</sup> MPs in 2021.

**Volume in Pickups Sales: Twix<sup>®</sup> MP 2020 vs Twix<sup>®</sup> & Twix<sup>®</sup> Salted Caramel MP 2021**



Source: Nielsen | Edeka Minden | Twix<sup>®</sup> Core MP & Twix<sup>®</sup> Salted Caramel MP | Volume in Pickups Sales | Period: W 2021 16 to W 2021 26  
 Figure 5 Nielsen: Volume in Pickups Sales: Twix<sup>®</sup> MP 2020 vs Twix<sup>®</sup> & Twix<sup>®</sup> Salted Caramel MP 2021

<sup>3</sup> Wording by Nielsen Company

These values convey an effect that can be described as incremental sales. When comparing the volume sales during the period in 2020 and 2021 increased sales of the Twix<sup>®</sup> MP can be observed. Against prior expectations, on average, the total sales of all Twix<sup>®</sup> MPs within the portfolio increased by 58% and the Twix<sup>®</sup> MP sales alone increase, on average, by 26%.

This analysis cannot provide any supporting arguments to the presumed cannibalisation of the product, as the opposite has occurred since sales of the Twix<sup>®</sup> MP increased when the Twix<sup>®</sup> Salted Caramel MP was listed. In addition, the Twix<sup>®</sup> Salted Caramel MP independently has performed well in terms of sales.

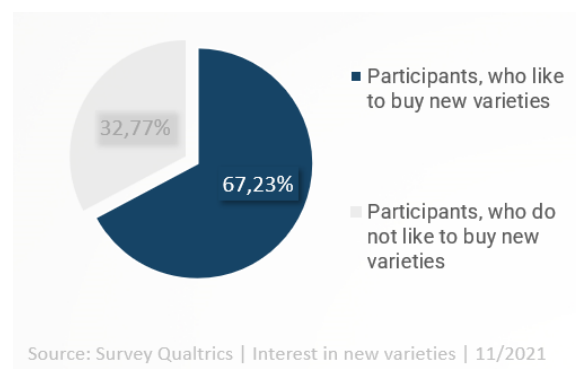
These findings lead to the assumption that the Twix<sup>®</sup> Salted Caramel has a significant positive effect on total sales figures and therefore enriches the entire Twix<sup>®</sup> range. In terms of the research question the Twix<sup>®</sup> Salted Caramel performs KPI-wise on a level close to the Core product, which was not expected at Mars. Additionally, the Twix<sup>®</sup> experienced an uplift in its ROS<sub>P</sub> and total sales volume which is connected to the introduction of the new product version. Lastly, the values even indicate the possibility to see the Twix<sup>®</sup> Salted Caramel as a cross-selling opportunity.

#### **4.2.2. Primary Data: Independent Survey**

Based on the secondary data made available by Mars, a survey was set up and published to consumers. An online survey was primarily deemed the most suitable research method because a large number of consumers needed to be questioned (Saunders, Lewis, and Thornhill 2019). To make the data as representative as possible and better comparable to the quantitative Nielsen data, the survey was sent out online (Saunders, Lewis, and Thornhill 2019). The goal of the survey was to identify the opportunities for Twix<sup>®</sup> Salted Caramel in the German market against the background of new versions in the confectionery shelf of German supermarkets. Therefore, relationships between specific values had to be identifiable. This was only possible by conducting quantitative research with a large sample (Saunders, Lewis, and Thornhill 2019).

To identify German customers, the first four questions divided the sample into German customers and non-German customers. 86,52% of the 141 participants were German and forwarded to the next questions. As age is an important factor for penetration and awareness of a product, the next question categorized the sample into German customer of different ages. The Twix® brand is the Mars brand to go with coffee and relaxed activities. In contrast, the Snickers® bar is intended to give energy (Mars Wrigley 2021). Question five of the developed survey identifies which urge German consumers are intending to fulfil when eating a chocolate snack. In fact, 65,04% of participants intend to eat chocolate with coffee, while being at home or to share with friends. The represented answers fit the intention of the Twix® bar, since it is a light bar in comparison to the alternatives Mars offers, such as Snickers® or Mars®. A German book by K. Winter focusses on the effect of limited editions on brands and names the urge to try something new in the FMCG field “*variety seeking*” (Winter 2009). This “*innovative behaviour*” (Winter 2009) was also tested in an experiment by the authors which resulted into the perception that 58% of German households like to try innovations in product categories of daily needs (Winter 2009). Out of the 122 German consumers participating in the survey, published for this analysis, 67,23% like to try new varieties of known products, like limited or seasonal editions.

Figure 6 Survey:  
Interest in new varieties



In fact, the majority of participants enjoys purchasing new product varieties, which is in line with K. Winter who concluded similar findings. To quantify the purchase of product varieties, question eight of the survey asked participants for the number of purchases. According to the findings, the desire for variety was followed up one to five times in the past twelve months, with the majority limiting themselves to one to three times.

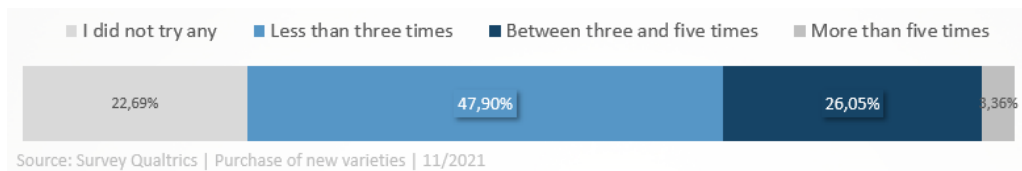


Figure 7 Survey: Purchase of new varieties

To project the performance of the Twix® Salted Caramel in German stores better, the sample of German consumers was split into consumers who purchased a Twix® product within the last six months. As a result, only 50% of German participants are exposed to the following questions regarding the Twix® products. As the Twix® Core product is the most common and most distributed in stores, about 60% of consumers who did buy a Twix® product chose the Twix® Core. If participants did not consume a Twix® Salted Caramel product they are asked about their perception of a product combining the

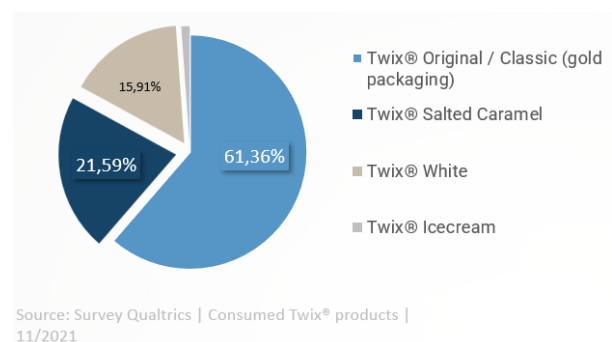


Figure 8 Survey: Consumed Twix® products

Twix® flavour and Salted Caramel. In a Mars internal test (*TURF Test 2018, US.*) as many as 73% of the respondents indicated that they think Twix® and Salted Caramel would be a good fit. In fact, this is aligned with the findings of the underlying survey of this analysis, which displays 86% of German Twix® consumers think Twix® and Salted Caramel would fit together well. Not only this perception is shown, but also 83,33% out of the buyers are interested in trying a Twix® Salted Caramel, regardless of the fact that they think it is a good fit or not. To indicate the potential for cannibalisation or an additional purchase, German Twix® consumers were asked if they would buy the Twix® Salted Caramel additionally to another Twix® product or instead. While 50% would buy the product instead, 48,28% stated they would buy the Twix® Salted Caramel additionally to another Twix® product.

This is aligned with the Nielsen data which was provided by Mars. The prior presented data showed an uplift of total sales of 53%.

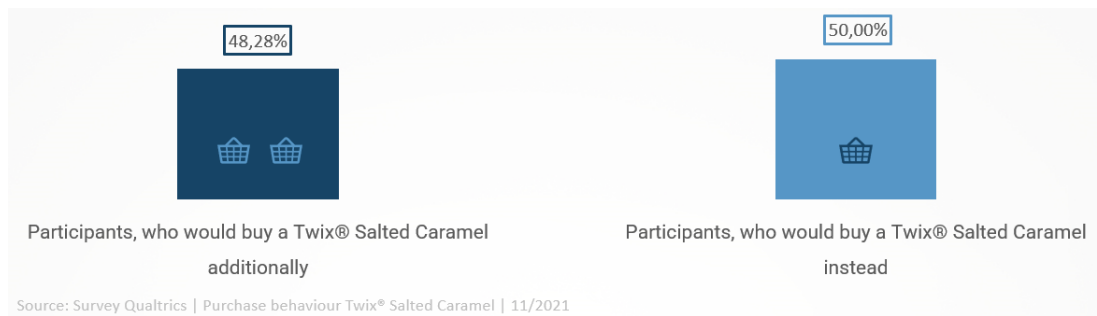


Figure 9 Survey: Purchase behaviour TWIX® Salted Caramel

Next, the German Twix® consumers ranked their preference in Twix® products which led to a ranking corresponding with the stated purchase behaviour and underlined Twix® as the most popular flavour followed by the Twix® Salted Caramel. Contrary to the theses of various sources that link a larger product portfolio with a higher interest in all products, only 39,58% of the polled think that they would buy more Twix® after an expansion of the portfolio. A predominant reason to list the Twix® Salted Caramel is to prevent the Mars portfolio to lose visibility on German supermarket shelves. The underlying survey gives no indicator for Mars to increase brand blocking through a new Twix® product, since 74,63% of participants are aware that Snickers®, Twix®, Mars®, Bounty®, Milky Way® and Balisto® belong to the same company.

In terms of the research question, the data indicates that there is great interest in new product versions among German consumers of all age groups. Therefore, the Twix® Salted Caramel is expected to perform well when launched newly, to infer for further long-term performance the data can be expanded to rule out wear-out effects. There are factors potentially leading to redistributed sales and the cannibalisation will easily be restocked by incremental sales and cross-selling opportunities. Twix® as a brand can be expected to grow through the new product and, just like other product varieties from the main brands, enhance brand visibility on supermarkets shelves. Lastly, the increase in sales benefits potential sales negotiations with supermarkets or other customers since a higher rate of sale infers a high acceptance of consumers to buy the product. The final goal of Mars is to sell the product to customers such as Edeka, Lidl, or Rewe and these companies take the rate of sale highly into account.

## **5. Conclusion & Recommendations**

The following section helps to connect the afore made findings from consumers with the insights from the examined literature. The primary and secondary data analyses real-life behaviour, extending the existing body of literature.

### **5.1. Discussion & Academic Implications**

Mars offers different versions in the confectionery product category to build up the brand portfolio accordingly (Kotler et al. 2019). In doing so, Mars uses a “*Product Variant Marketing*” (Kotler and Bliemel 2001) as the product variants within the product mix have trivial differences such as size and flavour. By varying choice when presenting a new flavour, the brand Twix<sup>®</sup> remains interesting for the consumer and ensures the consumer preferences acknowledged by K. Kahn 2011 are addressed.

The authors of the presented literature conclude a positive outlook for the product portfolio regarding additional product versions leading to a higher total net sales (incremental sales). Especially, in the case of big companies, incremental changes increase the positive net effect more than fundamental ones. This study on Twix<sup>®</sup> at hand, which represents the same design, concurs all these findings.

However, only the work of Lomax, Hammond, and Clemente 1997 explicitly analyses additionally the composition of the total net effect: Their paper measures separately the developments of the product version, which was exclusively positive, and the impact on the existing product. Since the product version is newly listed the sales can only represent a gain and, therefore, must be zero or positive. The existing product shows a negative development. However, since the sales of the newly launched product is higher than the loss of the existing product, they also come to a positive total net result (Lomax, Hammond, and Clemente 1997), which can be described as incremental sales.

The Twix<sup>®</sup> study within this paper also measures the developments separately but contradicts the paper by W. Lomax at al., since it sees a positive development on the old product after the

launch of the new version. During the time of the test, the data does not reveal a cannibalisation effect such as defined by J. Gabszewicz in 2016 (Gabszewicz, Marini, and Tarola 2015) since the total sales revenues of the Twix® did not suffer, and even benefitted from the newly introduced Twix® Salted Caramel. This contradiction is strengthened with a certain level of robustness, since both test designs used FMCG products. Additionally, the same data rebut the fear of slowing down the sales cycle (van Heerde, Srinivasan, and Dekimpe 2010).

Lastly, the case of Twix® adds a new piece of insight to the research area since it frequently measures the development of sales for both products over the whole period of time.

## **5.2. Recommendations**

The Twix® Salted Caramel will be a beneficial move for Mars assuming the cost position would not see an exponential growth. Higher costs are not expected since the product's minor modifications would not mean major changes in the production process. Moreover, sales channels are the same.

Furthermore, this study will allow Mars not only to decide regarding a permanent launch, but also to conclude further actions such as optimization of its marketing approach for this additional product. Furthermore, it lets Mars cross out certain marketing strategies: A potential offer, such as a „buy one, get a new one free“-campaign, would be a waste of marketing budget for Mars during the launch-period, knowing each product's single sales development from this study.

However, the study also allows to derive recommendations for the period after the launch: As one action, it should be discussed, if the marketing budget for the old product could be reduced, since the launch of the new product also, unexpectedly, turned out as a sales push for the old product. Mars might use this saving for building-up a sort of „defend-provision“, once reactions from competitors might occur, trying to win-back their seat in the evoked-set of the consumer. Nevertheless, it is crucial that the marketing team at Mars keeps track of the launch in 2022 with regular reports including the rate of sale, penetration, and media budgets as well as

comparisons with other Mars-owned categories and brands as well as competitor products to establish the success of their own products. Moreover, Mars should not expect these values to offer a financial benefit right away (Morgan and Rego 2009). For new consumers to be attracted by the brand and to shift their buying behaviour, an attractive long-term care is valuable. Therefore, an after-care program including leaflets and in-store promotions of the Twix® Salted Caramel is crucial. All consumers should be made aware on a regular basis that this product exists and deserves the same level of trust as that put into existing Mars brands. Promotions should be made in collaboration with the Twix® Core product since this ensures that the product conveys the same positive perceptions, which the brand has, resulting in incremental sales, as seen in the “Test & Learn” phase in Germany.

Furthermore, a “Gain & Loss” (Lomax, Hammond, and Clemente 1997) analysis after six months on the market should be critically discussed with members of multiple departments such as marketing, sales, and supply chain. This analysis will detect potential cannibalisation long-term and show if potential incremental sales are originated in Mars owned brands or coming from competitor products. Through Nielsen data sources of incrementality can be defined.

Furthermore, it would be worthwhile to not only take actions derived from the Twix® Salted Caramel launch, but also to elaborate on the launch of additional new versions, especially to address upcoming trends like fair trade, green, climate and healthy nutrition. Derived from the concept of the SWOT-analysis (Kotler et al. 2019) these trends can be categorized either as an opportunity or as a threat. In the case of confectionery the trend of healthier nutrition most likely symbolises a bigger threat.

The recent development of an introduction of the sugar tax in several countries, healthy nutrition should not any longer only be ranked as a trend, but as a social norm. If marketing can now pitch healthier food as a norm (e.g. „all your friends eat healthy“), it can create a bigger effect and, as a result, more damage for Mars, compared to „ordinary“ marketing for healthier

nutrition, such as „fruits are good for the health“ (Robinson, Fleming, and Higgs 2014). In order to address this topic, it might not be enough to simply launch a light-version. It will be necessary to even launch a product variance symbolising the healthier choice and open up a new category between pure confectionery products and healthy granola bars. Ideally, these products do not end up in a zero-sum game in regard to the traditional Twix®. In this context it is recommended to also apply the tool of a Conjoint analysis (Kotler et al. 2019), since it might possible that consumers want to eat healthier, but are unwilling to pay more for this. So to say: *Food for thoughts*.

Lastly, this paper also recommends paying special attention to the impact of packaging colour on the consumers purchase behaviour and the umbrella function of colours for product variances.

**5.3. Limitations and Directions for Future Research**

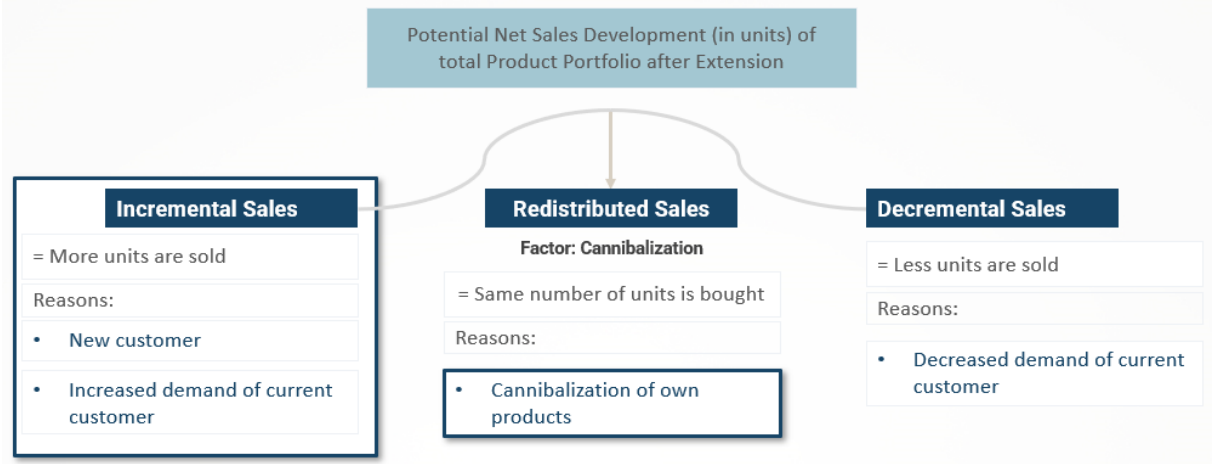


Figure 10 Reasoning for outcomes of new product introduction

The findings conducted by this analysis, are focussing on the existence and occurrence of incremental sales and redistributed sales. This leaves potential for further research around the origin of the proven incremental sales. The two potential sources are new customers to the brand buying the product, or an increased consumption of the current customer base. Furthermore, the new customers leave potential for additional categorization into customers new to the confectionery industry, who never bought chocolate on a regular basis before, and customers

who were regular customers of competitor brands and switched to Mars products through the new product. This will give important indications on target group marketing when launching future new product versions. Moreover, there is potential for further research regarding the possibility of decremental sales and its origin.

The overview at hand presents the view of a company launching a product. Alternatively, the whole market can be observed. Within the whole market other characteristics of the three potential outcomes (Incremental Sales, Redistributed Sales, Decremental Sales) are relevant as not only the movement within the brands customer base is relevant but also the movement of all confectionery brands customer base. Factors, such as switching between brands, will be relevant for redistributed sales on a macroeconomic base.

This paper focusses on the confectionery division within the FMCG industry. Next to food products, other product categories such as personal care and household products belong to the industry. Every product serves different needs and has therefore different potential for cannibalisation or incremental sales. For example, it seems to be more likely for customers to consume more yoghurt, but harder to invest into more packages of diapers and, therefore, products like diapers show more potential for resulting in cannibalisation. With both examples coming from different product categories this leaves potential for further research.

To understand consumers intentions deeper when buying confectionery products, qualitative data from interviews would be necessary to identify cannibalisation hazards. It would be essential for Mars to understand when and where people are buying Multipacks of products to identify the potential of incremental sales. In such a scenario, the focus should be, as in this analysis, on Multipacks since people tend to purchase Single Packs in situations where a time restriction is involved, such as a quick snack. These customers provide less useful information to the study of incremental sales since they do not intend to buy more than one product and often present a lower propensity to do so.

Lastly, this analysis is based solely on information provided by Mars and the survey conducted purposefully for this paper. To make further statements about the future potential of cannibalisation, another comparison from different brands in the same market would be necessary to provide an extensive outlook and conclusive findings. Unfortunately, none of the competitors were willing to provide data to support this analysis.

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Weighted Distribution: Twix® Salted Caramel MP 2021

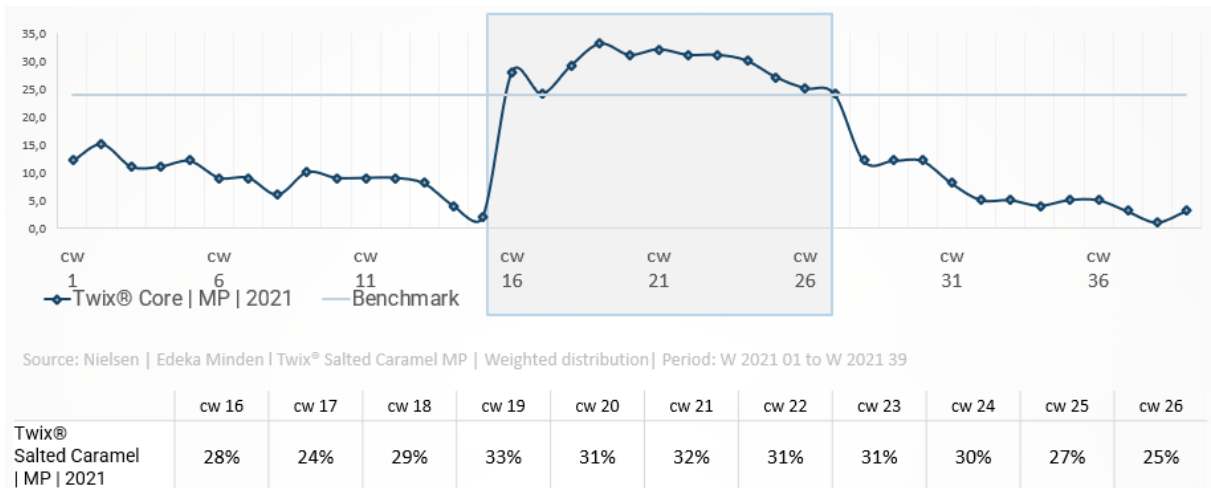


Figure 11 Nielsen: Weighted Distribution: Twix® Salted Caramel MP 2021

ROSP: Twix® MP 2020 vs Twix® MP 2021

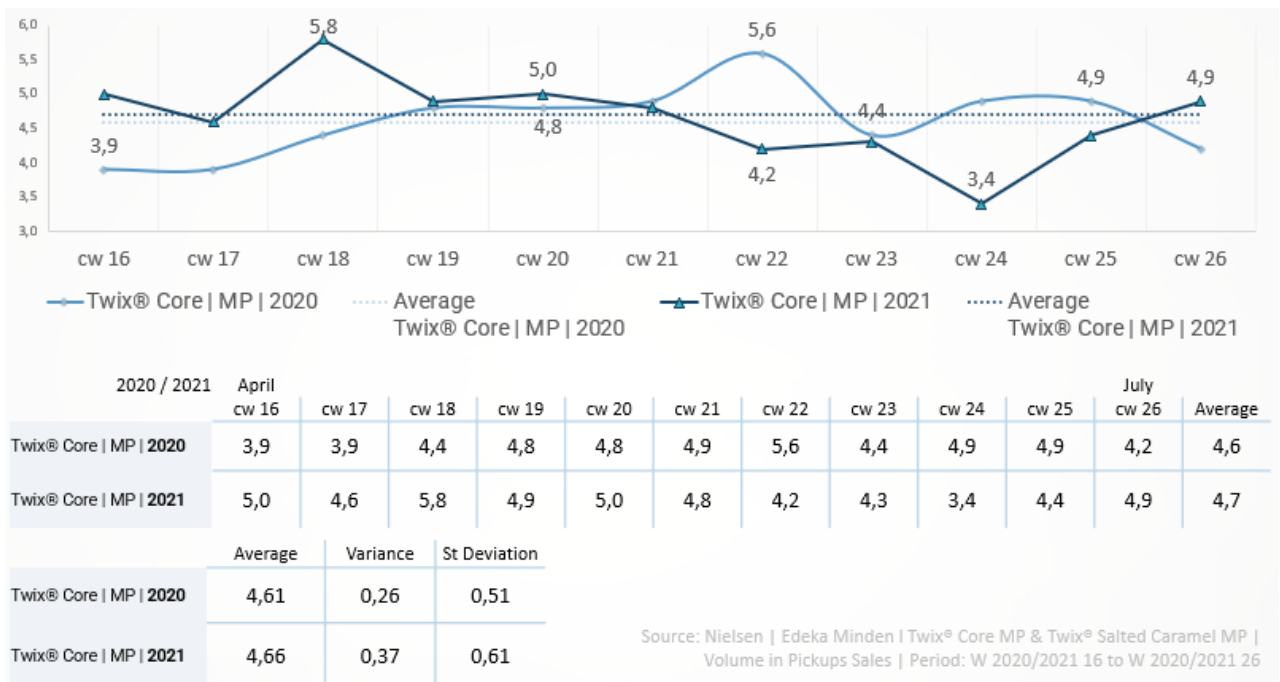


Figure 12 Nielsen: ROSP: Twix® MP 2020 vs Twix® MP 2021

ROSP: Twix® MP 2021 vs Twix® Salted Caramel MP 2021

	2021	April										July
		cw 16	cw 17	cw 18	cw 19	cw 20	cw 21	cw 22	cw 23	cw 24	cw 25	July
Twix® Core   MP   2021		5,0	4,6	5,8	4,9	5,0	4,8	4,2	4,3	3,4	4,4	4,9
Twix® Salted Caramel   MP   2021		5,0	5,4	5,9	3,9	4,3	2,8	2,6	2,7	2,1	2,4	2,5
		Average		Variance	St Deviation							
Twix® Core   MP   2021		4,66		0,37	0,61							
Twix® Salted Caramel   MP   2021		3,60		1,84	1,31							

Source: Nielsen | Edeka Minden | Twix® Core MP & Twix® Salted Caramel MP | Volume in Pickups Sales | Period: W 2021 16 to W 2021 26

Figure 13 Nielsen: ROSP: Twix® MP 2021 vs Twix® Salted Caramel MP 2021

Sales value: Twix® MP 2020 vs Twix® MP 2021 (incl. Performance comparison)

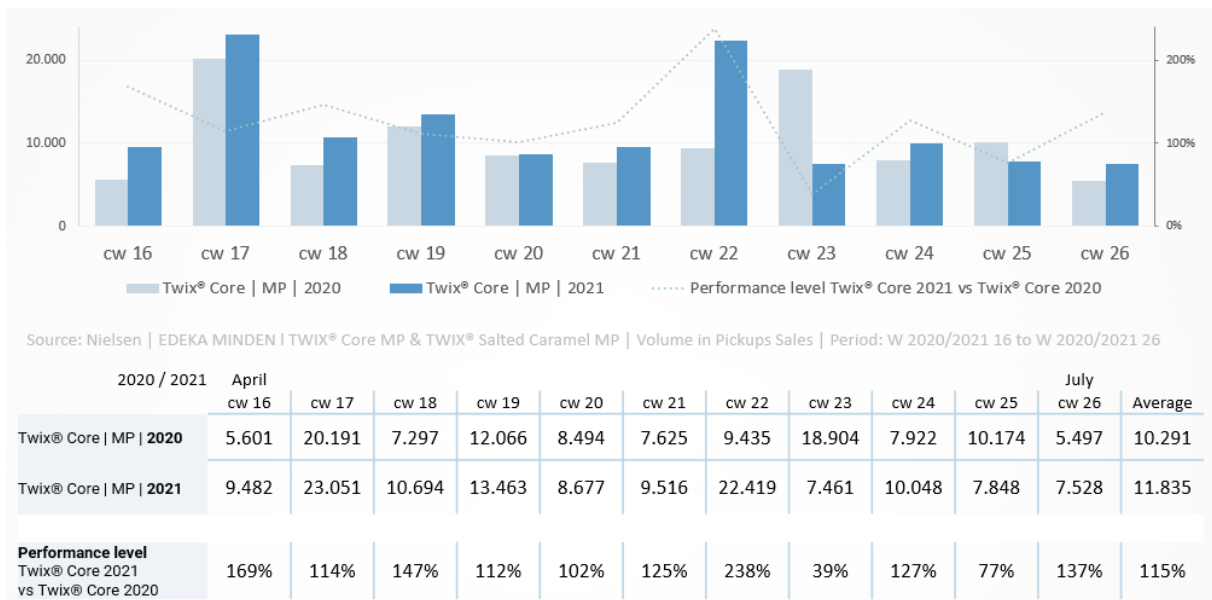
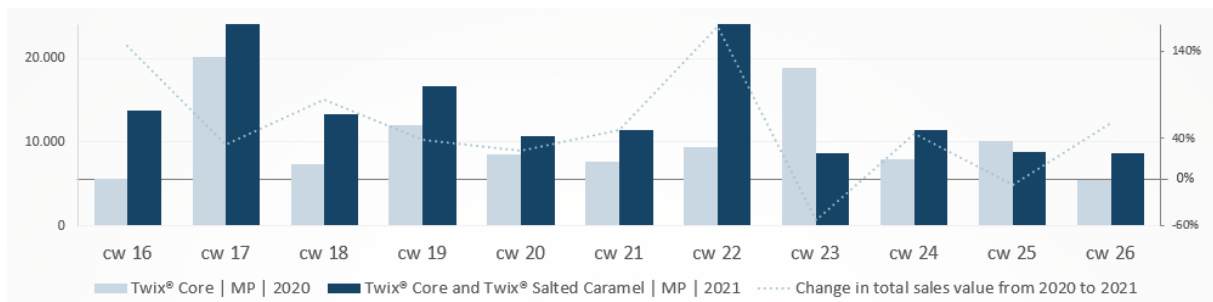


Figure 14 Nielsen: Sales value: Twix® MP 2020 vs Twix® MP 2021 (incl. Performance comparison)

**Sales value: Twix® Core MP 2020 vs Twix® Core and Twix® Salted Caramel MP 2021 (incl. Change)**

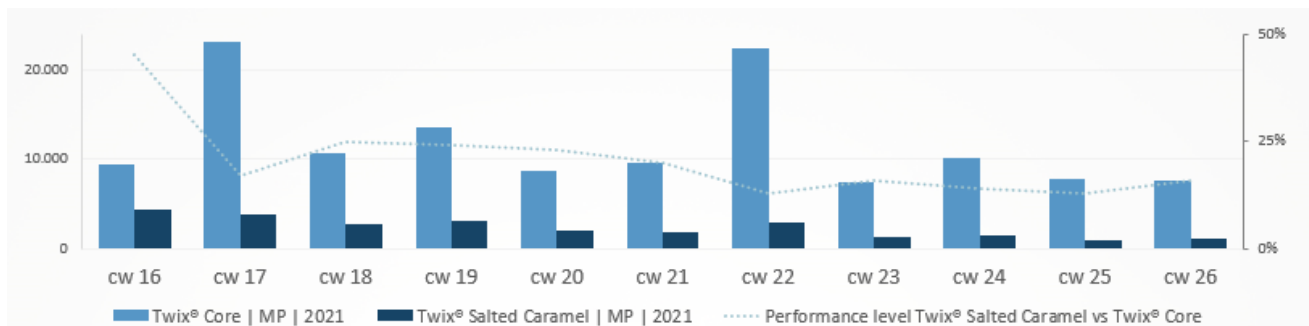


Source: Nielsen | EDEKA MINDEN | TWIX® Core MP & TWIX® Salted Caramel MP | Volume in Pickups Sales | Period: W 2020/2021 16 to W 2020/2021 26

2020 / 2021	April											July	Average
	cw 16	cw 17	cw 18	cw 19	cw 20	cw 21	cw 22	cw 23	cw 24	cw 25	cw 26		
Twix® Core   MP   2020	5.601	20.191	7.297	12.066	8.494	7.625	9.435	18.904	7.922	10.174	5.497	10.291	
Twix® Core and Twix® Salted Caramel   MP   2021	13.751	26.919	13.394	16.631	10.697	11.389	25.346	8.674	11.495	8.839	8.699	14.167	
<b>Change in total sales value from 2020 to 2021</b>	<b>+146%</b>	<b>+33%</b>	<b>+84%</b>	<b>+38%</b>	<b>+26%</b>	<b>+49%</b>	<b>+169%</b>	<b>-54%</b>	<b>+45%</b>	<b>-13%</b>	<b>+58%</b>	<b>+53%</b>	

Figure 15 Nielsen: Sales value: Twix® Core MP 2020 vs Twix® Core MP 2021 (incl. Change)

**Sales value: Twix® MP 2021 vs Twix® Salted Caramel 2021 (incl. Performance comparison)**



Source: Nielsen | EDEKA MINDEN | TWIX® Core MP & TWIX® Salted Caramel MP | Volume in Pickups Sales | Period: W 2021 16 to W 2021 26

2021	April											July
	cw 16	cw 17	cw 18	cw 19	cw 20	cw 21	cw 22	cw 23	cw 24	cw 25	cw 26	
Twix® Core   MP   2021	9.482	23.051	10.694	13.463	8.677	9.516	22.419	7.461	10.048	7.848	7.528	
Twix® Salted Caramel   MP   2021	4.269	3.868	2.700	3.168	2.020	1.873	2.927	1.213	1.447	991	1.171	
<b>Performance level Twix® Salted Caramel vs Twix® Core</b>	<b>45%</b>	<b>17%</b>	<b>25%</b>	<b>24%</b>	<b>23%</b>	<b>20%</b>	<b>13%</b>	<b>16%</b>	<b>14%</b>	<b>13%</b>	<b>16%</b>	

Figure 16 Nielsen: Sales value: Twix® MP 2021 vs Twix® Salted Caramel 2021 (incl. Performance comparison)

## Survey WP – Emma Geiser

**Q2 - What is your nationality?**

German  
Portuguese

Other European country  
Non-European country

**Q5 - In which situations do you most like to consume chocolate?**

Coffee  
On the Go  
Studying / TV / other home activities

Sharing with friends / family  
Whenever I need a "pick me up"  
Other (please specify):

**Q6 - Do you know the TWIX® brand?**

Yes No

**Q7 - Do you like to try new varieties of known products? (e.g. limited editions, seasonal editions)**

Yes No

**Q8 - How often did you buy Limited Editions or varieties of known food products of all kind (also non-confectionery products) in the last 12 months? (Limited Editions/varieties = non-standard products = e.g. Fanta Mango, Duplo Winter Edition)**

I did not try any  
Less than three times

Between three and five times  
More than five times

**Q9 - Have you purchased a Twix® product in the last 6 months?**

Yes No

**Q10 - Which Twix® products did you consume? (multiple answers possible)**

Twix® Original / Classic (gold packaging)  
Twix® White

Twix® Salted Caramel  
Other (please specify):

(Not including Twix® Salted Caramel)

**Q11 - Do you think Twix® and Salted Caramel would fit together well?**

Yes No

**Q12 - Do you think the new flavour Salted Caramel would have a positive impact on your personal perception of the Twix® brand?**

Yes No

**Q13 - Would you be interested in trying a Twix® Salted Caramel?**

Yes No

**Q14 - If you would buy a Twix® Salted Caramel, would you buy it additionally to another Twix® product or instead of a Twix® product?**

Additionally  
Instead  
I do not buy Twix® or Twix® Salted Caramel

**Q15 - Please rank the different variants according to your past consumption. If you haven't consumed them please rank according to your interest in the variant. (rank 1 = most consumed/interested, rank 4 = least consumed/interested)**

Twix® Original / Classic (gold packaging)  
Twix® White

Twix® Salted Caramel  
Other (please specify):

**Q16 - With the new variants, would you find yourself purchasing Twix® more often?**

Yes, I would buy more Twix®  
No, I would still buy the same amount, just different flavours

**Q17 - Did you know that Snickers®, Twix®, Mars®, Bounty®, Milky Way® & Balisto® belong to the same company (Mars Wrigley)?**

Yes No

**Q18 - What influences your purchase decision when buying chocolate the most?**

Brand  
Advertisement  
Impulse / Desire in the moment  
Price  
Other (please specify):

Figure 17 Survey: Independently conducted survey | 11/2021

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**NOVA**

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This work used data and resources owned by Mars Germany with the permission of Mars Wrigley Germany. During the work Emma Melanie Geiser had a work relation to Mars Germany in form of a paid internship with a duration of seven months.

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