Blog

Three Reasons Why Chocolate Endures as a “Recession Proof” Industry – And How Manufacturers Can Prepare Now

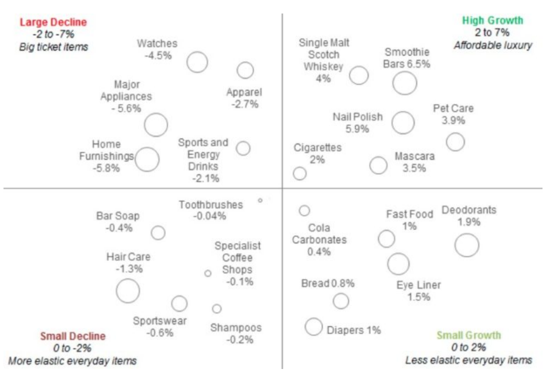
Chocolate manufacturers may have reason to celebrate even as the current US administration calls for negative interest rates. Chocolates and other confections are considered “recession proof” industries. But are they really?

We think so. Here’s **three reasons why the chocolate industry should do well in the next recession** – and how manufacturers should prepare for the pending rush of orders.

1. Chocolate as an “Affordable Luxury” – Even During a Recession

Back in 2001, then-Chairmen Estée Lauder Leonard Lauder observed a consumer trend he coined “the lipstick effect.” Basically, while consumer spending may fall in other sectors, **they’ll treat themselves with small “affordable luxury” purchases.**

During the 2008-2009 Great Recession, cheaper and more disposable items like lipstick, pet care, and whiskey – that is, those products in the affordable luxury segment – experienced high industry growth, while more expensive and permanent items like furniture and appliances fell:



(Credit to Euromonitor International/Passport Industries)

Chocolate, too, performed well during the Great Recession. For example, Euromonitor International researcher Andre Biciunaite found that German boxed chocolates grew 12% in 2009, apparently driven by demand for **"instant indulgence" to relieve stress**.

As one chocolatier summed up, "People are not giving up all their pleasures. Maybe they'll miss a holiday or a weekend away, but they are not going to sit home eating bread and drinking water. Chocolate is an affordable luxury."

2. Chocolate as a Mood Booster

Chocolate's hard to beat as a treat when people are feeling down. As one European chocolate manufacturer observed: "People eat chocolate in good times to celebrate – and in hard times to feel better."

They were right. As it turns out, **there's chemical evidence for chocolate's status as a blue's buster.**

Researchers found that consuming chocolate helped boost serotonin production – the "happy chemical" – in the brain. Drugs used to treat depression like selective serotonin reuptake inhibitors, or SSRI, also raise serotonin levels.

Chocolate also helps raise the body's endorphin levels. Endorphins are the same hormones released during exercise to help relieve pain and create a euphoric feeling.

Finally, according to Oxford Brookes University research fellow Henk Smit, chocolate fulfills two innate preferences by snacking humans: A sweet taste and creamy texture. He told one media outlet, "We all know that chocolate does improve moods. **It's something that provides comfort at a time when people need comfort.**"

And, if there's ever a time when people seek out comfort, it's during a recession when financial foundations and home stability are threatened.

3. The Chocolate Industry's Growth in Eastern Markets

Even if growth in the Western market stagnates, chocolate manufacturers can always **go east into emerging markets like China and India**. In fact, market researchers forecast the Asia-Pacific region as the fastest growing of any chocolate market for the next five years.

Several factors fuel this growth:

- **Growing net income and rise of the middle class** in developing countries. People with rising incomes can afford to purchase consumable luxury goods like chocolate.
- **Increased integration of chocolate into local foods.** While chocolate ice cream is incredibly popular – contributing to a compound annual rate growth of 5% over five years – it's increasingly included in local foods outside of sweets. Barry Callebaut's China Managing Director George Zhang believes this integration is the "key to achieving market success" in eastern markets.
- **"Flavor migration" of popular western snacks to eastern markets**. As Mintel's Food and Drink Direct of Insight Marcia Mogelonsky observed, "A flavor with universal appeal, chocolate has lent itself well to the 'sweet and salty' taste that is becoming popular across the world, and more recently in Asia.

How Chocolate Manufacturers Can Recession Proof Their Lines

From previous performance and future forecasting, then, it's safe to say that **chocolate sales may get a boost in the next recession**. And, that recession may be closer than we all hope, considering the recent contraction in the manufacturing index and September 2019's falling retail sales.

Smart chocolate manufacturers should begin updating their factory lines now to prepare for future demand. Preparations should entail eliminating idle equipment while finding funds for upgrades, retooling lines to supply potentially popular products – like the sweet-salty snacks in Asian markets – and redeploying assets to more strategic locations within your company.

We've got experience strategically managing the surplus assets and equipment from some of the world's biggest snack brands **to recover millions from otherwise useless assets.** If you have idle equipment or extra inventory, then reach out: We can help.

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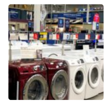
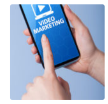

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