Social Distancing Proves Bad for Gum and Mint Sales

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Key insight:

- A similar drop in gum sales due to high unemployment occurred during the Great Recession.
- Fewer people are buying gum for social reasons, and foot traffic to convenience stores is way down.

With more people staying at home, communicating through digital channels and aiming to maintain at least six feet of distance from others at all times, fresh breath has declined in importance.

During a Q1 earnings call with analysts, Hershey's chairman, president and CEO Michele Gross Buck said the widespread practice of social distancing has hurt company sales of gum and mints. In recent weeks, demand has dropped 40% to 50%.

"These categories are much more functional than emotional," said Buck.

Hershey's gum and mint brands consist of Ice Breakers, Breath Savers and Bubble Yum. While Jeff Beckman, a Hershey's spokesperson, said the company doesn't break down sales by brand, he noted that Ice Breakers is the category's bestseller.

Beckman said that one of the key reasons people purchase gum is for "social confidence with others." Given the nationwide orders to stay home, fewer consumers require that. Gum and

mint sales have also been hindered by a decline in foot traffic to convenience stores—a crucial channel for the category—said Beckman.

“It is also worth noting that we have not seen anything before on this scale impacting this segment,” said Beckman, in reference to Hershey’s gum and mints category. “In fact, we have seen healthy growth in our refreshment business over the past few years.”

This downturn in demand for gum and mints appears to be widespread. In the four-week period ending April 11, in-store gum sales were down 30.9% compared to last year, according to Nielsen. Mint sales were down 35.7% when examining the same two time periods.

The phenomenon of people purchasing fewer breath-enhancing candies at a time when they’re experience fewer face-to-face encounters isn’t without precedent.

“During the Great Recession, confectionery operators, including Cadbury, cited a similar result given that gum is a product consumers opt for when going to work and school,” said Erin Lash, a director at investment research firm Morningstar. “With the uptick in unemployment at the time—which is similar to the current backdrop—Cadbury had suggested that was constraining sales.”

On the positive side, Hershey’s saw a boost in March sales due to consumer stockpiling, Buck said. And now that families are spending more time at home baking, demand for chocolate syrup, baking chips and cocoa all increased around 30% during the month of March—good news for the company.

Overall, Hershey reported Q1 net sales of $2.04 billion, up 1% compared to last year. In North America, advertising and related marketing costs increased 6.9% due to higher advertising expenses.

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