

The Hershey Company - Pricing the Moment

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Decision scope: U.S. confectionery commercial strategy for the next planning cycle

Case convention: Historical company disclosures are factual; the assignment and alternatives are author-created. This case does not describe private Hershey deliberations. Earnings-call remarks, replay, and transcript are outside the cutoff.

The decision

Hershey's North America Confectionery segment had realized approximately 2% higher prices in the third quarter of 2024, while segment volume declined approximately 2%. Over the first nine months, price realization was approximately 3% higher and volume declined approximately 5%. The company reported elevated cocoa-market prices, lower segment income, and declines in U.S. candy, mint and gum takeaway and market share. At the same time, Hershey's management continued to describe its brands and snacking categories as resilient and pointed to in-store execution, chocolate portfolio expansion, sweets, and seasonal strength as priorities. [S1, MD&A pp. 36-41, 46; S2, opening remarks and outlook, pp. 1-2]

These figures do not tell the team how much of the volume change was caused by pricing, nor what further pricing would do to contribution or share. The consumer's shelf price may differ from Hershey's manufacturer price realization. The futures price for cocoa is not the same as Hershey's recognized ingredient cost. The next plan must account for those gaps.

Assignment: Advise a hypothetical Hershey commercial leadership team on its U.S. confectionery pricing posture for the next annual planning cycle. Recommend one primary course, identify the strongest objection, and describe what evidence should trigger a change in course. Your choices are:

1. **Continue broad list-price realization.** Use another broad list-price action to restore economics as higher input costs flow through procurement and hedging. Protect seasonal execution and consumer support.
2. **Segment price and pack decisions.** Use targeted list-price changes, pack architecture and selective promotions to defend important entry points and occasions while seeking more realization where consumer value and competitive position support it.
3. **Moderate broad price changes.** Hold most list prices steadier for the planning period and rely more on productivity, mix, innovation and marketing to protect demand while absorbing a greater share of cost pressure.

These are analytical alternatives, not announced Hershey plans. Any recommendation should explain its implications for consumer affordability, retailer relationships, brand investment,

market share and economics. The sources provide no Hershey-specific brand elasticity or retailer pass-through rate; do not present one as known.

Company and portfolio context

Hershey competes in North America with chocolate brands including Hershey's, Reese's and Kisses, and with non-chocolate confectionery brands that include Jolly Rancher and Twizzlers. It also sells salty snacks through brands including Dot's and SkinnyPop, and operates international confectionery businesses. North America Confectionery was by far the company's largest reportable segment in the third quarter of 2024, with sales of \$2.477 billion; North America Salty Snacks recorded \$291.8 million, and International recorded \$218.4 million. [S1, segment results, pp. 40-42]

Hershey describes competition across product quality and innovation, price, brand recognition and loyalty, advertising and promotion, retail execution, shelf space, consumer preferences, convenience and service. The company notes competition from other snack products as well as confectionery companies. Its annual sales pattern is seasonal, with higher sales typically in the third and fourth quarters. [S3, Item 1 "Competition" and Item 1A, pp. 6-11]

The company's public Q3 priorities included winning in-store with key customers, expanding its chocolate portfolio, accelerating sweets, and maximizing seasonal strength. These statements establish management's published direction, but do not specify an approved price action or its expected impact. [S2, p. 1]

Cost pressure and timing

Hershey reported an average ICE cocoa futures contract price of \$3.32 per pound for the first nine months of 2024, compared with the 2023 annual average of \$1.49. The reported first-nine-month range was \$1.84 to \$5.20. Hershey cautioned that those market prices do not directly represent its cost of cocoa products. Its forward purchases and hedges generally cover commodity risks for three to 24 months; costs also reflect delivery timing, premiums and discounts, and the specific grades of cocoa used. [S1, commodity-risk disclosure, p. 46]

The timing question matters. A high futures quote can signal a cost risk without measuring the amount or timing that reaches Hershey's cost of sales. Procurement coverage, inventory, product recipes and hedge results affect the path. The 10-Q does not give product-level cocoa coverage or the future cost curve by segment.

Exhibit 1. Cocoa market reference disclosed by Hershey

U.S. dollars per pound; ICE cocoa futures contract; reported by Hershey.

Period	Average	Range
2023 full year	\$1.49	Not shown in this comparison
First nine months of 2024	\$3.32	\$1.84-\$5.20

Source: [S1], commodity-risk disclosure, p. 46. Futures prices are market references, not Hershey's purchase price or recognized ingredient cost.

Price realization, volume and financial results

In Q3 2024, North America Confectionery generated \$2.477 billion in net sales, 0.8% more than the prior-year quarter. Hershey attributed the increase to approximately 2% favorable price realization, primarily from list-price increases across certain products, partially offset by approximately 2% lower volume. The company said volume decline was primarily in everyday core U.S. confection. Segment income was \$724.8 million, down 14.5%, primarily due to higher commodity and supply-chain costs and unfavorable mix. [S1, segment results, p. 40]

The same-day earnings release expressed North America Confectionery's Q3 organic, constant-currency sales increase as 0.9%. It said approximately 2 points of price realization and approximately 1 point from inventory timing offset consumption-driven volume declines. [S2, "North America Confectionery," p. 4] These rounded explanations use a different sales presentation from the 10-Q table and do not form a precise or causal bridge. Inventory timing and company-reported segment volume should not be equated with consumer takeaway in Circana's retail data.

For the first nine months, North America Confectionery sales declined 2.0%; volume was down approximately 5% and favorable price realization was approximately 3%. Segment income declined 10.7%. These company-reported percentages are rounded; they are not a causal bridge. [S1, segment results, p. 40]

Exhibit 2. North America Confectionery results

USD millions; company-reported; percentage components are approximate.

Period	Net sales	Sales change vs. prior year	Price realization	Volume change	Segment income	Segment-in come change
Q3 2024	\$2,477.3	+0.8%	about +2%	about –2%	\$724.8	–14.5%
First nine months 2024	\$6,764.4	–2.0%	about +3%	about –5%	\$2,137.5	–10.7%

Source: [S1], segment results, p. 40. Q3 ended September 29, 2024. Price realization is a manufacturer revenue measure; volume is Hershey-reported segment volume. Neither equals consumer shelf price or retail takeaway. Segment income is a non-GAAP measure; it excludes corporate items described on p. 39 of the filing.

At the consolidated level, Q3 net sales were \$2.988 billion, down 1.4%; volume declined approximately 3%, and price realization was approximately 2%. Gross margin was 41.3%, compared with 44.9% in the prior-year quarter. The consolidated figures include all reportable segments and should not be substituted for North America Confectionery measures. [S1, consolidated results, pp. 36-37]

Hershey lowered its 2024 net-sales growth outlook from approximately 2% to flat. It revised reported EPS growth guidance from a decline of 3% to 1% to a decline of 9% to 6%, and changed adjusted EPS growth guidance from "down slightly" to "down mid-single-digits." These were management's forecasts as of the release date, not reported actual results. [S2, full-year outlook, p. 2]

What shoppers and retailers reported

Hershey's 10-Q reported Q3 U.S. retail takeaway down 1.4% in the expanded multi-outlet combined plus convenience-store channels (Circana MULO + C-Stores), across candy, mint, gum, salty snacks and grocery items. Within the company's CMG measure, consumer takeaway declined 2.6% and market share fell 97 basis points. Salty takeaway rose 2.8% and share increased 11 basis points. [S1, "Key U.S. Marketplace Metrics," p. 37]

These are Circana retail takeaway and share measures as reported by Hershey, with the scope above. They measure purchases moving through covered retail channels, not Hershey's shipments to customers. Segment volume is a shipment/sales measure. Both can move for reasons beyond price, including distribution, inventory timing, assortment, product mix, promotions, seasonality and competitor activity. The filing does not isolate any price-caused share change.

Exhibit 3. Three measures, three different questions

Measure	What it describes	What it does not establish
Manufacturer price realization	Hershey's realized net revenue impact attributed to price in its reporting	Exact consumer price paid, retailer pass-through or demand elasticity
Hershey segment volume	Company-reported volume change in segment sales	Retail consumer purchases in the same period or the cause of a change
Circana takeaway / share	Retail sales and share in disclosed channel/category coverage	All outlets, all occasions, Hershey's shipments or a causal price effect

A competitive check

Two public confectionery peers had also reported third-quarter results by the cutoff. Mondelēz reported North America organic net revenue growth of 3.7%, comprising 2.0 points of pricing and 1.7 points of volume/mix. It reported global organic revenue growth of 5.4%, with 0.3 points of volume/mix and 5.1 points of pricing. Those are Mondelēz non-GAAP measures, from a broader and more international portfolio, and are not a like-for-like estimate of U.S. chocolate demand. [S4, regional table and Q3 commentary]

Tootsie Roll reported Q3 sales down 10%. Its chair said customers and consumers had become more resistant to higher price realization and stated that rising cocoa and chocolate costs could affect later 2024 and 2025 input costs. Tootsie Roll is smaller and has a different portfolio and channel mix; its reported experience is a contrasting signal, not a Hershey forecast. [S5, Q3 release, commentary and table]

Mars is a major private competitor, and Hershey's public filing identifies large private companies and retailers as competitors. This packet does not provide a contemporaneous matched comparison of Mars, Ferrero, private-label or retailer prices, promotions and share. [S3, Item 1 "Competition," pp. 6-7]

A research lens

Academic work based on Great Britain household food purchases finds that chocolate and confectionery purchases respond to category-level price changes. That study uses 2012-2013 household purchase data and broad categories; it does not estimate Hershey brand demand in the United States. A systematic review likewise finds food price responses vary by category and research design. The studies reinforce the need to consider consumer response and substitution, but they do not provide a Hershey elasticity for this decision. [S6, methods/results and limitations; S7, review]

For a price/pack/promotion recommendation, consider how consumers form value comparisons over time, what rival products and pack sizes they can choose, and how a retailer might respond to a manufacturer price change. Hershey's public results do not reveal household-level reference prices, specific substitution patterns or promotion incrementality. Any numerical response assumption you introduce must be labeled hypothetical and tested across a range.

The recommendation

Prepare a short memo for the hypothetical leadership team that:

- selects one of the three courses and explains why it fits Hershey's U.S. confectionery position;
- addresses the strongest case against your recommendation;
- identifies the consumers, brands, packs, occasions and retail customers most affected;
- explains how to manage price, pack architecture, promotion, seasonal execution and brand investment as a connected set of choices;
- distinguishes expected manufacturer realization from consumer shelf price and segment volume from retail takeaway;
- states which internal evidence you would request before final implementation; and
- names observable conditions that would cause you to revise the plan.

No internal management data are included. Do not claim that the packet establishes an optimal price, the effect of a prior increase, the expected pass-through to shelf prices, or a Hershey-specific demand elasticity.

Sources and conventions

S1. The Hershey Company, [Form 10-Q for the quarter ended September 29, 2024](#), filed Nov. 7, 2024; SEC acceptance at 11:26:07 a.m. ET. Printed filing pages and sections cited in text.

S2. The Hershey Company, [Q3 2024 earnings release](#), Nov. 7, 2024. The company release was published in the morning; outlook and management remarks cited as company statements.

S3. The Hershey Company, [2023 Form 10-K](#), filed Feb. 20, 2024. Item 1 "Business" and "Competition"; Item 1A, risk factors; Item 7, seasonality.

S4. Mondelēz International, [Q3 2024 results release](#), Oct. 29, 2024, 4:05 p.m. ET. Regional net-revenue table and third-quarter commentary. Company-defined non-GAAP measures.

S5. Tootsie Roll Industries, [Q3 2024 results release](#), [SEC Exhibit 99.1](#), Oct. 23, 2024. Commentary and results table.

S6. Smith, R. D., L. Cornelsen, D. Quirmbach, S. A. Jebb, and T. M. Marteau, “Are sweet snacks more sensitive to price increases than sugar-sweetened beverages: analysis of British food purchase data,” *BMJ Open* 8:e019788 (2018), methods, results and limitations.

S7. Andreyeva, T., M. W. Long, and K. D. Brownell, “The Impact of Food Prices on Consumption: A Systematic Review of Research on the Price Elasticity of Demand for Food,” *American Journal of Public Health* 100(2):216-222 (2010).

Unless stated otherwise, dollar figures are U.S. dollars. Q3 means the 13 weeks ended September 29, 2024; first-nine-month figures are year-to-date through that date. Rounded price and volume disclosures do not sum into a causal bridge. All evidence after November 7, 2024 at 11:30 a.m. ET is excluded. Earnings-call discussion, replay and transcript are excluded. No later company or market outcome is included.