

# MARKETING

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## THE DELICIOUS CHOCOLATE EXPERIENCE

A strong brand is the most important capital of any consumer goods business. It creates confidence and is associated by consumers with a number of tangible, emotional, and characteristic aspects. Brand management and communication of product values are therefore among the most important tasks of the business management. To build a brand, two criteria are essential: firstly the product must be clearly differentiated from other offers available on the market, and secondly, the message must fully reflect the communicated product properties. For many years, the chocolate industry has experienced stagnating and often declining markets while the number of suppliers has been rising. Competition increasingly concerns the price, and the product offering is monotonous. Real innovations are increasingly few and far between. More than ever before a unique experience of the brand and product profile determines lasting success on the market. The task of the marketing department is to convey the unique nature and added value of the products to the consumer in a credible and memorable manner.

As the world's biggest manufacturer of premium products, Lindt & Sprüngli recognized the challenges of the chocolate market 20 years ago, and stepped up the pace of innovation in the field of product development and marketing concepts substantially. Thanks to in-depth market and consumer analyses, the LINDT Master Chocolatiers are proving repeatedly successful in responding effectively to consumers' expectations. The Group-wide communication concept with the LINDT Master Chocolatiers is structured to achieve optimized synergy effects with classical marketing instruments such as advertising, consumer promotions, point-of-sale presence, and events for the public, so as to keep the image and quality values of the LINDT brand in the public eye through a universal presence. As the outstanding symbols of these premium values, the LINDT Master Chocolatiers create a shared framework all over the world for all LINDT products, and have generated consistent images with consumers for the past 20 years or so. The primary aim of this global high-level brand campaign is to make the LINDT brand a real experience. Each piece of LINDT chocolate is intended to convey the passion placed by our Master Chocolatiers in the development and manufacture of their products and by so doing to build image values.

To support this highly successful communication concept, Lindt & Sprüngli signed a long-term partnership with the Swiss tennis champion Roger Federer in October 2009 to acquire an additional popular identification potential for the LINDT brand. Roger Federer is a unique embodiment of the values which are fundamental to Lindt & Sprüngli, such as Swissness, premiumness, quality, and passion, making him an ideal global brand ambassador.

For the past 20 years, Lindt & Sprüngli has been uniquely successful in repeatedly developing, instead of monotonous or aggressive price opportunities, new and creative ideas, innovative products and concepts, and consistently associating them with the global communication aims led by the LINDT Master Chocolatiers.

# EXPANSION

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## AN INTERNATIONAL GROUP WITH SWISS ROOTS

Progressive globalization of the markets and consumer habits, ongoing changes in the social structures of many new and fast-growing markets in the emerging countries, and the accompanying improvement of purchasing power and life style enjoyed by increasingly broad sectors of society open up great opportunities for Lindt & Sprüngli. These must be grasped through expansion plans to ensure that, once these change processes have been completed, Lindt & Sprüngli is well placed in future to benefit from the investments made today.

When the present management took over responsibility for the Group back in 1993, geographical expansion was one of its clearly defined priorities. That is why, over the past 20 years, Lindt & Sprüngli has organized the expansion of its business in the traditional mature European markets and so achieved profitable growth by deploying its own resources; at the same time, it has driven forward its global presence through external acquisitions and the incorporation of its own distribution companies. The initial focus was placed on markets with an established chocolate tradition to which Lindt & Sprüngli systematically imparted new dynamism through innovations and new distribution concepts, together with targeted and constantly enhanced marketing measures across the years. Wherever Lindt & Sprüngli wished to establish its presence, it succeeded in strengthening the LINDT brand and lastingly positioning it; thus generating strong growth over a period of many years while also constantly increasing profitability.

Lindt & Sprüngli made its first strategic acquisition when it took over Hofbauer in 1994. At that time, this Austrian confectioner was a byword for high quality and outstanding workmanship, thus perfectly reflecting our brand values. Just three years later, the traditional Turin-based company Caffarel was acquired with its “Gianduia 1865” product that was already known well beyond the national borders. To exploit the potential of the North American chocolate market still more effectively, the oldest and most traditional US chocolate maker, Ghirardelli Chocolate Company in San Francisco, was integrated into the Group in 1998. Its most popular signature product range, the SQUARES, is named after the town’s landmark “Ghirardelli Square” which was the historical manufacturing site of Ghirardelli.

To make use of global growth opportunities and make LINDT still more widely known all over the world, not only new markets but also new distribution channels had to be found. In the permanent search for additional growth opportunities, it became clear that a successful own sales concept has enormous potential to enhance familiarity with the brand, and is an ideal way of gaining access to new markets with little or no chocolate tradition. The systematic implementation of this new direct distribution model with its different conceptual facets required a professional management structure. In 2009, a centralized global retail organization was founded at Group level for this purpose. The stated aim is to generate additional sales by setting up our own global network of sales outlets and so creating sustainable growth opportunities for the future, without impairing relations with the retail trade. At present there are around 200 LINDT shops worldwide, including around 20 Ghirardelli Chocolate & Ice Cream Shops.

# INVESTING IN THE FUTURE

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## TODAY LINDT & SPRÜNGLI'S PRODUCTION FACILITIES ARE STATE-OF-THE-ART IN THE CHOCOLATE INDUSTRY

From the outset, Lindt & Sprüngli's core expertise has consisted in the production of delicious chocolate products, from the choice of the finest raw materials to the finished product.

The first major investment in the company's history was the purchase of the site and construction of the chocolate factory in Kilchberg back in 1898, where chocolate is still produced today and exported all over the world. Just one year later, the secret conching technique was acquired together with the Rodolphe Lindt brand at a cost of 1.5 million gold francs. The revolutionary know-how secured in this way remains the basis of our expertise in chocolate which has undergone constant refinement.

Lindt & Sprüngli has always remained true to the pioneering spirit of its founding fathers. In response to the constantly growing demand for high-quality LINDT premium chocolate, the Group has invested in the expansion of its production sites and in the acquisition of new machinery. In the past 20 years, a total of some CHF 2.5 billion have been invested to extend capacities, optimize productivity, and enhance quality with the goal to improve competitiveness with a view to set the base for future growth.

For example, the Kilchberg site has been extended by a cocoa processing facility in Olten and a logistic center in Altendorf. Our Olten site now not only produces cocoa mass for Switzerland but also for Germany and Italy and has tripled the original production volume. Altendorf is a hub for the export of LINDT products to some 120 countries. Substantial investments have also been made in the USA, the world's biggest chocolate market. At the company's headquarters on the East Coast in Stratham, cocoa mass has been produced since 2010 according to the stringent quality criteria of the Swiss parent company. Lindt & Sprüngli USA has therefore now become independent of imports from Switzerland which brings with it a minimization of currency risks and transport costs, together with a more environmentally friendly eco-balance. In Germany, France and Italy, our principal manufacturing sites in Europe, we have constantly invested in the expansion of the factories. The current major projects involve an investment volume of more than EUR 100 million.

Our production facilities are divided into so-called competence centers equipped with the very latest technologies for industrial manufacturing. Within the group of companies, the Swiss subsidiary has taken over expertise for pralinés while France specializes in the manufacture of tablets and Germany in chocolate figures and seasonal products. The production facilities, some of which are highly complex, use innovative techniques and cutting-edge technology often developed specifically to meet our own particular needs. In this respect, the exchange of technological expertise and process know-how between the sister companies has proved extremely effective.

# INNOVATION & TRADITION

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EACH NEWLY LAUNCHED PRODUCT SHOULD HAVE  
THE POTENTIAL TO BECOME A CLASSIC ONE DAY

Innovation is a permanent feature of Lindt & Sprüngli's history. Back in 1845, Mr Sprüngli and his son made chocolate in a solid form for the first time in German-speaking Switzerland. Thanks to the conching technique a revolution followed in 1879 in the shape of the legendary, soft-melting LINDT Surfin tablet. Today, LINDT is still typified by an unusually rapid pace of innovation. Not a single year passes without LINDT introducing distinguished new creations to the market. The LINDT Master Chocolatiers worked tirelessly on unusual chocolate recipes and revolutionized the world of chocolate more than once with their inventions. No combination is impossible; only the finest raw materials are good enough and the assurance of uncompromising quality and perfect manufacture remains a prerequisite for every new product.

With its history dating back for more than 165 years, Lindt & Sprüngli is a highly traditional business which has succeeded in permanently establishing itself on the market as a premium chocolate brand and in building up a loyal customer base. Throughout this period, classics have been further developed and supplemented by many attractive innovations. Innovation does not simply mean the launch of totally new products, but also entails the updating of existing lines which have been best sellers for many years. They include for example the optimization of recipes and the adaptation of packaging to the latest standards.

In product development, consumer needs are always prominent. We can only be successful in the long run if we are familiar with the wishes of our consumers. Many surveys, questionnaires, and tasting sessions give our Master Chocolatiers information about the preferences and habits of chocolate lovers whose standards are becoming increasingly exacting. Input from our marketing department is equally important. Trends are discovered and new impetus given, for instance in the late 1980s, when LINDT significantly shaped the market for dark chocolate with its extra-thin EXCELLENCE tablets with a high cocoa content. After countless tests, genuinely innovative products are finally introduced onto the market as a perfect response to consumer needs.

The HELLO lifestyle line was an exemplary and successful new launch in 2012, which was celebrated with a big party in Berlin. Many of the prominent personalities present beat the publicity drum for LINDT so that this event with a strong media impact was a topic of discussion for days on end. Its young and trendy presentation and sophisticated taste combinations delight the consumers. Another important new launch was the LINDT TEDDY in 2011. With its festive presentation and pleated red ribbon with a heart pendant it is a perfect addition to the success story of other figures such as the GOLD BUNNY. Millions of this item have been sold all over the world for more than 60 years, making it an uncontested icon for the Easter season. The same goes for the globally successful LINDOR product line which enjoys growing popularity since over 60 years. In recent years, the "Creation" in twelve different variations, "Les Grandes" and the "Passion Chocolat" represent the most successful launches in the tablet segment.