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The Hershey Company Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Jonathan Feeney - Wachovia Capital Markets, LLC.

Jonathan Feeney - Wachovia Capital Markets, LLC

I wanted to ask specifically about the convenience and gas channel. It seems like a decrease - there seems to be a mix of opinion out there that the impact that a decrease in fuel prices off peak levels is having there. I've heard some say their business is accelerating; others say no impact. Could you maybe give me a sense of the trends you're seeing and are hoping for into 2009 assuming gas prices stay here, off their peak?

David West

I think, Jonathan, the 12-weeks data that we quoted ending 9/7, clearly had the much higher gas prices in it. And I think during that period clearly trips were down. The category in that 12week period through the summer was up around 2.5%. It's down a little bit from what it historically had been, and that's pretty consistent with what we saw in the four weeks ending 10/5, which just came out in the last couple of days. So still around that 2.5% to 3% range.

The lower gas prices are just starting to come in, so we'll have to watch the impact of that, but overall I think trips are down a little bit. But our category seems to be kind of clipping along at that 3 percentage range. For the first time in the last four weeks we started to get some traction and gain some share back, so we're pretty pleased about that. But we obviously will continue to monitor it.

Jonathan Feeney - Wachovia Capital Markets, LLC

That 3% number, you're just taking - is that convenience or is that all channel?

David West

That's the convenience store only. That's the C-store part of our business.

Operator

Your next question comes from Judy Hong - Goldman Sachs & Company, Inc.

Judy Hong - Goldman Sachs & Company, Inc.

Just in terms of the category growth, Dave, as you look out into '09 and as we deal with the weakening economy and consumers just being more challenged, how do you think about the category growth outlook? And as you see price increases going through and consumers see higher prices there, how do you think about both from the macro perspective as well as the impact the price increases will have on the category?

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