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The Hershey Company Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). We'll pause for just a moment to compile the Q&A roster. Your first question comes from the line of Judy Hong with Goldman Sachs.

Judy Hong - Goldman Sachs

Good morning, everyone.

David J. West

Morning, Judy.

Humberto P. Alfonso

Morning.

Judy Hong - Goldman Sachs

Dave, I'm wondering if you could share with us your thoughts in terms of what you observed as far as the volume price elasticity is concerned following the August 15 price increases. And I understand the promoter prices haven't gone up but anything you can share with us and whether you feel the 2 to 3% number in 2009 as far as sales growth is concerned, maybe turning out to be a little bit more conservative.

David J. West

I'll give you, just give you some thoughts on what we've done. Yes, the price increase in August obviously we did honor previously committed prices for Halloween, holiday, as well as Valentine's and Easter. So in the fourth quarter, I mean roughly have the volume that moves through at retail is in that holiday and Halloween.

So, we did get obviously the list price increases which was right - roughly 10% across half the business. So you can guess it's somewhere around mid single digits in terms of price gains in the quarter.

We did start to see a dampening effect of foreign exchange as Burt said, it was about - a little bit more than two points of growth in the fourth quarter because of lost to foreign exchange. And we had the

volume shift out of the fourth quarter into the third because of the timing of the pricing. So you can kind of take that mid single digit list price gain and work it down to get the math to work.

With respect to elasticity, there are a couple of things that we did see through the quarter. Clearly most of the merchandise in the quarter is seasonal and in destination, we did gain considerable share in both Halloween and holiday. We're very pleased with our execution there.

And we also a reasonably good mix shift in two different ways. One every day versus promoted volume, so we got decent trade promotion performance versus our expectation. And then also good channel mix especially with See's stores being up. So overall, kind of too early to tell because the destination category effective of Halloween and holiday, the consumer really hasn't seen it and they won't see the full blown list pricing and promoted price increases until sometime after Easter.

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