

dried meat.

"If it says protein on it, consumers will buy it," says Carl Jorgensen, director for wellness strategy at Daymon Worldwide, a retail marketing company. "This is something Hershey has to do."

Americans, especially millennials, are snacking more than ever, noshing throughout the day rather than sitting down for three square meals. To ride that trend, Hershey is rolling out snack bars made with acai berries, trail mixes that feature small pieces of Reese's peanut butter cups, and jalapeño almonds and pumpkin seeds coated in protein foods. The goal is to generate \$2 billion in snack revenue, with a quarter of that coming from jerky and other meat products.

Hershey signaled its shift away from chocolate in early 2015, when it acquired Krave Pure Foods, a maker of premium beef jerky with about \$35 million in sales. Krave, based in California's wine country, put Hershey in the fast-growing meat snack category and gave the company access to **Whole Foods Market** customers. Hershey has said Krave could become a \$500 million-a-year brand.

Sales of dried meat snacks have ballooned in recent years. Jerky has shed its image as a salty, overprocessed gas station staple and has been reimagined as a convenient nibble that's low in carbohydrates and high in protein. Jerky is now made from meats as varied as kangaroo and alligator, and sales of dried meat snacks hit \$2.8 billion last year, a 63 percent gain since 2010, according to data from market researcher IRI. Hershey has more than doubled Krave's sales and plans to launch a line of meat bars—basically bars of jerky—later this year.

"With consumers having less traditional meals and snacking more, they're looking for sources of protein," says Michele Buck, Hershey's president for North America. "These things ebb and flow, but protein is here to stay."

Overall chocolate consumption in the U.S. fell last year and has continued to drop so far this year, according to data from IRI. Sales growth has come from higher prices, not people

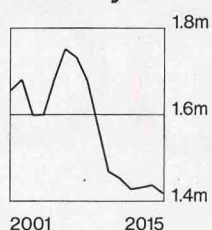
eating more chocolate.

With sugar in decline, consumers have moved to fancier, less sweet dark-chocolate products, which are perceived to be healthier than mainstream items such as Kisses or Reese's Pieces, according to Jared Koerten, an analyst at

Euromonitor International. Hershey has acquired brands such as Brookside to boost its premium chocolate offerings and expand into snack bars, but it "faces an uphill battle to edge in" to the crowded market, Koerten says.

Despite its big meat-treat dreams, Hershey is still very much a chocolate company. It remains the No. 1 seller of chocolate candy in the U.S., controlling nearly a third of the market.

U.S. chocolate market by tons



Even if it attained its snack goal of \$2 billion today, snacks would account for only about a quarter of Hershey's sales. It's also not clear just how quickly the protein snacks expansion could transform the

company, since snacks accounted for only about 2 percent of its U.S. business last year. Hershey generates almost all its revenue from selling chocolate in the U.S.; an ill-fated expansion into China contributed to a \$98 million loss at its international unit last year, with analysts predicting another loss in 2016.

To make matters worse, Hershey also faces increased competition from its top U.S. rival, **Mars**, maker of M&Ms, Snickers, and Milky Ways. So the 122-year-old candymaker wants to be more contemporary. "We don't want to be a Blockbuster, we don't want to be a Kodak," says Tony Tyree, vice president for Hershey's global snack business, referring to two once-dominant companies that went the way of the dinosaur. "You can't be focused on the rear view."

—Craig Giammona

The bottom line With Americans buying less chocolate, Hershey saw its sales decline for the first time in more than a decade.

Food

Why Hershey Is Losing Its Sweet Tooth

► Chasing evolving tastes, it's embracing beef jerky

► "If it says protein on it, consumers will buy it"

Hershey, Pa., smells like chocolate. Its street lamps are shaped like Hershey's Kisses, and its roads bear names like Cocoa Avenue. So it's surprising that **Hershey**, the town's namesake candy giant, whose annual revenue swelled to more than \$7 billion selling chocolate with peanut butter, chocolate with almonds, and just plain chocolate, is staking so much of its future on a radically different snack: beef jerky.

With sugar widely branded a health hazard and Americans cutting back on sweets in favor of Greek yogurt cups and protein bars, Hershey saw sales fall in 2015 for the first time in more than a decade. To halt the slide, the company is betting on a growing appetite for