



The Hershey Company

Third Quarter 2024 Earnings Q&A Session

November 7, 2024

C O R P O R A T E P A R T I C I P A N T S

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C O N F E R E N C E C A L L P A R T I C I P A N T S

Ken Goldman, *J.P. Morgan*

Andrew Lazar, *Barclays*

Peter Galbo, *Bank of America*

Alexia Howard, *Bernstein*

Robert Moskow, *TD Cowen*

Michael Lavery, *Piper Sandler*

Tom Palmer, *Citi*

Max Gumpert, *BNP Paribas*

David Palmer, *Evercore ISI*

Chris Carey, *Wells Fargo Securities*

Leah Jordan, *Goldman Sachs*

Rob Dickerson, *Jefferies*

P R E S E N T A T I O N

Operator

Greetings and welcome to the Hershey Company Third Quarter 2024 Earnings Q&A Session.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow. If anyone should require operator assistance, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded

It is now my pleasure to intro your host, Anoori Naughton, Senior Director of Investor Relations. Thank you. You may begin.

Anoori Naughton

Good morning everyone. Thank you for joining us today for the Hershey Company's Third Quarter 2024 Earnings Q&A Session.

I hope everyone has had the chance to read our press release and listen to the prerecorded management remarks, both of which are available on our website. In addition, we have posted a transcript of the prerecorded remarks. At the conclusion of today's live Q&A session, we will also post a transcript and audio replay of this call.

Please note that during today's Q&A session we may make forward-looking statements that are subject to various risk and uncertainties. These statements including expectations and assumptions regarding the Company's future operations and financial performance. Actual results could differ materially from those projected. The Company undertakes no obligation to update these statements based on subsequent events. A detailed listing of such risk and uncertainties can be found in today's press release and the Company's SEC filings.

Finally, please note that we may refer to certain non-GAAP financial measures that we believe provide useful information for investors. The presentation of this information is not intended to be considered in isolation or as a substitute for the financial information presented in accordance with GAAP. Reconciliations for the GAAP results are included in this today's press release.

Joining me today are Hershey's Chairman and CEO Michele Buck, and Hershey's Senior Vice President and CFO Steve Voskuil.

With that, I will turn it over to the Operator for the first question.

Operator

Thank you. Again, we will now be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Our first question comes from the line of Ken Goldman with J.P. Morgan. Please proceed with your question.

Ken Goldman

Hi. Good morning and thank you. I wanted to ask a couple of questions around the comment regarding top-line being roughly on algo for next year. The first question is, the Street is looking for a pretty decent step-up in your realized price for next year. I wanted to make sure that's kind of the right way to think of it. And then the second question is is it reasonable for us to assume that your guidance will factor the typical or historical one-for-one elasticity on certain products that you've mentioned in the past?

Steve Voskuil

Sure.

Michele Buck

Steve, do you want to take that?

Steve Voskuil

Sure. The reference to the algorithm, we're talking about our long-term algorithm. So that's 2 to 4 on the top. That's the reference point that we're looking to. In terms of realized price, all-in, we'd expect pricing next year to look a lot like this year as the price increases we took this year flow through. Obviously, we'll work to make sure we're competitive and work with retailers to make sure we get good execution of that. From an elasticity standpoint, we expect historical elasticity, which is what we've seen as we progress further through this year.

Ken Goldman

Got it. I'll pass it on. Thank you.

Steve Voskuil

You bet. Thanks Ken.

Michele Buck

Thanks Ken.

Operator

Thank you. Our next question comes from the line of Andrew Lazar with Barclays. Please proceed with your question.

Andrew Lazar

Great, thanks. Good morning Michele and Steve.

Michele Buck

Good morning.

Andrew Lazar

I guess I wanted to put sort of all things cocoa, sort of a side for a moment and focus again on sort of core underlying trends. What would you expect core, I guess, chocolate market share trends to look like as you exit this year? Can market share get back to stable or do you think it takes maybe more to the first half of next year? And what should we be looking for in the data, I guess, as we move through the fourth quarter? And I ask because obviously, if we're supposed to be looking through the anomalous cocoa cost inflation in '25 to potentially a year of maybe outsized growth in '26 as costs normalize, it's really these underlying share trends that obviously are most important and in core chocolate we're going on I think like two years of some share weakness. So that's really what I'm trying to get at. Thank you.

Michele Buck

Absolutely. Thanks Andrew. Yes, let me step back and talk a little bit about category and market share trends. First of all, we continue to feel really good about the category resiliency that we've seen

consistently growing around that 2% range, which is what it's been historically and continuing to outpace other snack categories. So we think that's a really good starting point for us.

We do see us ending the year with greater momentum than we have had, particularly if we look at some of the greenshoots that we called out in the script relative to sweet and the acceleration that that innovation that we launched in the marketplace is really taking hold, driving takeaway and also increasing share with each four week period that goes by with a great Halloween and expect that we will have won share in Halloween. SKINNYPOP, certainly we called for a reversal in trend. We've seen that in the past four weeks. Innovation remains strong. And then we have a few laps (phon) that we are starting to get into that period that lessens the pressure that we're facing. We had spoken before about reductions emerge into key retailers in the last 12 weeks, which we're 2% growth there.

So as we look forward, we feel good about a lot of those things combined with, as we get into next year, a longer Easter, other headwinds that are a bit less relative to snack, Mexican drinks and some of the retailer inventory issues. So, as I say, it's going to be, I would say a gradual improvement that we do think will build, both in terms of dollars and percent. And probably the piece of the portfolio that will remain under pressure will be instant consumables because convenience stores we really saw some of the pressure in that channel start midyear. So we think it'll take us through the first half to get through that. The other pieces of the portfolio we're expecting to continue to see recovery.

Andrew Lazar

Got it. Thank you. And then, real quick, just new head of North America confectionary, and maybe just a little bit about what you see him bringing to the table and where strategy could well change or is it more continuation with just more sort of energy around it. Just trying to get a better sense for that. Thanks so much.

Michele Buck

Yes, absolutely. So, obviously, Mike is a really strong exec coming to us from PepsiCo. Several things that I think he will bring. Number one, always appreciate external perspective and always a good chance to relook what we're doing well, where we can continue to be better. Secondly, he has a very deep and rich background of being incredibly close to customers and retail, and I think that he will significantly dial that up even further as we go forward into the future to unlock new growth and continue to evolve our portfolio to those channels where consumers are migrating to.

Andrew Lazar

Thanks so much.

Michele Buck

Thank you.

Operator

Thank you. Our next question comes from the line of Peter Galbo with Bank of America. Please proceed with your question.

Peter Galbo

Hey, Michele and Steve. Good morning. Thanks for taking the question.

Michele Buck

Good morning.

Steve Voskuil

Good morning.

Peter Galbo

Steve, in your prepared remarks you did give a bit of insight on '25 inflation and that rate expecting to be more of a headwind versus what it was in '24, but just wondering if you could elaborate. I think your guidance for this year is high single digit COGS inflation. So when you think about more for next year, is that a low double digit number, low teens, mid teens, just anything else more you can give us to kind of help as we think about modeling.

Steve Voskuil

Yes. Not surprisingly, the biggest piece is going to be cocoa, and the year-over-year moveable beat will be significant. If you look at the rates that we've been paying for cocoa this year, we said that back when we set our guidance in February, and so we said back then, we're well hedged for 2024. So, the cocoa prices we've been paying this year reflect getting into the market really from earlier this year and preceding. Now you flash ahead to current pricing and you look at pricing for next year, it's a pretty significant step-up. And it's not just the cocoa side. The cocoa beans, of course, the biggest piece, but there's also cocoa butter, cocoa liquor and some of the other physical derivatives of cocoa that'll be inside that inflation.

So, we'll get into a lot more detail on that when we come back in fourth quarter. But that'll be the biggest source of inflation, clearly. Yes, I expect we'll see some labor inflation. We'll probably see some other inflation in specialty ingredients and things like that. And alongside that, we'll be talking about our plans for productivity and so forth but to chip away at some of that inflation. But cocoa and sugar probably are going to be the two biggest pieces.

Peter Galbo

Got it. Okay. No, that's helpful. We'll wait for February for more detail there. And then, if I can just ask on the gross margin actually in the quarter. It seemed like it maybe came in below not only just history but maybe your own internal expectations. Just kind of what drove the variance? Is it the deleverage piece from volume or than you expected? Is it more mix? Just can you help us understand what happened there? Thanks very much.

Steve Voskuil

Sure. It was below what we were expecting. Just as we said, we're disappointed on the topline, disappointed by the margin performance as well. The biggest piece was the sales flow through and the fact that sales were down and then the mix of sales. We talked about C-store, for example. So there's some negative mix and size of sales delivery that had an impact on gross margin. And then as you mentioned, we also had some volume deleverage when we have that big of an impact in the quarter.

So between the sales flow through, the mix and the deleverage, those are really the biggest pieces that drove that disappointment.

Peter Galbo

Great. Thanks very much.

Steve Voskuil

Mm-hmm.

Operator

Thank you. Our next question comes from the line of Alexia Howard with Bernstein. Please proceed with your question.

Alexia Howard

(Inaudible).

Michele Buck

Alexia?

Alexia Howard

Hi there. Can you hear me okay?

Michele Buck

Now we can. Yes.

Alexia Howard

Good. Okay, perfect. Can I bring up the topic of the GLP-1 drugs? There seem to be a few data sources now. Obviously, it's early days, but suggesting that maybe mid single digit percentage of U.S. adults perhaps a little higher are currently using these. That was a little faster than we expected them to be adopted this time last year. Can I ask how you're going about exploring what these patients need, how should we respond to that, whether you're seeing any impact on the chocolate sales at the moment and what the forward is on that? And then I have a follow up.

Michele Buck

Yes. So, we would say we're seeing a mild year-on-year impact. I'd say consistent with what I think we've shared before, in line with what we would expect, which I would say is more of a gradual impact. We continue to see multiple sources of data validating that the consumers on those drugs aren't eating disproportionately less of our category. I know there's some mixed data, but we've seen a lot on that.

So, it's in line with what we expect and we are carefully monitoring that behavior, how it's evolving and certainly understanding what the needs are of those consumers so that as we continue to evolve our portfolio, which we'll always doing over time, that we are evolving it in a way to make sure that we have the right offerings for those consumers as well.

Alexia Howard

Many thanks. And then a quick follow up. You mentioned an increase in competitive activity in the international segment from global competitors in confectionary. Can you elaborate on that? Is that pricing competition or is there something else going on? Thank you, and I'll pass it on.

Michele Buck

Yes. A lot of it has been pricing competition where certain competitors have chosen to really deal back somewhat deeply on price point, and that's in some of the markets where we tend to be a smaller player.

Steve Voskuil

Yes.

Michele Buck

And it's a smaller market for us. But it's been intense in those markets where that is occurring.

Steve Voskuil

Yes. We've had pockets of strength. The U.K., Europe, winning with Reese and I think we're really pleased with the progress. But particularly Mexico and Brazil, we've seen higher levels of competition, some of which has been price related.

Alexia Howard

Great. Thank you very much. I'll pass it on.

Steve Voskuil

Thank you.

Operator

Thank you. Our next question comes from the line of Robert Moskow with TD Cowen. please proceed with your question.

Robert Moskow

Hi. I guess two questions. I don't think I heard you, Michele, if you felt like 2026 can be an above algo year. I know a competitor of yours is really calling that out based on what they think cocoa costs will do. So, maybe you can give more specifics on how you think that works. And then I also wanted to make sure I understand the comment from Steve on pricing. I think you said it's going to look a lot like--pricing in '25 will look like '24. But you have a high single digit price increase on chocolate. So, if it looks like '24, that just looks lower than what I would expect. So maybe I'm wrong there, but can you give more clarity?

Michele Buck

Yes. So I'll hit the 2026. We do feel good that 2026 can be on algorithm if cocoa is stable and if cocoa prices really decline. There could be some outsized growth possible, certainly. So, we're watching the cocoa price carefully but we are feeling good based on what we believe and see that we would be on algorithm or have some upside.

Steve?

Steve Voskuil

Yes. On the pricing side, I think the piece is we've taken pricing on about half of our chocolate comp. So when you factor that in, it ends up netting out to low mid single digit pricing in total. And that's why I say it's largely similar to what we saw this year.

Robert Moskow

Okay. Thank you.

Steve Voskuil

Thanks Rob.

Operator

Thank you. Our next question comes from the line of Michael Lavery with Piper Sandler. Please proceed with your question.

Michael Lavery

Thank you. Good morning.

Michele Buck

Good morning.

Michael Lavery

Just wanted to understand how you're thinking about marketing spending. Your advertising spending was down slightly but of course so were sales and it wasn't down quite as much as sales. On a percent basis, obviously, even in this quarter, that's held up. You've obviously got a cost pressured environment. Is marketing one of the ways you can have some flexibility with the bottom line? Or how do you think about just protecting that or really trying to protect share as well given the price increases.

Michele Buck

I'll share some thoughts and I'll ask Steve to as well. So, clearly, we continue to believe in the importance of investing in our brands. We think that's also really important in an environment where prices are where they are. That said, we have really good marketing mix models. We continually look at generating higher ROIs. Each year we hold ourselves to that standard. We are also always looking at things like new media agency RFPs that can drive meaningful productivity. We do have that as we approach 2025.

So, we're trying to be very thoughtful about investing where we think it makes sense strategically. There's an area next year that we really want to focus on in terms of incremental investment in our variety brands to really bolster the instant consumables business.

Steve, other things you want to add there?

Steve Voskuil

Yes. We did say Q3 we indexed a little bit to sales the way media hits P&L, so there's some impact there. No pullback in terms of supporting our brands. As we look to next year, our top priority is going to be driving topline, driving share, driving consumption and we're going to leverage media as one important tool to do that. And that's not to say we don't want efficiency. As Michele said, we're looking to new agency that'll drive some efficiency. We're bringing new tools to bear to make sure that we're allocating that money wisely. But we're absolutely not pulling back.

Michael Lavery

Okay, that's helpful. And then, just a follow up on your inventory comments, tighter retailer inventories you had called out as impacting the outlook. Coming into the quarter you had pointed to a second half inventory restocking that would have been 4Q skewed, I believe, even maybe kind of a 4 or 5 point lift in, at least, confections in 4Q. I don't know how specific you can be, but it sounds like that's not coming through as expected. Can you just give a sense of maybe how much the guidance cut is from an inventory reset that isn't materializing the way you had initially expected?

Steve Voskuil

Sure. Yes, we still expect in the fourth quarter to see a mid single digit but kind of say all shipping timing impacts is still going to be pretty significant in the fourth quarter. If I take a look at full year guidance, the impact of all of these inventory moves, it's probably about a half point drag on the adjustment that we made. Just to give some perspective, and I think we acknowledged, this is a noisy quarter with lots of— between lapping S4 in the case of ALD (phon) and timing and the way retailers have laid out Seasons have lots of factors. But when you look across all of it, the biggest piece is a half point.

We expect to see less of that all in 2025, which should be a lot cleaner conversation.

Michael Lavery

Okay, great. Thanks so much.

Steve Voskuil

Sure.

Operator

Thank you. Our next question comes from the line of Tom Palmer with Citi. Please proceed with your question.

Tom Palmer

Good morning.

Michele Buck

Good morning.

Tom Palmer

I know it's still early for a full 2025 outlook, but I wanted to just get maybe more specific on a couple of items you noted for '25. Just any help on the incentive comp, how much that's tracking below this year. And then second, you have multiyear plans for productivity and cost savings you've laid out. To what extent might you be able to flex these a bit higher in 2025 versus what the plan was for '24?

Steve Voskuil

Yes. Sure, we can take that. The comp reset—we'll talk more about that when we get to the fourth—when we talk about fourth quarter earnings, we're still working through this year. But obviously with the performance this year, you can imagine the incentive comp is going to be—need to be reset next year back to target levels. And again, we'll give more color on that. But it's a meaningful year-over-year impact.

On the productivity, absolutely. We have a great history of driving productivity here. Before we talked about things like the AAA program, which are incremental, just our base level of CI is something we try to push up every year. The teams are working hard to do that, to continue that trajectory. And then we'll continue to look even within the bounds of the AAA program. What more can we do to help offset some of the inflation. I'd say it's going to be tough. The teams are working on it. The savings that we share is a net savings. So it takes into account some level of reinvestment but we will definitely be looking to drive as much savings as we can for next year.

Tom Palmer

Great. Thanks for that color. Just a quick one on cocoa. The prepared remarks indicated it would be inflationary throughout the year. Are there periods we should be thinking about next year where we will see that rate of inflation more significant than others?

Steve Voskuil

Yes, I would say that's hard to call right now just because we're still getting through this year and cocoa's been so volatile. We'll try to give more of that color when we do talk about full guidance for next year to give a little bit of perspective. By then, we'll have a pretty good picture for some of those year-over-year movements.

Tom Palmer

Okay. Thank you.

Steve Voskuil

You bet.

Operator

Thank you. Our next question comes from the line of Max Gumport with BNP Paribas. Please proceed with your question.

Max Gumport

Hey, thanks for the question. Just going back to cost savings for next year, it feels like what we know now there could be \$140 million or so coming from the productivity program benefiting COGS and then maybe \$40 million or so benefiting COGS from the AAA program. So call it \$180 million in total. One, do I have that right? And then two, your remarks about it being—your teams are working but it will be tough to get

after those savings. Are there incremental savings above and beyond those two buckets, or should we really be thinking about \$180 million or so being the number for '25? Thanks.

Steve Voskuil

Yes. I don't want to pin down exactly how that's going to allocate. The 130 to 140 in CI is typically targetted at the operating supply chain area. So, I'll say you ticked the box correct on that. We'll give more details on the split of AAA when we give our guidance for the fourth quarter. It's a mix of—as we talked about before, there is clearly a COGS component and there's a pretty significant SG&A corporate expense component as well. We'll give more detail on that breakout when we get there.

And what was the second question you had?

Max Gumport

That was really it. That was helpful.

Steve Voskuil

Okay.

Max Gumport

But I will ask a second question, which is going back to Alexia's question on GLP-1. I think you've talked about seeing a moderate impact. Really I'm curious if you could put a finer point on what type of impact you're actually seeing. And then related to that is I think we're all of the mind that much of this snacking we're seeing right now is due to the consumer feeling financial pressure, which you talked about in your prepared remarks. But I'm curious if you think there is a meaningful portion of the snacking weakness right now that is due to category level shifts related to GLP-1, particularly as we see some of these higher protein categories even within snacking. So just meat snacks doing better than others. Thanks. I'll leave it there.

Michele Buck

Yes. All the analysis that we have done has continued to show that the year-on-year impact is not significant and that the pressure in the snacking categories are really driven by the consumers feeling pressured financially. So, every piece of data that we've seen has really indicated that. And then, of course, some elements of our business, some opportunities for us to be executing better. So that's really what our data has shown.

Max Gumport

Okay. Thanks very much.

Operator

Thank you. Our next question comes from the line of David Palmer with Evercore ISI.

David Palmer

Thanks. I'm wondering, if maybe at the end of this call, obviously, we're all going to have to take a crack at earnings for 2025. And I'm wondering, if maybe we could put some brackets around how you're

thinking—how you would think right now, given some base case assumptions, some of the things you're talking about, the reset incentive compensation, that 2% to 4% top line cohort cost realities today. Is it safe to say we'd be thinking something like a double-digit earnings decrease for 2025? How can we maybe think about that further?

Steve Voskuil

Yes. I mean, we'd love, David, to give more precision around what that range would look like. I think, the challenge, and you kind of said it in the question is the cocoa reality today is evolving. And so it's very hard to kind of give guidance on the total until we get more visibility or full visibility, let's say, into what that impact is going to be next year.

We've talked about some of the headwinds from our tax normalization and incentive normalization. Clearly, there's going to be a significant year-over-year impact to cocoa, but exactly what it is, we're just not in a position yet to share it.

David Palmer

Okay. Understood on that. And just one question on the top line, you went through in the prepared remarks, a great reminder about the long-term growth of 15-year growth in the confectionery category. And not only that, but Hershey has done a great job in terms of market share growth and had big areas of growth and outsized growth from things like Seasons, the Reese's Power brand. I'm wondering how you're thinking about the sort of the shape of your growth and the contributors of growth, maybe those outsized areas of growth as you're going forward? Whether that be non-chocolate confectionery, which has been outperforming chocolate recently, maybe channel, how are you thinking about the candidates for outsized growth for you in 2025 and beyond? Thank you.

Michele Buck

Yes. So I would say, certainly, salty, as we look at our entire portfolio is going to be a big area of growth. Strong growth in the category, lots of household penetration upside for us on those businesses. Distribution expansion, sweets certainly because sweets is a growing area of the category, also an area where we are underdeveloped.

Certainly, Seasons, we've continued to have strength and so we will continue to look at ways for that to drive us going forward. I would say some of the channel opportunities we think are big ones and a lot of those would come through relative to chocolate. And I think I kind of categorize that chocolate would be more in line with and slightly better than the category, but probably the biggest inflection point in 2025 versus some of the others that I mentioned.

David Palmer

Thank you.

Operator

Our next question comes from the line of Chris Carey with Wells Fargo Securities. Please proceed with your question.

Chris Carey

Hi. Hi, everyone. I just wanted to go back to a reference in the prepared remarks that you'll be dealing with fewer headwinds in 2025 than you experienced in 2024. I think it's really a top line comment. Michelle, you flagged convenience stores probably weak into the front half, but then maybe get better. It sounds like you expect execution to get better in-store as well, potentially with a new leader for confection. Just what are the things that when you think about fewer headwinds and the year-over-year helpers that you're really thinking about when you insert that comment in the prepared remarks?

Michele Buck

Yes, there were several, and Steve can jump in if I missed some of them, but we exited the Mexico drink business. So that was a drag on the business this year that we won't experience retail inventory, which I think Steve referenced a little bit earlier. Certainly, some of the pressures that we had at that key retailer around reduced merch that we will have fully lapped the ready-to-eat popcorn softness that we had seen on SKINNYPOP again, we should be through most of the lap on that, that was creating pressure. There were some pressures from year two leaky buckets on some innovation, and we've pulled some of those smaller items to get away from that.

Steve is there any—that was the only other one, I think, that we've called out.

Steve Voskuil

And then, of course, you have positives on the other side, right? We've got a longer Easter. We've got very strong innovation pipeline, both year 1 and year 2 for next year with some strong investment behind it. Michele has talked about the sweets momentum, the inflection in SKINNYPOP. So absence of negatives and opportunities on the growth side.

Chris Carey

Okay. Thank you. And then one quick follow-up would be, Michele, you did reference several times throughout this Q&A session, what it sounds like desire for execution just to be a bit better. And clearly, you have new leadership with the business. How would you frame maybe this past couple of years of market share between innovation versus in-store execution that can be merchandising, RGM (phon), what have you. But it just does feel like there's a tinge of execution that you feel like that's been lacking and that can improve. So when you kind of think about the past several years, how meaningful has that execution been in market versus, say, some other factors? Thank you.

Michele Buck

Yes. So I think there have been a couple of areas that I want to do better. Certainly, this past year, our summer activations in market did not perform as strongly as we had hoped, things like Olympics. I think that there are some areas where there were some changing dynamics in the category. So there was increased competition from private label and smaller manufacturers in take-home. So we had a really good innovation calendar but it was focused on sites and on instant consumable and our innovation did incredibly well there. But with that stepped-up level of new competitors in take home, we found that we need even more there. So as we look at Seasons, we had some instances where we had a variety of offerings and perhaps our retail partners didn't always have the optimal or choose the optimal portfolio. We think that we can partner with them and influence in a greater way.

And then I think just some areas of opportunity, probably not weak execution but opportunity. We talked a lot about some of the work we did on gold standard shelf on take home a few years back. We're implementing that right now for instant consumables. I think that, that will lead to some stellar results for us.

So, as well as the focus that we're putting on some of our variety brands portfolio and really executing that well within instant consumables as well. So, those are some of the areas of focus.

Chris Carey

That's really helpful. Thank you so much.

Michele Buck

Sure.

Operator

Thank you. Our next question comes from the line of Leah Jordan with Goldman Sachs. Please proceed with your question.

Leah Jordan

Good morning. Thank you for taking my question. I was seeing if you could provide more color on the increased competition that you're seeing in confection domestically. What do you think is different in the environment now that that smaller players in private label are having a meaningful impact, as you called out? And how do you plan to address these pressures?

Michele Buck

So, I think as it comes to private label, certainly, I think that's driven by the consumer pressure and focus on value. And certainly, I think retailers looking at their margins and the potential that exists there. I think as it goes to smaller players, some of the some of the barriers to entry with digital media enable a bit more of that to come into the category as well as with sweets because I would say sweets has some—an easier door to open to the category as well.

Where we are really focused is how do we really have the right offerings, the total value proposition. So, if we look at instant consumables, for example, it's always about the highest velocity items everywhere. So, there are some instances where we put out some innovation and shelf space that we took during the pandemic and the items we're doing okay, but now there are some smaller players who came in and have competitive velocities, and we need to switch out some of the items we have for even stronger items. So, I think it's really a focus on that.

Leah Jordan

Great. Thank you.

Operator

Thank you. Just as a quick reminder, if anyone has any questions, you may press star, one on your telephone keypad to join the queue.

Our next question comes from the line of Rob Dickerson with Jefferies. Please proceed with your question.

Rob Dickerson

Great. Thanks so much. Steve, I don't want to beat the horse, so to speak, but I do want to come back a little bit to the pricing conversation for next year. I know you had said previously restated today, you've taken a bit high single-digit pricing on about half of the North America confection portfolio, maybe the total portfolio.

But I feel like that still implies probably somewhere around a mid-single-digit range for North America confection in 2025. And I'm just trying to marry that to the comment that pricing next year would be essentially similar to what we're seeing this year because it would seem like it actually would be a little higher next year given some of the pricing on cocoa. So, maybe if you can just kind of help me understand that.

Steve Voskuil

Sure. I think the biggest disconnect is probably just due to the mix of items that are being priced. I think we talked a little bit about on a pounds basis, with about 50% of the pounds being priced and when you kind of flow that through the portfolio, that's what kind of gets you back to that, I'd say, similar, not exactly the same, but similar to what we saw this year.

Rob Dickerson

Okay. Okay. Fair enough. And then I guess the other question is just kind of around the comment you made in the prepared remarks about kind of trade and media spend increasing a little bit? It sounds like maybe there's a little bit more push on core brands, maybe not Reese's, but brands like Almond Joy and Mounds, PayDay. And I just remember, Michele, I don't know if we go back and kind of making this off like 5 years ago or so, right, there was a little bit of an initiative to kind of lean into those brands a little bit. It seemed like maybe you continue to lean on them, but if we lean into them a little bit more now, what does that mean? Does that just mean kind of more social media, overall marketing dynamics? Does it mean maybe a little bit more innovation coming from those brands? Just trying to gauge kind of where you can take those brands maybe improve the overall efficacy of the portfolio. Thanks. That's all.

Michele Buck

Yes. Absolutely. So it is prioritizing the distribution of those brands. Most of those brands, they are biggest parts of their growth is in regular account. So we have king-sized brands, and we have brands that are big regular account. We think now given the focus on consumer value and entry-level price points, really making sure that we have a robust portfolio there and then continuing to invest in those brands to give them the marketing support, which then, of course, leads to those strong velocities that will outpace many of the other newer competitive items who may be trying to game distribution in the category.

Rob Dickerson

All right. Thank you so much.

Steve Voskuil

Thank you.

Operator

Thank you. As a reminder, to ask a question today, you may press, star one from your telephone keypad. We'll pause a moment to assemble the queue.

There are no additional questions at this time. Would you like to make some further remarks?

Anoori Naughton

Yes. Thank you all for joining us today. I look forward to speaking with many of you in the next few days and coming weeks.

Operator

Thank you. This will conclude today's conference. Thank you for your participation. You may now disconnect your lines at this time and have a wonderful day.