

\$2.3 Billion Candle Market's Flame Not Flickering Brightly

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Recent Mintel Report Cites Lower-Cost Options and Marketing Woes as Key Challenges

Chicago (March 20, 2007)- Despite major expansion during the 1990s, the U.S. candle market's growth has been extinguished slightly since 2003. The market, estimated at \$2.3 billion in 2006, has experienced success across all consumer groups, but lower-cost alternatives and lack of brand distinction continue to plague the category.

Even though sales have declined by more than seven percent from 2005 to 2006, consumer usage has continued to soar. According to Mintel's proprietary research, respondents who purchase candles rose from 2002 to 2006 from 64 percent to 77 percent. In addition, close to one third of consumers said that they purchase candles once per month or more often. With the accessibility of low-cost offerings in the candle category, consumers are saving money but manufacturers are not seeing major profit margins.

"Candle manufacturers have to contend with cheaper alternatives and increased production costs," said Chris Haack, analyst for Mintel. "Petroleum is a key resource in the candle manufacturing process, and it has continued to soar in price over the last few years. This, coupled with the fact that major category competition prevents candle companies from passing along the added costs, is contributing to the downturn in sales."

Companies are creating new scents and more decorative offerings in order to continue building loyalty. In addition, more surprising audiences are emerging for the candle market. Of the male respondents, 65 percent said that they purchase candles. In addition, 64 percent of male candle purchasers agreed that there should be more male-targeted candle products. The male group gives candle manufacturers a new outlet for merchandising their products.

Even with emerging audiences, companies still suffer from a lack of product distinction. As the leading brand, Yankee Candle Company only garnered 39 percent of responses regarding the candle brands purchased within the last two years. Other leading brands fared poorly, with 36 percent of candle buyers finding themselves hard pressed to name any brands they have purchased in the same time period.

"You see more of the advertising dollars across home fragrance going towards the plug-in, spray fresheners versus the candle market," said Haack. "Even though candles are known as a household staple, it is going to be even more important for candle manufacturers to market new scents and designs. Some companies have been pushing more innovative new fragrance outlets, such as the reed diffusers and the scented battery-powered candles. There are only so many opportunities for scents to warm a consumer's home, and candles need to elevate their profiles to boost their market share."

The high-end candle segment is the only area that continues to see strong growth. As the low- and mid-cost candles continue to erode under the pressure of strong competition, the high-end segment continues to tap into the home decorating angle for increased sales. Utilizing less mainstream methods for distribution (such as mass merchandisers and retailers), these manufacturers have been able to position their products as luxury and true home décor items. From 2004 through 2006, this segment rose \$132 million in sales to hit \$772 million for last year.

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