

Sour Tastes, sweet prospects

Three-year-old Carmel firm tries to distinguish itself in difficult candy industry

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A local candy maker has found the sweet spot in an industry where startup efforts often go sour.

Founded in 2006, Carmel-based Candy Dynamics is making a name for itself with its unusual “double-action” sour recipe, eye-catching packaging and unforgettable names like Toxic Waste Hazardously Sour Candy, Nuclear Sludge and Hi-Voltage Bubble Gum.

Fewer than 10 industry giants such as Nestle, Mars and Hershey own 88 percent of the nearly \$150 billion global confectionary and chewing gum market, according to Illinois-based Candy Industry magazine. Nearly two-thirds of startups fail within 18 months.

“If all a company in this sector is doing is making the same candy at the same price point with different packaging, you might as well kiss them goodbye,” said Richard Feinberg, director of The Center for Customer Driven Quality at Purdue University and a professor of retail management. “Making an entry and surviving in this market is next to impossible. But miracles do happen.”

Candy Dynamics, which is expected to sell more than 28 million sweet products this year, may embody that miracle, said Bernard Pacyniak, Candy Industry editor-in-chief.

“They’ve taken on domestic and foreign competition, and they’ve now begun to make a mark,” Pacyniak said. “They’re a long way from being a household name, but they’ve been noticed within the confectionary industry.”

Candy Dynamics officials have experience in turning a small venture into a big deal.

Company President Karen Windle-Burcham formerly ran BDI Marketing, a maker of energy supplements and sexual enhancers that’s headquartered in the same Carmel building as Candy Dynamics. She wouldn’t say whether BDI founder Richard Deer also has a stake in Candy Dynamics.

But one thing is certain: She has experience working for a company that has built itself from the ground up. Deer started BDI out of his garage in the early 1980s, before it mushroomed into a major marketing and distribution force, selling products through more than 80,000 retail outlets.

The candy company’s prospects have been just as sweet. Its treats were included in VIP swag bags at this year’s Academy Awards, MTV Music Awards and Screen Actors Guild Awards, and Windle-Burcham said publicity shots of stars with the candy have given the company a boost.

The company’s sweet stuff was featured this year on NBC’s “The Today Show” and a segment on The Food Channel.

Packaging born before recipe

Still, Candy Dynamics was born a long way from Hollywood’s bright lights. In 1999, a group of Indiana investors—including Windle-Burcham—bought North Carolina-based Family Sweets, which purchased bulk candy from name-brand confectioners and repackaged them for sale at places such as Cracker Barrel restaurants.

Their appetite for the business whetted, company principals dreamed up Candy Dynamics as a way to get into full-fledged candy manufacturing. Since standing out on the shelves is so important in this industry, they developed packaging and marketing materials for the company’s Toxic Waste line of candy before beginning work on the recipe for its sour-to-sweet-to-sour recipe.

“Our graphic artist was the one who spearheaded the idea,” said part-owner Laura King, Candy Dynamics’ vice president of marketing.

The packaging has taken on a life of its own. The candy is sold in plastic containers made to look like miniature drum barrels, with green slime oozing out the top and under the lid. Candy Dynamics’ marketing efforts have given life to such characters as Professor Sauernoggin, Mr. Toxie Head and Hazmat The Bionic Lab Rat.

The company’s Web site, www.toxicwastecandy.com, has several interactive components, including a Mario Bros.-type game featuring the company’s mascots and a “suck test” to see how long you can keep the super sour candy in your mouth without spitting it out.



Despite industrywide growth of about 3 percent, Candy Dynamics President Karen Windle-Burcham expects her company’s sales to double within the next two years.



"I'm a natural-born pessimist, and I know how difficult this industry is, but if you take a look at this company and its marketing materials, you can see they've done their homework," Feinberg said. "They have a very unique approach."

It's an approach that is gaining a foothold with the company's target market: children ages 6 to 16, with a slightly higher following among boys, Pacyniak said.

"This is what I would call an extreme action-type candy," he said. "And with some kids, the grosser the better. What teen wouldn't want to try a nuclear sludge bar?"

There's nothing gross about Candy Dynamics' growth. Though officials wouldn't disclose the private company's annual revenue, they said sales increased 50 percent last year and should see similar growth this year and next. Worldwide, the confectionary market is growing 3 percent to 4 percent, according to the National Confectioners Association, a Virginia-based industry trade group.

Industry experts peg Candy Dynamics' revenue in the low-six-figure range.

Aiming for global growth

But that could increase dramatically if the company's Hi Voltage Bubble Gum—hitting stores this month—takes off as fast as its other products. The 2-foot-plus-long cord of gum comes in Amp'd Apple, Surgin' Strawberry and Blackout Blue Razz.

"We had a lot of fan mail asking for a gum, and we got similar feedback from our focus groups," said King, the marketing vice president. "We think it's a perfect extension."

The company also is having its packaging overhauled to include six languages so sales can expand in Denmark, France, Germany, Italy, Spain, and The Netherlands.

"We're very serious about growing this brand globally," Windle-Burcham said.

Despite the company's extreme marketing and toxic imagery, she said it strives to be environmentally friendly. "We use mostly recycled plastic and cardboard in our packaging, hold Earth Day contests with a \$500 savings bond as a grand prize, and we put out a lot of educational material designed to get kids' and their parents' attention about the importance of conserving our environment," the company president said.

Candy Dynamics officials are moving like a kid on a sugar high, developing new products and sales efforts even as they launch an initiative with a licensing firm that could spawn a number of products—from lunch boxes to action figures—featuring the company's trademarked characters.

"We think even movies and TV shows are possible," Windle-Burcham said.

The company employs 20 at its Carmel headquarters and has another 105 outside sales contractors nationwide.

Sticky challenges remain

Candy Dynamics officials still have several sticky challenges to deal with before they become the next Willy Wonka.

Competition for shelf space in grocery and drugstores, movie theaters and specialty shops is fierce, Purdue's Feinberg said. Some stores charge five-figure fees to land on their shelves. And candy can be a difficult Internet sale, because the kids who make up the biggest target market generally don't have credit cards.

"If you get your 15 minutes in front of an operator like Wal-Mart, you better have a story to tell," Feinberg said. "Those big stores already have products that sell. They're not about to replace one with [another] they're not convinced will do well." Blockbuster, 7-11 and Value City. With products priced between 99 cents and \$3, Windle-Burcham said the company hasn't been hurt by the souring economy.

"People will continue to get little treats for themselves," she said.

The company also will need substantial money to pour into marketing. Those marketing dollars must be pointed in two directions, Feinberg said, with one stream going toward retailers and the other toward consumers. Candy Dynamics has been active in the world's largest candy trade shows the last three years and has begun advertising in consumer-oriented publications such as Boys' Life and Mad Kids.

While the recent economic woes haven't hurt Candy Dynamics' sales, they've certainly affected expenses.

"The increase in costs is really hurting the small operator," said Candy Industry's Pacyniak. "The price increases in cornstarch, sugar, transportation and other fuel-driven operations has put a number of small operators out of business this summer."

To combat higher costs, Candy Dynamics has its products made in countries such as Brazil, Spain and Pakistan, where costs for raw materials and labor are cheaper. Though Pakistan seems an odd place to make candy, King said the plant there has perfected a way to make Candy Dynamics' double-action sour flavoring. And since most people there speak English, she added, there's no language barrier.

If the company is going to meet its projections this year, it will have to throw sales into overdrive over the next three months.

"Candy companies derive as much as 50 percent of their revenue from Halloween to New Year's," Pacyniak said. "There's no time to rest now. Everyone in the confectionary industry knows this period could determine who survives and who doesn't." •