

PEZ Candy, Inc.

OVERVIEW

PEZ candy, created in Austria in 1927 as a breath mint for smokers, is more famous today for its containers rather than for the candy itself. When PEZ candy was first sold in the United States in 1952, the company decided to market it as a children's candy, and so the company changed the packaging and flavors. The fruit and mint-flavored candies (available in regular, sugar-free, and Kosher varieties) are packaged in colorful dispensers, with the heads of animals, cartoon characters, and trucks. As of 1998 about 300 different dispensers had been made, but many of them are now discontinued. In the 1990s, a huge market sprang up for PEZ containers as collectibles. Now many adults once again are buying the candy and dispensers that they loved as children, but as an investment instead of a treat.

PEZ Candy, Inc. is a privately owned company, and information about its finances and marketing plans is not made public. The company does not advertise its products or give public tours of its U.S. factory. PEZ candy is manufactured at the company headquarters in Orange, Connecticut. The dispensers are made in plants in Austria, China, the Czech Republic, and Hungary, and then they are imported for packaging in Connecticut. PEZ candy is sold in at least 60 countries. It has been estimated that more than 3 billion PEZ candies are eaten every year in the United States alone.

COMPANY FINANCES

PEZ Candy, Inc. is a privately owned company. It does not disclose any information about its financial operations.

FOUNDED: 1927 (Austria); 1952 (United States)

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FAST FACTS:

About PEZ Candy, Inc.

Ownership: PEZ Candy, Inc. is a privately owned company.

Officers: Scott McWhinnie, Pres.

Chief Competitors: PEZ has many competitors in the confectionery field, including: M&M-Mars; Life Savers; Certs; and Wrigley.

HISTORY

In 1927, Edward Haas of Austria created a candy to be sold to smokers, both as a breath mint and as an aid to help them stop smoking. The peppermint candy was packaged in a pocket-sized tin and was given the name "PEZ"—the first, middle, and last letters of the German word for peppermint, *pefferminz*. In 1948, Haas Candy Company changed the packaging for PEZ, placing the candy in a dispenser from which one candy at a time could be taken. When the company decided to start selling PEZ candy in the United States four years later, it also changed the market it wanted to reach. To catch the eyes of American children, the candy dispenser was given a bright color and, most important of all, a head. The first dispensers sold in the United States had the heads of Santa Claus and a robot. PEZ candy also began to be sold in fruit flavors that children preferred to peppermint.

At first some industry experts dismissed PEZ as a fad that would quickly pass. However, by 1973 PEZ candy was still so popular in the United States that a plant was built in Connecticut. This plant manufactured the candy, but the dispensers were made in Austria. (In the late 1990s, all PEZ dispensers still were made elsewhere and imported into the United States.) Ten years later, Scott McWhinnie became president of PEZ Candy, Inc., an office he still held in 1998. Because the candy kept growing in popularity, the Connecticut plant had to be doubled in size in 1990. Even this larger plant had to operate 24 hours a day to keep up with the demand for PEZ candy.

To keep customers interested in PEZ candy over the years, the company continually changed the flavors and dispensers. Fruit flavors were joined by experimental flavors such as chocolate (now discontinued in the United States). Sugar-free PEZ became available for the calorie-

and cavity-conscious, as well as special Kosher PEZ packages that are manufactured in accordance with Jewish dietary laws. From 1952 through 1998, more than 300 different types of dispensers had been sold in the United States and other countries. Early dispensers were made with the heads of cartoon-like animals and seasonal characters, such as Santa Claus and a Halloween pumpkin face.

Eventually the company realized that it could increase interest in the candy by using the heads of popular cartoon and film characters. It obtained licenses to use the heads of Disney and Looney Tunes characters, as well as characters from *Star Wars*, Marvel and D.C. Comics, *Peanuts*, *Garfield*, *The Flintstones*, *Muppets*, and *Teenage Mutant Ninja Turtles*. However, two of its earliest models, the Santa Claus and Mickey Mouse dispensers, remain among the most popular. In 1987, the overall design of PEZ dispensers was changed dramatically by the addition of feet. The 1990s brought a huge interest in PEZ dispensers, both new and used, as collectibles.

STRATEGY

Unlike many successful companies today, PEZ Candy, Inc. keeps a low public profile. The company does not advertise its products, does not issue regular press releases about its marketing plans, and does not maintain its own web site. In fact, it does not even give tours of the PEZ factory in Connecticut. Instead, the company relies on the strategy that has proven so successful over the years. It sells PEZ candy at a very low price (generally under a dollar per package in the United States) and stocks PEZ dispensers and candy refills in supermarkets, drugstores, discount department stores, and novelty stores. PEZ products are sold within the United States at national chains such as Kmart, Target, Walmart, Toys R Us, Walgreens, and CVS drugstores. By changing the selection of dispensers frequently, the company attracts both fans of the candy itself and collectors.

Although the company does not advertise itself, it does benefit heavily from free media advertising for its products. An "Elvis" PEZ dispenser was seen in the film *The Client*; although the dispenser was an unofficial model, not made by the company, the publicity certainly was helpful. The centerpiece of a *Seinfeld* television episode was a "Tweety Bird" PEZ dispenser that disrupted a classical music concert. According to the company's licensing agent, Bradford Licensing Associates, PEZ dispensers also have been highlighted in many other television programs and films, including the Rosie O'Donnell, Jay Leno, and David Letterman talk shows, *The Pretender*, *Party of Five*, *Murphy Brown*, *E.T.*, and *Toy Story*.



CHRONOLOGY:

Key Dates for PEZ Candy, Inc.

- 1927:** Edward Haas creates PEZ to be sold to smokers
- 1948:** Haas Candy Company changes the packaging for PEZ, placing it in a dispenser from which one mint at a time could be taken
- 1952:** To sell to the United States, Haas marketed to children by adding colors and a character head to the PEZ dispenser
- 1973:** A PEZ plant is built in the United States
- 1987:** PEZ dispensers are altered when feet are added to the design
- 1996:** The company begins selling individual items through mail order

INFLUENCES

Despite an increasingly health- and weight-conscious American public in the 1990s, the American taste for sweets has increased every year. Between 1992 and 1997, it is estimated that per-capita candy sales in the United States increased by more than 7 percent. That translated into sales of more than \$21 billion per year on sweets, or about 25 pounds of candy for every person in the country. In 1997, the National Candy Association held its first All-Candy Expo in Chicago, with more than 500 candy manufacturers present to celebrate this trend. Not surprisingly, during those years even the newly expanded PEZ plant in Connecticut had to run around the clock to keep up with the demand for its candy.

A new market for PEZ products, having nothing to do with their appeal as a candy, arose in the 1990s—collectors. PEZ dispensers, particularly discontinued models in their original packages, suddenly became valuable items. Collectors' clubs were formed, and several newsletters and collectors' guides were published. By 1998 several regional and national conventions were held each year, and more than 100 web sites devoted to PEZ were in existence, most of which provide information for collectors. Auctions of PEZ dispensers were held at major auction houses and resulted in some amazing prices. According to *Forbes* magazine, a PEZ "Make-a-Face" dispenser (the PEZ equivalent of Mr. Potato Head), made in 1972 and costing less than a dollar originally, was auctioned for \$3,200 in the mid-1990s. In 1996 PEZ decided to reach out to this rapidly growing market by offering new individual dispensers for sale through a mail-order form available through the company or packaged with dispensers.

Along with the hundreds of official PEZ dispensers being traded by collectors, there were perhaps an equal number of counterfeit dispensers (sometimes called "fantasy PEZ") in circulation. At the Museum of PEZ Memorabilia near San Francisco (not an official company museum), Gary and Nancy Doss had originally put their personal PEZ collection on display. Eventually they had to expand into a two-room storefront filled with display cases, which includes all but eight of the 300 official dispensers, plus numerous counterfeit models. The most notorious counterfeit item in their collection is one of the few remaining "Hitler PEZ" dispensers still in existence. This homemade dispenser had been sold by mail until the company discovered it and stopped its distribution.

CURRENT TRENDS

While it continued its traditional approaches in the late 1990s, PEZ Candy, Inc. also put an emphasis on reaching the new market of adult dispenser collectors. For the first time in its existence, in 1996 the company began to sell individual items via a mail-order form, ei-

ther a simple form inserted into dispenser packages, or an elaborate illustrated mail-order form available on request from the company.

Licensing also became a major focus for PEZ Candy, Inc. It retained an official licensing agent, Bradford Licensing Associates, to obtain permission from numerous companies for PEZ to make dispensers with the heads of characters like Darth Vader, Snoopy, Garfield, Winnie the Pooh, and Batman. It also licensed the PEZ logo for reproduction on dozens of products made by other companies. These included PEZ briefcases (sold at the upscale toy store, FAO Schwarz); PEZ tee shirts and sweatshirts; PEZ watches and jewelry; and PEZ greeting cards. By licensing its trademark logo to other companies, PEZ Candy, Inc. gained financially twice: first, through the licensing fees paid to it by these companies and, second, through the free advertising these products gave to PEZ candy.

PRODUCTS

By the late 1990s, with 300 past and present dispensers in its collection, a factory operating around the clock, and an eager collectors' market as well as people who bought PEZ candy because they enjoyed eating it, PEZ Candy, Inc. needed to do little except add creative touches to its business. In 1996 modern technology met the PEZ dispenser. PEZ Candy, Inc. arranged for Cap



DID YOU KNOW THAT . . .

- the two biggest selling PEZ dispensers of all time are Santa and Mickey Mouse?
- a "Club Med Face" on a PEZ dispenser character's face is darker than usual?
- in Canada and Europe you can buy PEZ "body parts," such as arms, chests, and different clothing items?
- PEZ is available in over 60 countries?
- you cannot buy cherry flavored PEZ in the United States anymore? You have to go to Canada or Europe.
- PEZ discontinued the flavor "chlorophyll" (Gee, I wonder why!)?
- some PEZ candies are Kosher?
- the Elvis Presley PEZ dispenser used in the movie *The Client* was fake? PEZ does not make an Elvis Presley dispenser!
- the highest price paid for a single PEZ dispenser was \$4,375?

Toys to manufacture a battery-operated PEZ dispenser, called the "Power PEZ." (An earlier creation by this company was the "Spin Pop," which would twirl a lollipop in people's mouths, thus saving them the arduous task of licking lollipops themselves.) This four-inch-long machine sold for about \$3.99 and held a dozen PEZ candies. By holding the "Power PEZ" in one hand and pushing a button, the owner would start the candies spinning toward a gate that in turn would open and send a PEZ candy into the owner's other hand or mouth, if the person was really skilled. The shooting range for the "Power PEZ" was a bit limited at one to four inches, but it did come with a belt attachment for easy transportation.

GLOBAL PRESENCE

PEZ candy is manufactured in Connecticut, but the dispensers are imported from manufacturing plants located in Austria, the Czech Republic, China, and Hungary. A plant in Yugoslavia was closed in the 1990s. The completed packages are sold in at least 60 foreign countries. The candy is popular throughout Europe and also is sold in such markets as Australia, New Zealand, the Middle East, Thailand, and Mexico. Different flavors and dispensers are sold in different regions. For example, for many years the original peppermint flavor was discontinued in the United States, although it was brought back in the late 1990s. Other flavors such as cherry and chocolate were permanently discontinued here but are still sold elsewhere. A special "body parts" package of attachments for dispensers, very popular in Canada and Europe, is not sold in the United States.

SOURCES OF INFORMATION

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For additional industry research:

Investigate companies by their Standard Industrial Classification Codes, also known as SICs. PEZ Candy, Inc.'s primary SIC is: 2064 Candy & Other Confectionery Products