

Q&A: The Future Of Twinkies

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Jeff Lotman, CEO, Global Icons

Hostess last week received court approval to liquidate its company, resulting in the termination of 18,500 employees and leaving the future of the company's iconic brands up in the air. *Food Manufacturing* spoke with Jeff Lotman about the future of these brands and how the Hostess sale could affect the bakery marketplace.

Q: Now that Hostess is dissolving its company, what do you think will be the ultimate fate of the individual brands?

A: There are both national and regional brands under the Hostess umbrella. There may be multiple buyers of the individual product brands or there may be a single buyer who acquires them all. But rest assured they *will* be sold because they have real market value — especially now that they are not saddled with the cost of union pension funds and truckers' demands of not carrying all products in one truck.

Q: Which Hostess brand looks to see the most success outside of the company and why?

A: I'd have to say Twinkies. It's the one most representative of the Hostess legacy. Twinkies has attained cult status that permeates throughout our culture. It's not going away.

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Q: How will losing the Hostess name impact these brands? Are these brands strong enough to survive on their own, or are they held up by Hostess?

A: Hostess has strong brand equity but the sub brands are even stronger. Honestly, if I bought them, I would just drop the parent company halo and build the equity of the individual sub brands.

Q: Nostalgia seems to play a large role in the success of the Hostess brands. Will nostalgia continue to be able to hold up these brands in the marketplace?

A: Oh sure. The history of the brands and merchandising of these products remains strong, if not stronger, after all this publicity and social chatter. I remember when Ford owned Jaguar but kept the Jaguar brand independent of Ford. When they eventually sold it, the Jaguar history and brand equity was still very much intact.

Q: Are there any food companies in particular that stand to gain from the Hostess sale?

A: Yes. We already see strong interest from Grupo Bimbo, the largest baking conglomerate in the world. Other interested parties that could benefit from full or partial acquisition of the Hostess brands are companies like Thomasville, Flowers Foods and Metropoulos & Co., a private equity group specializing in food investment.

Q: Will the purchasing companies change these brands change in significant ways?

A: I don't think so. People really like the flavor profiles, even if they don't especially like the artificial ingredients. It's what you expect from these products. Remember, all these brands have been grossing about \$2.5 billion dollars a year in sales. That's very significant. Twinkies alone generated \$68 million so far this year. I assure you these numbers look very appealing to other snack makers or investors.

Jeff Lotman, a well-acknowledged leader in the brand licensing/marketing field, has licensed and developed co-branding and brand extension deals for such clients as Motorola, BMW, Ford Motor Company, Sunbeam, Lincoln, MINI, Mrs. Fields and many others. Before founding Global Icons, Lotman was COO of Keystone Foods Corporation, one of the world's largest food manufacturing companies and principal supplier to McDonalds.

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