Case study on hersheys

Business

The Hershey Company divested its earlier- acquired companies to re-focus on their big brands and to improve the marketing mix specifically promotion.

Hershey then moved Into categories that were adjacent to its existing confectionery products, which strengthened their" company's confectionery expertise and channel relationships. The Hershey Company adjusted its products' prices and weight to accommodate changes in the manufacturing costs and profit objectives while establishing and maintaining consumer value.

Aside from distributing their products in over 2 million retail outlets in US, they also strategists o sell their products on the convenience and vending channels, wherein Mars' products were traditionally being sold well. During 2001-2004, Hershey used commodities future contracts to hedge the prices of cocoa and other dairy products that would be used in manufacturing their main products. Commodities future contracts is an instrument used to reduce the effect of future price fluctuations associated with the prices of raw materials and transportation services.

Generally, the company hedge commodity prices for a 3 to 24 month period. Strong Hannibal contralto From 2002-2011, The Hershey Company's net sales generally increased over time. These increases are attributed to several reasons such as selling prices increases, higher seasonal sales, volume growth of sales due to introduction of new products and limited items, favorable exchange rates for the company's international businesses in Canada, Mexico, Brazil, China, India, and Philippines, and some business acquisitions (ex.

Manna Lola Macadamia Nut Corp. and Group Lorena in 2005, Dagon organic Chocolate in 2006, & van Hooted SO 2009). From 2001-2004, The Hershey Company's net income generally increased over time.

The increase from 2001-2003 resulted from an increase in net sales, a decrease in cost of sales, and selling, marketing, administrative and other expenses. In 2003-2004, although there was a slight increase in the cost of sales and other expenses, the increase in sales lead to a great increase in the company's net income.

However, in 2004-2005, the net income decreased although the net sales increased because the said increase was not able to offset a great increase in the cost of sales and other expenses. From 2005-2006, the net income increased as a result of an increase in net sales, and a decrease in selling, marketing, and administrative expenses. From 2006-2007, the company's net income significantly decreased because the net sales Just increased by approximately $2000, while the cost of sales and other expenses increased greatly.

From 2007-2009, the company's income generally increased despite the increase in S expenses, for the said increase was offset by the increase in net sales, decrease in cost of sales, interest expense, and income taxes. From 2009-2010, the company's net income again once again increased u to a great increase in the net sales, despite the slight increase in the cost of sales and other expenses. From 2010-2011, , the company's net income again once again increased due to a great increase in the net sales, a decrease in cost of sales and tax expense, despite the slight increase in the S expense and income tax.

Generally, the Hershey Company's financial condition remained strong for the last ten years in terms of their profitability, since despite the fluctuations in the company's expenses, they still earned high revenue over time. Strong Brand Name/Widely Recognized Market Leader Through the implementation of effective strategies by the company, they were able to strengthen tenet Dragon's value Ana Image, tannery gallon ten loyalty AT customers In the different market segments.

The Hershey Company was known as the second best confectionery industry since 1999.

Further, Hershey also dominated the US chocolate segment with a 43% share. Product Innovation Skills Hershey Foods Corporation developed a variety of gluten-free and sugar-free products to cater the dietary needs of health-conscious people. (ex. Hershey Sugar- Free Chocolates, Hershey leg Sugar Carr Bars) Production of limited edition housecoats every season (ex.

Hershey Chocolate Hearts for Valentine's Day, Hershey Cookies n' Creme bunnies for Easter, Halloween Hershey Miniatures Assortment Party Bag for Halloween, and Holiday Hershey Nuggets Special Dark Chocolate for Christmas) Production of four varieties of chocolate-covered cookies in single serving four-cookie packs (Hershey, Reece's Almond Joy, & York Peppermint) Better Product Quality Aside from the constant superior quality of their confectionery products, their pricing and weight strategy greatly helped in creating value in the eyes of their customers, hereby making them believe that they have better quality than that of what their competitors offer.

WEAKNESSES: Lack of experience of International Market Unlike Hershey company, Mars andNestleand other competitors, have already good performance with the international market.. Analysts question whether Hershey foods can continue to survive as a domestic producer of candy while its competitors gain economies of scale and learning in world markets. Too Confident with Brand Loyalty The Hershey Company has relied on brand loyalty and has reduced advertising spending through the first part of thesis century. As rising competition has put the once favorite chocolate company on the ropes for company survival, the cut back has proved to be a poor managerial decision.

Unfit CEO in considering employees After Wolfe resigned, Mr.. Ellen, former president of Nabisco Biscuit Company, upheld the duty as the new CEO of HOFF. Because of this, some employees are still in transition period to cope with their new CEO. HOFF made a mistake that they appointed a CEO which originally from another company.

It was started when Mr.. Ellen created a new policy which states that cost of health insurance would raise room 6% up to 12% He also wants to increase workers' co-payments on prescription drugs. He also cut health care benefits for retirees. Ellen has eliminated over 800 management Jobs.

This only shows that Ellen doesn't consider what would be the status of his employees.

Richard Ellen was unwilling to negotiate with the workers, and focused on his mission, “ I’m here to do what the shareholders want me to do, which is to increase shareholder value. ” Worker discontent with the CEO grew Deanna ten Minimal reticence, Ana Bruce Hummel, nana AT Hershey nylon Drawn unmarried Lenses attitude, “ The whole air about him is the fact that he is Just corporate greed” source: http://www. Pacesetting. Com/WAP-content/uploads/ 2011 /09/Hershey-Case. PDF Strike of Employees There are 2700 workers striking against Hershey Chocolate in Pennsylvania which lasted for 44 days.

This long period of strike affects the operation of HOFF that causes temporarily idled of two chocolate plants responsible for nearly a quarter of the production of Hershey. Source: http://www. Anytime. Mom/2002/06/09/us/union-vote- halts-Hershey-s-longest-strike. HTML II. External Analysis OPPORTUNITIES: Openings to take market shares from rivals In 1969, Hershey acquired a license from Reentries to manufacture and market Kitty and Roll in the United States.

In 1988, Hershey acquired the rights to manufacture and distribute several Academy-branded products in the US. Because of these licenses, The Hershey Company is able to take the US market share away from its main producers. Alliances or Joint ventures to expand coverage All throughout The Hershey Company’s existence, they were able to acquire several industries which strengthened its financial position.

Through their acquisition of overall industries, they were able to venture into production of several commodities like gums (Bubble Yum), breath mints (breath Saver Mints), fruit flavored candies dolly Rancher and Ice Breakers), malted milk balls (Whoppers), chocolate covered caramel candies (Milk Duds) and chewy licorice (Good and Plenty). Serving Additional Customer Groups Through the continuous innovation and expansion of their product line, Hershey Foods Corporation was able to capture further market segments, thus increasing their net sales. Holidays and Occasions Holidays like Christmas, Valentine's, Easter and Occasions like Birthdays and Anniversaries are opportunities for chocolate industries to create and advertise their products since these events will not be satisfying without chocolates.

Health Information on Eating Chocolates Chocolates, particularly dark chocolates, contain a larger amount of antioxidants than Red wine, Green tea, Pomegranate, or Blueberries. Anti-oxidants help protect body cells gallant Tree radicals. Also, Anatolian- rill let nave Eden lanker to lower rills in heart attack, stroke, cardiovascular disease, cancer, high blood pressure, cholesterol problems, arthritis, asthma, Alchemist's. Thus, people who eat more dark housecoat have a greater amount of antioxidant in their body which has a good effect on their health. This will give chocolate industries an opportunity to offer healthy products for the consumers.

THREATS: Intense rivalry in the market Globally, the confectionery packaged goods industry is highly competitive because of low barrier to entry.

Mars and Nestle which also strive for success in chocolate industry is the two major competitor of Hershey Company that offers the same satisfaction that customer's need. This intensifies the rivalry among them. Unpredictable changes in raw material and other costs Different commodities used by Hershey in their business are subject to price volatility caused by several factors such as inflation, weather and the quality and availability of supply. If Hershey could not offset the increase in costs, it could have a negative impact on the results of their operation and financial condition.

Customers’ changing preference In highly competitive markets, change is inevitable. People always seek something unique from a product.

Thus, in order to ensure Hershey profitability, they must invest in continuous R&D which products would appeal to their customers and consumers. Loss from threat of substitute May also bring damage to the company since they can provide the same satisfaction to the customer at a cheaper price. Risks and uncertainties regarding international operations Volatility of currency exchange rate between the US dollars and other foreign currencies.

For example, the exchange rate of the US dollar against the Philippine peso last year (ex. 2000) is $1 = POP. This year, (ex. 2001) USED appreciated to $1 = POP. Assuming that from 2000-2001, the price of one Heresy’s bar is POP.