

The ferrero group is a
family limited
company marketing
essay



**ASSIGN
BUSTER**

This paper was written in order to present Ferrero solutions and possible strategies to increase its profit during the period of Christmas 2010, in the UK. The report will comprehend the global chocolate market along with the current trends; with a special highlight on the UK market.

First, the situation analysis of the company is the crucial step that will allow us to understand on what the objectives and strategies must be based on. In order to do so, we will undertake a macro and micro environment description and analysis to see how is influenced the company; starting with the company itself, we will define its place in the market, its product line, its culture, and its goals.

This will lead us to the study of the collaborators such as the distributors and the suppliers which have a key role in these busy times.

Analysing the market size and growth will help us to understand the English customers, their behaviour, their needs and expectations and particularly in such important period. We will also define the appropriate target markets.

Certainly, we will also have a look on the competitors of the market; the direct or indirect ones based on their positioning and market shares.

And finally a PEST Analysis will help us to understand the current climate and context and the current political, economical, social and technological factors that can have an impact on our objectives.

Ferrero's budget on this project is £ 740 000. Based on this budget and on the fact that Christmas count for 40% of the annual sales we expect a 3 %

profit increase in comparison with last year. We will give our advices on how implement and control the whole project.

Introduction

The FERRERO group is a family limited company of the Italian food-processing industry created in 1946 by Pietro Ferrero. The company was founded in 1956 in Alba, Italy. Ferrero ranks today 4th in global confectionery and chocolate. The company is active on five major markets (spreads, dried snacks, chocolate, confectionery and chocolate confectionery pocket), with highly targeted product of international renown such as Nutella, Mon Cheri, Kinder, Ferrero Rock. The company is today employing 21600 people all around the world. Very involved in environmental and social problems, Ferrero is a large sized company which based its success on its core values: fun, innovation, respect for those who manufacture goods and those who consume them, quality and accountability involving all the employees. (MINTEL, 2009)

The Corporate Objectives:

Peter Drucker in his book ' Management-Tasks, Responsibilities and Practices' suggests that a company should have objectives in each of these goals areas:

Market standing

Innovation

Productivity

Physical and financial resources

Profitability

Management performance and Development

Worker performance and attitude

Public responsibility

Regarding the market standing, Ferrero aims to be leader on the confectionery market. The policy adopted by Ferrero Group is to keep an excellent quality, to be

developing markets with products that are unique, different from those of competitors and technologically innovative and have the ability to respond to consumer tastes, whatever their nationality and their age.

Over the years, Ferrero's policy is to consolidate the position of existing brands, accelerate growth, launching at least one new product every year, always advancing the customer satisfaction invest in the territory and finally promote employment.

EXTERNAL MARKETING AUDIT

Macro environment

PESTE analysis is the tool we used to analyze the strategy macro-external environment within which Ferrero operates. PESTE factors play an important role in value creation opportunities of a strategy. However they are usually

beyond the control of the business and must normally be considered as threats or opportunities. (TELLIS, 2006)

POLITICAL

Political factors can affect Ferrero. It could be either an advantage or a disadvantage. Indeed, if taxes increase, therefore consumption decreased and sales of stock decrease. However, if taxes decrease is consumers will probably buy more.

Laws and regulations can also affect Ferrero income, especially regarding international trade and food labeling.

Also, the Government is very concerned about obesity and is warning the population on the harmful effects of confectionery.

ECONOMIC

The new Christmas strategy will have to take into account economic factors because they have a strong impact on business.

The first factor that could disturb the business is inflation. Prices will go up increasing the production costs of the company but the customers will not agree with paying more money.

Also, inflation rates must be involved in a strategy. Indeed, if the interest rates go high then Ferrero will not expand its business. Also if consumers are under pressure due to their loans they would not want to buy 'unnecessary' products.

SOCIAL

The main social factor which could influence Ferrero business is the current trend of 'snacking'. Indeed, the number of people eating on the go is increasing over the years.

Also, any social change taking place outside Ferrero could have an impact on the new strategy. If for example, the birth rate falls, life expectancy will increase. We can suppose that there will be a larger demand on confectionary for middle aged consumers. On the other hand, if the birth rate increases we can assume a larger demand for the young population.

Also, diets are a problem. Indeed, all the current studies announced that obesity increases, and will even more in the coming years. This means that demand will decrease, people will prefer a fruit rather than chocolate.

Finally, fashion is a contemporaneous factor that changes customers' mind and tastes. Even if chocolate is not really the main preoccupation it is still essential to keep in mind that fashion is changing very quickly. Ferrero needs to adapt adverts and promotions in order to keep catching customers' attention.

TECHNOLOGICAL

Today, production is high. This is thanks to high technology machines, quicker and more efficient. Also, factories are enabling high quality mass production.

Then, the new ways of communications have improved. Indeed, it is easy and cheap to use Medias such as the internet, magazines, television, newspapers, and the radio to advertise and promote the products.

Finally, Internet is still a good place to sell goods, even confectionary ones.

This PESTE Analysis allowed us to comprehend the external environment barriers that can affect Ferrero business. This analysis introduces us on the direction that the company should go in order to increase the products success and minimize the cost. We are now going further working on the micro environment factors.

Micro-environment

The Company

What helped Ferrero to reach its position on the international market is based on a few keywords. The first one is the very high quality of each item of their different ranges of products. Actually, the excellence of the raw materials is a determining factor in the company's products' performance. Moreover, they are conscious about the fact that being in a long term and strong relationship with the best suppliers is the only mean to offer some of the best products on the market. To make sure that Ferrero's products quality meets all the customers' expectations and desires, at a reasonable price, Ferrero established a set of rules which constitute its " Quality Management System". It is a certification mean applied to standards for raw materials and packaging, choice of suppliers, checking of goods, recipes, production instructions...

In order to reach an entire customer satisfaction, the company worked a lot on its last key success factor: Freshness. To be able to offer the best freshness to each of its product range, Ferrero settled high standards of hygiene and food safety.

Being constantly innovating is the last key factor of the brand's success. It is evident that Ferrero's biggest strength is its continuous research in order to be able to develop and offer new and original products to the consumers. This task is carried out by Soremartec (Société de recherches marketing et technique) whose mission is to study, develop and realize innovative products capable of creating new market sectors, characterized by exclusive ingredients and manufactured using technologically complex production processes.

Furthermore, Ferrero is also implied in social issues, environmental causes and cares a lot about food safety. But the company's main characteristic is its way of being "GLOCAL". It means that it's "thinking globally, and it's acting locally". That is to say that they are influencing the international market, while taking care about individual localities.

These values led the confectionary group to the top, by making its products known and loved by millions of consumers worldwide.

Overview of its products

Ferrero's products are part of the existing chocolate market. Generally, all the products offered are sold at a medium price, and the brand makes the difference playing on the content of the selections.

Range of products sold on the market

Ferrero classified its product in five categories according to the following logic:

Kinder product: the first Ferrero category, is divided itself into three smaller ones:

Kinder Bars, such as:

Kinder Bueno,

Kinder Chocolate,

Kinder Maxi, Kinder Country.

Chilled Kinders, such as:

Kinder Pingui,

Kinder Choco Fresh,

Kinder Maxi King.

Playful Kinder Eggs, such as:

Kinder Surprise

Kinder Schoko-Bons

Ferrero products, is the second category, is made of:

Nutella and Duplo products such as Nutella & Go, Nutella Snack & Drink, the classical Nutella jar and also Duplo and Duplo Nocciolato.

As a third category, there are Chocolate products which are presented in transparent boxes:

Ferrero Rocks,

Raffaello,

Mon chéri,

Then comes the Sugar Confectionary category, mainly composed of Tic Tac products such as:

Tic Tac

Tic Tac Silvers

Tic Tac King Size

Drinks is the last category classifying two Ferrero products: Estathé and Nutella Snack & Drink

c. The market

The company Ferrero is present on the international market; its geographic distribution is also international. It is a company of large size which invested a lot each year, who obtains a positive growth each year and whose profitability cannot cease to increase; the subsidiary has seen its turnover multiplied for twelve years. France therefore takes the third place in terms of turnover after Italy and Germany.

Ferrero is currently evolving differences on five markets: hazelnuts spread, confectionery chocolate, snacks dry more ultra-fresh, candy pocket, chocolate bars. Our product will position itself therefore on the confectionery market of chocolate. Currently, Ferrero products located in the category sweets chocolate are at the stage of the maturity. Ferrero group is located in the fourth place in the world in the sector of confectionery.

In the UK and over the 2005-2009 period, the consumption (Appendix 1) has increased as well as the total sales in value by an estimated 10%, to £4.83bn. Chocolate remains the largest of the two main sectors and also showed the highest growth over the period.

The Customers

Geographical range

Ferrero is present in the world, on all continents.

Sociodemographic

This market being very narrow, Ferrero had tried to expand and make chocolate a food as “ pleasure” according to all. That is why, confectionery shock of Ferrero chocolate are addressed to all ages, all social classes, all nationalities, all religions, all income, all the socio-professional categories, etc.

The Ferrero market shares by sector: (Source: ACN Nielsen – July 2005)

- Spreads batter: 89, 2% of the shares of total market: Nutella

- Snacks dry and ultra-fresh: 30, 3% of total market shares

Dry Kinder (Kinder Délice), Kinder Ultra-fresh (Kinder Pingui, Kinder Chocofresh, Kinder Happy Time)

- Confectionery chocolate: 20%

Bars (Kinder Bueno, Kinder Maxi, Kinder Country, Duplo,

Mouthful and rocks (Ferrero Rocher, Raffaello, Mon Chéri, Ferrero Prestige

Confectionery playful (Kinder Surprise, Kinder Shokobons)

- The confectionery pocket: 11, 5% of the shares of total market: TIC TAC

- The chocolate tablets: 3, 2% of the shares of total market: Kinder chocolate

Regarding all these segments, Ferrero is very present for children, it must therefore continue on this track because the chocolates pleasing to children but also to parents who buy for children. And if the mothers buy chocolates to children, is that they are seduced and convinced of the quality of Ferrero chocolates. This means therefore that the targets of Ferrero are fair and respected. Ferrero may not only strengthen its segmentation because it is already very developed on all segments. And it should not ignore in any case a small part of a segment.

Chocolate is a food consumption of which quality is constantly increasing. In the years 2000, chocolate becomes a means of comfort, of delight, and pleasure of share its mixture bold and sweet highly taste. It is weapons natural style but also a good anti-stress. Each year, the total production in

UK is about 380, 000 tones, an increase of 33% between 1990 and 2000.

Each year, the consumption of chocolate increases by about 3%, for indicative purposes, in 2002, the consumption of a one person was 4, 86 kg per year. It is by helping of such data that we can explain the excellent results in terms of sales and turnover of Ferrero.

Competitors

Years ago, the God-fearing and abstemious English Quakers were responsible for the early development of chocolate in the UK. They created the foundations of today's leading confectionery conglomerates. Some of the most famous Quaker's names in chocolate making are Rowntree, Fry, Cadbury and Terry's. Then the Swiss took advantage of the market with their technical and commercial expertise. They created Nestle, Lindt, and Tobler perfecting the art of chocolate-making on a large scale.

Today, the world's leading chocolate manufacturer is still the Swiss based Nestle. It is followed by the US based Mars Inc. The other major players have almost the same size and each of them has an essential position in different markets. Philip Morris-owned Jacobs Suchard dominates in most of European countries.

Cadbury Schweppes is the UK market leader. By 2010, the Total European Chocolate Market Will Reach a Value of \$35. 4bn, with Germany accounting for a 32% share, followed by the UK with 25%. Nestle, Mars, Ferrero, Jacobs Suchard and Cadbury are the market leaders. (HOOVERS)

Also, the chocolate bars like Crunchie, Picnic, Mars, Snickers, Kit Kat and

Violet Crumble account for about 40% of chocolate market sales. But it is the <https://assignbuster.com/the-ferrero-group-is-a-family-limited-company-marketing-essay/>

emerging markets in Asia, South America and Eastern Europe which offer the greatest growth prospects for the world's chocolate makers. Asia, hampered by humidity, often inadequate refrigeration and poor distribution, is nevertheless seen as a major growth market due to its sheer size.

International rank of Ferrero, in terms of percentage of Sales in value

Distributors

Ferrero's success is based primarily on the success of different brands developed by the group. But, to maintain this level of excellence, Ferrero must anticipate any change and adapt as soon as possible. This involves the establishment of a supply chain is performing particularly well.

With all its products, Ferrero uses the normal distribution channels for small, medium and large retailers. Ferrero uses short distribution channels, 1 or 2 intermediate before end user, allowing an increase in awareness and geographic implementation locations.

This choice of circuit is essentially due to the large size of Ferrero as well as its relocation. Its leading position gives it a certain assurance of profitability and its distribution is assured by its experience.

INTERNAL MARKETING AUDIT

Operating results

Regarding the entire Ferrero Group, and despite its kitsch reputation in the UK, it ended the 2008-2009 financial year with a consolidated turnover of 6,345 million euros, an increase of 2.1% (+131 million euros) compared with

the previous financial year 2007-2008. The Group worldwide includes 38 trading companies, 18 factories and around 21, 500 employees.

Strategic issues analysis

Marketing objectives will allow us to secure the loyalty of our customers and attract those who are not yet convinced.

Our core competencies and our competitive advantage are all about quality, taste, and customers' satisfaction.

Our products are positioned as premium confectionery products on the market. This position is due to the high quality and the relative high price of our products.

Finally, regarding the segmentation Ferrero is now globally sold to individual consumers and families from all socio-professional categories.

Marketing mix effectiveness

Products

This strange mix of tradition and modernity is a strategy that, in the design, manufacturing and communications products, is avoiding the beaten track. (KOTLER 2003). Ferrero creates few brands, but always on high value-added niche, where they quickly become leaders. That is because Ferrero plays on latent demand. More than products, the Italian group invents new ways of consuming the candy. With Nutella was born the chocolate spread, and forty years later, Ferrero still holds nearly 50% volume share of the English sector.

Thanks to Kinder, children discovered their first chocolate. And the five products of the brand (Kinder Surprise, Kinder Country ...) now represent

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nearly 30% of the group turnover. The Patent Secrecy is also well guarded that any new process invented by the laboratories Ferrero is industrialized by its wholly goods. Ferrero products have a longer life cycle and are almost all in the maturity phase. The packaging is changing but without much disruption. For example, the product Nutella is still sold in a glass jar and the dominant colors are red and black. But now thanks to Ferrero's research and innovation system, there is a product especially created for each event. There are Christmas tree Ferrero Rocher boxes, bell boxes for Easter and Maxi Kinder Surprise Eggs for children's birthdays...).

Price

Several factors explain the relative dearness of the Ferrero products. Firstly, there is a historical factor: their products are almost always the first appearing on the various market segments they covet and they quickly become successful. The group can afford to set a high price. Then there is a need to reward quality factor. Ferrero products achieve to have this unique taste because they are made with the best ingredients. Moreover, being a Group highly focused on innovation, Ferrero supports large costs of R & D. Finally, Ferrero products are often quasi-monopoly on the segments they occupy; there is no competition from cost. Ferrero is free to set its prices, there are no substitute products having the same quality. The Ferrero Group products are related to high-end products that appeal, however, all segments of customers.

Place

With all its products, Ferrero uses the normal distribution channels for small, medium and large retailers. Depending on the size and type of linear
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switching surface, the end product is more or less present. Ferrero uses short distribution circuits, one or two intermediaries before the final consumer.

Ferrero products are easily accessible as customers can purchase them while going shopping, in any retail store. If the customers do not go shopping especially to buy a Ferrero product, it can become a purchase on impulse, as generally, on special occasions, these products are settled in end-aisle displays to be visible.

Promotion

The communication strategy is at hand. Not that advertising is neglected, in Italy the Group is the 2nd of advertisers on TV behind Procter & Gamble, all brands and all media. Ferrero spent last year around £11 million a year in the UK advertising its brands. Ferrero Rocher for example has invested over the past 20 years, more than £50 million in advertising in the UK. A strong past activity in the UK included a tie-up with The Simpsons. But Ferrero has never forgotten his rural roots, is very down to earth: the product, just the product. Advertising extols the nutritional benefits - the Kinder, is more milk and less cocoa. It even explains how to eat the egg. Like all other links in the chain, and contrary to what happens in many other food groups, advertising is an integrated service of the company, which has its own management, Pubbliregia. With a golden rule: Never call on behalf of Ferrero. Because the label is hidden behind Ferrero brands.

SWOT ANALYSIS

SWOT ANALYSIS

STRENGTHS

WEAKNESSES

INTERNAL ANALYSIS

- Awareness of the brands
- High quality of the products it offers.
- Constant political revolution of marketing.
- Great capacity to meet demand.
- Innovation research/technology
- Strong dependence on many suppliers
- Probability of lack of control by the heavy dependence on many providers.

OPPORTUNITIES

THREATS

EXTERNAL ANALYSIS

- Easy to buy: easily accessible for the customers.
- Considered as an ideal product for gifting.
- New flavors
- Emerging markets.

- Health regulations
- Strong competitors/Imitation

Internal Environment

Description of the Internal Environment is based on strengths and weaknesses. First, regarding the strengths, one of the essential assets that Ferrero possess is the quality of the chocolate. Quality remains the same over the years. Ferrero knows its customers and is able to perfectly meet the demand. Also, regarding R&D, continuous researches are done aiming at developing new and original products by Soremartec (Marketing Consulting Agency). Ferrero invest every year in bringing technical and organizational innovation to the production line. Indeed, the uniquely shaped components of Ferrero required the design and construction of unique machinery, not available on the market.

On the other hand, Ferrero has a strong dependence on its suppliers (cocoa suppliers for instance). This strong dependence result that the company may have to interrupt its production if the providers do not supply raw materials. This could result to a lack of control then.

External Environment

The external environment consists of Opportunities and Threats. The main opportunity is the easy access of the product. Customer can find at least one Ferrero products wherever he goes. Ferrero products are considered as an ideal product for gifting (Christmas or Eastern). It is a kind of tradition that will not change soon. However, the introduction on new flavors will help in

gaining more market share. Finally, the emergent countries such as China or India are more and more willing to eat as the Western World.

On the other hand, new health regulations such as anti-obesity campaigns for instance can have an impact on the chocolate consumption. Also, even if Ferrero is a leader, there are some strong competitors on the market. Some of them are working with the same technology and high quality end products; there is a risk of imitation.

MARKETING STRATEGY

Target Market

For next Christmas 2010, our objective is to put together all our previous segmentations. This trial will last only for a short time (1month). Kinder Surprise and Ferrero Rocher are the top Christmas chocolate gifts. We decided to first target the young audience with children, who will have an impact on their parents' decision making process. But we will still target adults and parents (especially mothers), as the price will not be affordable by young people.

Marketing Mix

Product

For next Christmas 2010 the main preoccupation is to assemble people together. The product will be a limited edition of Christmas tree made in Kinder chocolate around 1.4 feet height. The tree will be decorated with six Ferrero Rochers and six Moncheri chocolates, by way of ornaments and baubles. The offer will start on the 1st December and will end on the 27th.

We will hide 10 little 'Golden Stars' in the whole English production trees. Each Golden star offers a family trip to Dominican Republic for New Year's Eve.

Price

Looking at the competition and our other prices for example during eastern, we will set our price at £22/Christmas tree.

Place

Customers will be able to find this product in everyplace where Ferrero already is (Hypermarket, Supermarket, Convenience stores). Also, we will organize in every point of sales within the supermarkets, a special display stand where the trees will be exposed. The offer will be visible on a promotional banner.

Promotion

In order to promote the tree, we will first use mass media such as television and radio. As we do not have a lot of time, we need to be quick with our communication. On TV we will create a special advert in a Christmas spirit. But we will put together all the three worlds in the ad (the young Kinder, the gourmand Ferrero Rocher, and the subtle Monchéri). We could adapt the famous catchphrase "Christmas isn't Christmas without Ferrero' by adding 'together'. 'Together' define the Christmas atmosphere, a kind of love one for family and friends. At the end a special flash will announce our special 'Sunny Christmas' offer. On radio, a special short spot will be broadcasted explaining the offer.

Positioning brand

The positioning must be done according to competitive offers. It is important to differentiate its product or service in the minds of consumers especially in such busy period. According to Kotler et al 2009 matrix (Appendix 3) our Ferrero product is a high quality product with a quite high price. The positioning must be as a premium brand. Indeed the brand is quite expensive in comparison with other chocolates that customer can find.

Implementation and Control

Budget

We will produce 100 000 Christmas trees for the UK market. Our cost of production are estimated at £150 000. We assume another £150 000 in order to distribute the product on the whole market.

We will need a total £400 000 for the all the promotion. In order to launch on the radio the advertisement £25000 are required. The same amount will be necessary to publish the our newspapers campaigns. The display stands will have a cost of £40 000. Or TV advertisement will cost £300 000.

Finally our special 10 sunny trips offered will cost £40 000. If all stars are not discovered before the 26th of December, trips will be offered to a children care association. (See appendix 3)

Roll on time table

Our product manager Dave Tucker and his team will be in charge of the design of the product

Our marketing manager Nell McIntosh will be in charge of distribution and promotion of our all concept.

Our financial services in collaboration with the production and marketing department will manage the price strategy.

Our product will be advertised 15 days before the launching.

The offer starts on the first of December and stops the 26th. The aim is to urge people to buy the Christmas tree to introduce all the Ferrero worlds within families.

Monitor and Evaluation

We will first analyze sales and financial results and comparing them to our projections. If results are positive we will improve the idea next year. If not, we will undertake corrective actions. But analysis the sales is not enough to reveal how well a company is performing among the competitors. Then we will analyze the market shares

Then, we will check either the advertising had a catching impact on our customers by post marketing survey and researches.

Finally, we will organize some store checks enquiring about the customers' satisfaction. These surveys will be conducted in 10 stores asking for their feelings regarding the product, the allocation of shelf space, the price and the promotions underway.

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Appendix 1:

Western Europe: Consumer expenditure on chocolate confectionery by country (2007)