

The chocolate market in india



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This is a brief report regarding Cadbury's organization covering all its segments in the market. It starts with an introduction about chocolate market in India followed by a brief about Cadbury's establishment in India. It also gives a clear picture about all the brands of Cadbury India.

This report also includes the PEST analysis, Porter's 5 Forces Model and the SWOT analysis which shows an internal architecture of the working of the Cadbury's business. It gives a brief detail about the issues that the company would face for starting a new store in Mumbai and its implementation respectively.

2. INTRODUCTION:

2. 1. The chocolate market in India:

In India chocolate consumption was very low in the early 90's but as the decade advanced the consumption drastically increased. The late 90's witnessed a good chocolate market condition. The chocolate market in India is dominated by two multinational companies - Cadbury and Nestle. The national companies - Amul and Campco are other candidates in this race. Cadbury holds more than 70% of the total share of the market. Nestle has emerged by holding almost 20% of the total share. Apart from chocolate segment, there is also a big confectionery segment which is flooded by companies like Parry's, Ravalgaon, Candico and Nutrine. All these are leading national players. The multinational companies like the Cadbury, Nestle and Perfetti are the new entrants in the sugar confectionery market. (Management paradise) There are several others which have a minor share in these two segments. According to statistics, the chocolate consumption in

India is extremely low. If per capita consumption is considered, it comes to only 160gms in the urban areas. This amount is very low compared to the developed countries where the per capita consumption is more than 8-10kg. Observing this fact it would not be appropriate to consider the rural areas of India as it will be extremely low. This low consumption is owing to the notion behind consuming chocolates. Indians eat chocolates as indulgence and not as snack food. The major target population is the children. India has witnessed a slow growth rate of about 10% pa from the 70's to the 80's. But as the century advanced the market stagnated. This was the time when Cadbury launched its product- Dairy Milk as an anytime product rather than an occasional luxury. All the advertisements of Dairy Milk paid a full attention to adults and not children. And this proved to be the major breakthrough for Cadbury as it tried to break the conventional ideas of the Indians about chocolate. One of the oldest products of Cadbury which is still going strong is the Cadbury's Five Star which was launched in the year 1968 in India. Cadbury's Five Star is the most resistant chocolate to temperature and hence it is widely distributed all across the country.

In early 90's, the Cocoa prices became high due to which the manufacturers were forced to raise their product prices. But as the new variety of chocolate was launched - the wafer and the chocolate variety with the brand name Perk, the volume grew significantly. In the late 90's new players like Nestle also introduced these wafer chocolates with the name Kit Kat resulting into the growth of the market. (Management paradise)

2. 2 Cadbury in India:

Cadbury in India began its operations in the year 1948. After 60 years of existence, it has got five company-owned manufacturing facilities at Thane, Induri (Pune) and Malanpur (Gwalior), Bangalore and Baddi (Himachal Pradesh) and 4 sales offices (New Delhi, Mumbai, Kolkata and Chennai). The corporate office is in Mumbai.

There are 4 major segments under which the Cadbury operates Chocolate Confectionery, Milk Food Drinks, and Candy and Gum category. Cadbury has maintained its undisputed leadership in the chocolate confectionery segment enjoying over 70% of the total market share. Cadbury's Dairy Milk is considered as the 'Gold Standard' for chocolates in India. Cadbury India Ltd. is a subsidiary of the Cadbury Schweppes and employs over 2000 people across the country.

Since 1965 Cadbury has pioneered the Cocoa cultivation in India in association with the Kerala Agricultural University. The research on Cocoa has resulted in numerous releases of clones and hybrids improving the cocoa yield. Cadbury has formed a separate Cocoa team which visits the farmers, conducts seminars and advises them on cocoa cultivation. Hardly surprising then that the Cocoa tree is called the Cadbury tree!

Cadbury's India Ltd has achieved great success due to its global and local management processes combined with unique customized business models. Along with these Cadbury's has improvised their techniques of manufacturing leading to huge amount of cost savings. (Cadbury India)

2. 3 Cadbury and premium segment in India:

Currently Cadbury has various brands like - Cadbury Dairy Milk, 5 Star, Perk, Eclairs and Celebrations. And now Cadbury India has launched a premium segment - Cadbury Bournville Fine Dark Chocolate. With this move, the company aims to launch a new category of 'dark chocolates' in India.

Dark Chocolate is growing at a rate of 13% globally. But India is still at nascent stage. There is less than 25% awareness amongst the young age segment. Thus, it's almost like a category creation with this launch. Since this is a new category, a lot of sampling will be required in terms of marketing. Besides traditional media campaign, there will be below-the-line activities. (Media newsline)

The launch of Bournville Fine Dark Chocolate in India is timely, as it will cater to the evolving consumer preferences and serve as a treat for consumers looking for a moment of sheer indulgence. It contains 44% cocoa from the world's finest Ghana beans and an ever so smooth texture, each little chunk is dark and undeniably good. The chocolate is available in four variants: rich cocoa, hazelnut, almond and raisin and nut and plans to target, 20-30 age bracket. Dark Chocolate acts as a mood-booster; by boosting serotonin and endorphin levels that generate the feel-good factor. This more than a perfect bar of dark chocolate turns the simple act of eating it into a form of art. It demands a certain ritual, where, in a way, each of its steps offers a tribute to every stage of your journey. Made from the finest ingredients, each individually presented Bournville Fine Dark Chocolate is an irresistible in-the-mouth delight specially created to savour the Indian palate. (Campaign India)

3. Situational:

3. 1 PEST analysis of the Chocolate Segment in India:

Growth and progress of a company depends upon multifarious factors which are known to have direct and apparent effects on the overall target and functioning of that company. For a gargantuan corporation like the Cadbury's, it is very important to keep an eye out for the butterfly effects of the political, social, economical, technological and environmental factors.

Any changes in the laws or regulations, especially concerning international trade and food labeling could greatly affect the chocolate industry.

Awareness of the Food Safety Act will help the chocolate industry for sustaining in the ever growing market. The chocolate manufacturers need to make sure that none of the companies are breaking laws regarding production. For example, employing children or paying under minimum wage. Otherwise, scandals and lawsuits would greatly hurt their reputation.

In spite of the economy being relatively down at the moment, it is observed that the chocolate industry has not been affected much. As a result it would support the launch of a new chocolate product or a new store. High consumer spending and low interest rates also encourage a new product.

Confectionary market is growing at a very high rate and there are still many uncovered segments that require appropriate strategic approaches. Many people are trying to eat healthy and cut down on confectionary goods and soft drinks due to the current "skinny is beautiful" trend. Public opinion of chocolates is very high, so no major concerns are there to stop consumers from buying their products. Production is high due to advanced technologies and well equipped factories which enables high quality mass production.

Medias such as the internet, television and the radio enable large amount of

cheap advertisement. Internet is a good place to sell goods, even confectionary ones. Provides a new consumer group with access to Cadbury and allows even larger sales due to a larger overall consumer group.

(Business studies)

3. 2. Porter's 5 Forces Model:

Porter's Five Force Analysis of Cadbury provides a deep insight into the various aspects which influence the company's structure and growth. The constant change in the market structure, shares and prices, due to the emergence of new chocolate manufacturers, demonstrates a threat for the existing chocolate and confectionery companies like the Perfetti, Parle, Ravalgaon, Nutrine & Parry's, etc. But for a giant like Cadbury such threats are of no substantial value since it is such a big and reputed company. In fact Cadbury itself becomes an exceedingly bigger threat for the upcoming companies. Thus there is no question of rising competition and dispersion of the customers across all these new manufacturers. Therefore this factor does not significantly affect the total turnover of Cadbury. Recent reports of US chocolate major Hershey entering the Indian market is not worrying the company because a lot of home work in terms of knowing the Indian consumers', brand building and wide distribution network needs to be done by it. At the same time, the rivals should never be taken for granted as this is an evergreen sector with ample profit margins and with potential initial investments and appropriate market analysis any emerging company can spread its wings to become a huge success. (Myiris)

Another threat which could possibly affect sales of the Cadbury is the threat of substitute products or services. Now, if the general eating habits of the consumers are taken into consideration, substitutes would definitely point out at the sweets dominantly omnipresent in the Indian market. Festive seasons witness a big sale in both sweets and chocolates. Advertising and a strong market analysis during such peak periods helps a company in making profits. It should be noticed that even cookies, carob confections, ice creams and the other bakery products like cakes and pastries present themselves as a good substitute for chocolates. In today's health conscious world fruits and other natural products are rising up to become a substitute for chocolates.

(Good housekeeping)

Another important force is the - Bargaining power of supplier. It is the pressure that the suppliers can impose on sources for inputs that are needed in order to provide goods or services. Supplier bargaining power is likely to be high when, the market is dominated by a few large suppliers, the switching costs from one supplier to another are high, threat of forward integration by suppliers and the buying industry has low barriers to entry.

Cadbury seeks high quality, great value and excellent service from all of its suppliers. Hence, it has formed an Ethical Sourcing Program which is a fundamental element in ensuring that the standards are met at every step in the supply chain. Also, Cadbury is developing a Supplier Diversity Program to enhance its supplier base and ensure that it reflects the markets they serve. Cadbury itself selects such suppliers who deliver the best overall value; value that consists of competitive pricing, technological foresight, customer

service excellence and the ongoing achievement of its supply chain and material standards. (C. S-supplier)

Some what similar to the above would be another force which is - Bargaining power of the buyers. Customer's bargaining powers are likely to be high when they buy in large volumes, when they have knowledge about the production cost and most importantly when there are other potentially competitive companies selling the same type of product at reasonable costs. Cadbury faces tough challenge in this aspect as the customers are very well aware of all the above factors. Cadbury has thus designed the overall strategy to maintain its market dominance along with targeting the impulse buyers. (Hinduonnet)

The most important force amongst all the Porter's 5 forces is the - Rivalry among existing firms. Cadbury currently faces tough competition from the international giants like the Nestle and Hershey's and national giants like the Amul and Campco. The company profit is inversely proportional to the intensity of rivalry. But it is observed that Cadbury has always welcomed strong competition (like that from Nestle from past 7-8 years). Cadbury believes that strong competition increases the market pie. This confidence is very well reflected from that fact that, despite Nestle launching its famous "Kit Kat" brand, Cadbury India has maintained its market share.

3. 3. S. W. O. T Analysis:

Based on the above introduction to Cadbury, the Porter's Five Forces and PEST analysis a new SWOT analysis can be charted out. It is observed from the following analysis that Cadbury holds a bright future provided they fill in

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for the loop holes existing in their system. Cadbury being a reputed company has its brand name as one of its biggest strengths. It has been present for over 50 years even before competition could peep-in. Due to its presence for so many years people tend to associate chocolate with Cadbury. It is almost as if Cadbury is synonymous with generic category chocolate. Cadbury Schweppes is a very profitable organization, generating revenue in billions. The company recorded revenues of £7, 157 million during the fiscal year ended December 2005, an increase of 6. 2% over 2004. Cadbury India Ltd is supported by its parent company, Cadbury Schweppes. A large range of products like - chocolates, beverages, malted foods etc. are manufactured by Cadbury. These products are reasonably priced to suit different economic consumer categories. Celebrity endorsements have increased sales and also added glitter to the brand name. Cadbury India has the biggest market share at 60 per cent while Nestle is the second largest at 25 per cent. Amul holds the rest. In spite of innovation in the chocolate segment, their basic chocolate, Dairy Milk, still seems to remain the all time favorite of most people. The scenario of worms being found in Cadbury chocolates lead to a temporary decline in sales. Also Cadbury offers a limited variety of products as opposed to other leading competitive brands, e. g. Amul and Nestle that offer an array of products like biscuits, dairy products, etc. One of the major raw material i. e. Cocoa has to be imported leading to bunched imports and higher inventory. Also majority of markets in India are not Air conditioned and hence cannot store chocolates at least during hot summers, which limits the market access. As Cadbury has established itself very well in the Indian market, it can now narrow down to some popular products and can bring down its own individual Cadbury's store. It has capabilities to increase the

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range of products manufactured. The company can easily venture into new segments individually or jointly. Another very important opportunity that can be observed is the introduction of foreign products in India. The company can focus on targeting urban areas and developing sectors by working on availability and affordability. As observed in the Porters 5 forces, the company aims at bringing efficiency in logistics and distribution. This can very well be achieved by using information technology. Cadbury can also focus on gaining profits through chewing gum market in India. As Cadbury has already faced a worm scandal, its reputation has been put at stake by the competitors trying to exploit this situation. Also as earlier observed in Porter's five forces, Cadbury faces a serious threat in the confectionery segment from companies like Amul, Nestle, etc. As Cadbury produces chocolates and a few related products, effective management of all the areas proves to be difficult at times. Trends of purchase may change with the ever-changing taste preference of consumers. Changing restrictions and rules from Government quality control boards may result in pressure on the production of the company & cost increase. Also, Cadbury is exposed to rise in the cost of cocoa beans, dairy products and other vital ingredients.

4. Issues identification:

After going through the important aspects of Cadbury's, what issues I have come through are that Cadbury's has a strong market position and is a major player in confectionary and chocolate industry. It serves in all segments like the chocolate confectionary, bars, candy, gums, milk food drinks and premium segment. Cadbury's have a great brand name and it is well established from many years. Cadbury India has the biggest market share at <https://assignbuster.com/the-chocolate-market-in-india/>

60 percent and it is expected to increase year by year. Also, due to its presence for so many years, people have started to associate chocolate with Cadbury which is a great advantage and achievement. They have a good rivalry with the existing companies and it doesn't bother much because of the goodwill created. As all these points shows how well established the company is in India, I think of recommending them to launch an individual Cadbury store where in all the products of different segments will be there in that store. And the brands which are not in India, I think of launching those brands with this store. There are already successful stores like Candies, Fantasie and Birdies in India and launching this would bring a tough competition in this new market sector.

5. Implementation:

I believe that the stores should come up in Mumbai city because it is a metropolitan city and it is really a fine area to look out for potential customers. The stores should be located at places in Mumbai which are Chattrapati Shivaji Terminus, Bandra and Vashi. I think that these places are densely populated and the crowd is very happening. These places are also the hubs because many people from different cities prefer to go to these places for work, spending leisure time and to meet people. Chattrapati Terminus is located in South Mumbai. It is a market area; where millions of people go to and fro daily and therefore it would be easy to target the customers coming there for work and who stay there. It is also very close to Nariman point, Colaba and Marine drive and it would be easy to grab the attention of people coming from such extreme end of the city. Now about Bandra, it falls in the suburban side of Mumbai and it has a large

multipurpose population. Bandra is also known for being the favourite shopping spot in the entire Mumbai. People go there for their daily work and also a huge amount of population resides there. So it is a nice place for the Cadbury store to flourish. Vashi is a huge market residential place as well as a commercial township in the city of Navi Mumbai. It is the prime locality in New Mumbai. The store must be located in any malls such as In-orbit, Centre one, Raghuleela or Palm Beach Galleria as many people visit these malls on a daily basis mainly for shopping and for fun. Bringing Cadbury's store would serve as a competition for the retail stores such as Birdie's and Croissant which are already in these malls. So these places come to my mind when I think about launching the store.

6. Conclusion:

The Indian Chocolate Industry is a unique mix with extreme consumption patterns, attitudes, beliefs, income level and spending. Understanding the consumer demands and maintaining the quality will be essential. Pricing is the key for Cadbury's to make their product reach to every consumer houses. Right pricing will make or break the product Success. There's also an immense scope for growth of chocolate industry in India, geographically as well as in the product offering. So I think that bringing a store would bring prosperity and increase the sales of Cadbury's as a whole again resulting in the goodwill of the company.