

Marketing plan for launching a chocolate brand india



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India is on the move and so are the markets in India. Apart from economic changes. India is also facing social changes like changes in life style, hobbies etc. New fashions, Advertisements holidays, etc. are in today.

Further, food habits of Indians are changing rapidly. Chocolates, which were believed to be kid's preference, are now being consumed by kids, teenagers, and adults. Chocolate market in India (Currently 20, 000 tones is growing at the rate of 22% annually).

To take advantage of the growing market, international confectionery companies are getting ready to woo the proverbial Indian Sweet tooth. An influx of worlds leading Chocolate players is expected.

Further, since Confederation of Indian Industry (CII) is a representative body of the Indian Industry, it receives its inquiries for pertinent marketing

information from various domestic and international players, who want to invest in India.

In the above context, the prime objective of this report is to prepare a marketing plan for any brand that is planning to enter the India Chocolate Market. Therefore, this report is generic (broad – based) to the extent that it does not focus on any single brand. However, this may prove to be a relevant marketing guide for any brand launch in India.

METHODOLOGY

As mentioned earlier, the objective of the study is to formulate a Marketing Strategy for any new entrant in the Indian Chocolate Industry. While recommending the said strategy detailed information from both primary and secondary sources was collected and analyzed. This included:

Primary Sources

Four level primary information collections were undertaken. These were:

In order to get relevant information regarding competition, executives of the following chocolate players in the market were interviewed:

Mr. Sanjay Verkey, Branch Manager, Cadbury's India Ltd., ANZ Grindlays Building, Connaught Place, New Delhi.

Information: Cadbury's profile, products, distribution, etc.

Mr. Verma, Sarura Business (I) Ltd., Panchsheel Vihar, New Delhi, the company that has launched Mars Inc. brands (imported) in India.

Information: Complete marketing strategy-since, imported chocolates marketing is a new concept

Mr. N Bohidar, Manager Corporate Communication, Nestle India Ltd.,
Connaught Place, New Delhi

To analyze buying behavior and in order to gain an insight into the buyer need-satisfaction level, a questionnaire was formulated and administered among 80 people. The profile of the respondents was as follows:

Consumers of chocolates – 12 years + in Delhi. This was since; chocolate consumption was witnessed amongst all age groups.

A distributor was also interviewed so as to get pertinent information regarding the most important 'P' of FMCG marketing – Place, information provided by Mr. Rajesh Mittal, Ex-distributor of Nestle India (Rohini district), was extremely helpful in recommending the distribution strategy.

Extensive interviews were conducted with retailers in the Naraina Vihar area. These included pan shops, bakeries, departmental stores, etc. they provided information on various facts of chocolate distribution such as point of purchase material (dispensers etc.), infrastructure problems, critical informational regarding the policies of the present players in the market, etc.

Secondary Sources

A number of secondary sources of information were used. These were:

Mr. M. N. Rao, Secretary, Indian Confectionary Manufacturers Association,
Sugar House, Nehru Place, New Delhi.

Information: Industry statistics, problems facing the industry, future outlook,
etc. Also measures being adopted for cocoa production development.

Confederation of Indian Industries reports.

PHDCCI & FICCI library.

Internet websites of Cadbury's, Nestle and indiainfoline. com, askjeeves. com

Extensive use of secondary information in the form of
magazines/journals/newspapers clippings, such as Business World, Business
Today, Business India, A&M, Brand Equity, Economic Times, etc.

The methodology adopted was as follows:

Industry scenario Sketch (utilizing secondary information)

Extensive interviews held with Primary/Secondary Sources

(Companies/Chocolate manufacturers Association)

Interview with ex-distributor of Nestle India Ltd.

Extensive retailer interviews in Naraina Area

Formulation and administration of a questionnaire

Formulation of the Recommended Strategy on the basis of the above
mentioned Primary and Secondary Information

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Limitations of the study

Since, the administration of the questionnaire was restricted to Delhi, results may provide an urban view of the buying behavior and the like.

Also, secondary sources were used for information regarding Amul. Industry scenario was also drawn up, utilizing secondary information.

THE INDUSTRY SCENARIO

With the entry of multinationals, and home companies sprucing up their act, the confectionary market is booming. Mckinsey has estimated the confectionary industry to touch a whopping Rs. 8500 cr. by the year 2009.

Till the eighties, the chocolate market was small and the product category itself was fuzzy. In the eighties, ' Cadbury's' – the virtual monopolist – had decided to focus its efforts on making chocolates a distinct category with an identity of its own. And the marketer had sharply positioned its product at children to do that. Hence, chocolates bore an “ only for kids” tag, and kept adults at bay.

By the end of the eighties, Cadbury's still ruled the roost with over 80 % market share. And though several brands – like Amul and Campco – tried to break into the market, none of them had succeeded in shaking the leader's grip. In fact, Cadbury's had become a brand virtually generic to chocolates. Then chocolates were used to reward and reinforce positive behavior and hence were categorized as a luxury reserved for special occasions. This was, a stark contrast to the west where chocolates were snacked on, eaten as mini meals or just to suppress pangs of hunger.

But constant working by players like Cadbury's (re-launch of Cadbury's Dairy Milk targeting adults and as a casual any-time buy) and Nestle towards exploding the myth that chocolates are meant for children only has resulted in the segment booming.

Trends in the Industry

With socio-economic changes rapidly taking place, the young and not so young population will lead a new life style and chocolate eating is definitely going to be widespread and acceptable.

In the industry, both population and family incomes as well as urbanization are on the increase.

There has been a significant growth in the middle class, with 5.8 million people having upgraded to the quoted middle class.

There is quantified data on FMCG usage having increased (NRS -VI & IRS' 98 figures)

Thanks to the above reasons the growth in the chocolate market is estimated to be at 28% in 2009. But marketers in the industry are looking forward to a much higher growth rate, as India's per capita consumption of chocolates is only 15 Gms. Versus 6 kg in the west.

The Industry Chronology

Year

Demand

Rupee

Growth Rate

1990

12000 tones

350 cr.

2 %

1994

Excise duty increased to 15 %

13 %

Excise duty further increases to 28. 75 % Cocoa Prices Zoom

Drops to 6 %

1995

Excise duty reduced to 25%, further to 20% and finally to 18%. Import Nestle launches Kit-Kat sets up a new unit. Production arrangement with CAMPCO continues. Mars selects production site.

1996

Market zooms up due to greater marketing thrust by players (especially Cadbury's) Chocolates Selected import item

22 %

1998

Chocolates Open general license

20000 tones

22 %

2003

Quantitative restriction lifted

32000 tones

22 %

The Indian Chocolate market can be sliced into four parts.

Moulded Chocolate Segment – comprising slab chocolates like Dairy Milk chocolates, etc. These are made by pouring the ingredients into moulds.

Countline Segment – comprising bars like 5 star, Bar One, Perk, Kit Kat, etc. These have ingredients other than chocolate and are usually bar shaped, making for chunky bites.

Choco-Panned Segment – comprising chocolate forms like Butterscotch, Nutties, Tiffins, etc. Panned varieties have different cores/centers, which are covered with a layer of chocolate.

Sugar-Panned Segment – comprising chocolate forms such as Gems, Chocolate éclairs, etc. These generally have a sugar coating on the outside.

The Chocolate industry has grown from 12000 tonnes in 1990 to around 32000 tonnes in 2001. The rejuvenation exercise of Cadbury's, was one of the key reasons behind the churning up of the country's Rs. 350 crore chocolate market to a growth rate of 22% in 1996, from a mere 2% two years earlier.

Chocolate Market Shares

Interestingly, kaira district cooperative Milk Producers Ltd. (KDCMPL) – the manufacturer of Amul chocolate – is selling whatever it produces. Limited capacity is also a reason for the share it has.

However, Amul's memorable advertising campaign positioning it as a “ A Gift for someone you love”, saw the sales graph rising. Amul's sales grew by 39% then. Ever since, Amul has maintained a low profile.

It can further be seen that Amul (see findings).

Other Domestic Players

The only other organized player in the market is Campco, which has an insignificant share of the market. It is supplying its production to Nestle. Apart from this Campco did come up with its new brands like Treat. But crunch of resources grossly effected the pace of the company and is hardly to be heard of today.

CHOCOLATE LAUNCHES OVER THE YEARS

1956

Cadbury's Milk Chocolate launched

1967

Cadbury's 5 Star launched

1970

Cadbury's Éclairs launched

1974

Amul chocolates launched

1986

Cadbury's milk chocolate re-launched as Cadbury's dairy milk (CDM)

1991

Nestle chocolates launched. Cadbury counters Nestlé's entry with all silk, and unfurls huge consumer promotion campaign. CDM revamped. Nestle launches Milky Bar; Cadbury counters with Creamy Bar.

1994

Cadbury's Real Taste of Life and 5 Star's Reach for the Stars campaign rolled out. Éclairs revamped and renamed Dairy Milk Eclairs.

1995

Cadbury launches Perk, pre-empting Nestle's Kit Kat. Overtures is withdrawn.

1998

Market growth rate tops 40 percent per annum.

IMPORTED BRANDS

Considering the high growth potential, various multinationals wanted to set up facilities in India (Mars being one of them). However, shortage of cocoa, seasonality in demand, and the absence of a proper cold chain deterred them from investing in India. The government also moved the import of chocolates from special item list to open general license category. The duty structure was also reduced. This resulted in making import of foreign brands easier and price competitive.

Due the above, mars inc.- the US giant, who had decided to set up facilities in 1995 (the site for which was also selected), decided to postpone its investment plans.

An alternate strategy was formulated to import Mars chocolate brands into India through Sarura Business (I) Ltd. Sarura, which came into existence about and year ago, imports Mars brands and sells through its own distribution network. Highlights of the strategy being followed are mentioned below:

Imports Mars brands every 40 days, after careful demand analysis. Takes 20 to 22 days to reach India.

Duty structure

Customs Duty

40%

Counter vailing Duty (a form of excise)

2%

Special Duty (Surcharge)

3%

The import duty on finished product is expected to come down to 20-25 % in a phased manner.

Distribution Logistics

The company has its operations being controlled from Delhi. A typical FMCG distribution chain is being utilized. This includes-

Carrying & Forwarding Agents

Distributors

Retailers and Wholesalers (about 5000 as of now)

Consumers

In Delhi, the company reaches the retailers and the wholesalers on its own. It operates about 3 vans, and each other retailer is serviced twice a month.

MARKETING OBJECTIVES

Short Term Objectives

Taking into consideration the growth rate of the market & competition with major brands, the marketing objectives can be as under:

To introduce chocolates in various new flavors.

To make a place in consumers mind.

To provide quality chocolates at affordable price.

To achieve a market share of around 15% by the end of two years of operation by the means of

7. 5% by creating the new market.

7. 5% by taking competitors share.

Long Term Objectives

Investing in strengthening the grass root level operations like cocoa farming, milk collection and storage.

A broad product portfolio, a large and efficient R&D department, decentralized management, etc.

Nestle has about 2000 distributors in 1700 towns and more than 500, 000 retail outlets – to match this

MARKET RESEARCH

In order to recommend and execute an effective strategy for marketing of goods & services, a systematic market research needs to be undertaken. The buyer preference research would play a vital role in the assessment of consumer's taste/purchase habits and a better understanding of the consumers mind. In fact the strategy formulation/recommendations in this report of the marketing mix relies heavily on these research findings.

A questionnaire was administered (as mentioned in the Methodology) amongst people of different age groups and professions. Results from this research provided interesting cues, which were extremely beneficial in the formulation of the recommended marketing mix.

The main object of this research/questionnaire were as follows:

To find out the current taste/chocolate eating habits.

To find out the extent of brand loyalty.

To get feedback of consumers perception about flavors and conventional outlets.

To find out extent of price sensitivity.

Retail outlet preference.

Brand preference etc.

OBSERVATIONS

Based on the basis of the questionnaire research, some of the facts that came to the fore have been listed below. These research findings played a key role in the development of the recommended marketing strategy.

AWARENESS – PURCHASE PREFERENCE

Top of Mind Awareness

Purchase Preference

What influenced you to buy the selected brand

PURCHASE BEHAVIOUR

Reasons for Purchase

Chocolates – A gift to a love one

As a gift it is for

IMPULSE DRIVEN

Most of my chocolate purchases are preplanned

I often pick up chocolates while I make other purchases

REINFORCING IMPULSE PURCHASE

IMPORTANCE OF ATTRIBUTES – PERCEPTUAL MAPS

Importance of various Attributes in Chocolates

Rank of Chocolates on various attributes

Attributes

1

2

3

4

5

Taste

CDM

KitKat

5 Star

Perk

Amul

Quality

KitKat

CDM

Perk

5 Star

Amul

Packaging

KitKat

CDM

5 Star

Perk

Amul

Price

Perk

5 Star

KitKat

Amul

CDM

Flavor

KitKat

CDM

Amul

Perk

5 Star

Add-ons

KitKat

Perk

CDM

5 Star

Amul

Brand image

CDM

KitKat

Perk

5 Star

Amul

PRODUCT RELATED

Taste & Preference

Size Usage. What size of a chocolate do you normally buy-

PRICE RELATED

Suitable price for a 40 gms Chocolate

Price Perception. The price of most preferred brand is

Price sensitivity (Elasticity). If price of your favorite brand is reduced. You will buy more of it

Price sensitivity. If the favorite brand is few Rs. Expensive would you go for it

ADVERTISING/PROMOTION RELATED

Advertisement Recall Test – Unaided

Most like Ads – Unaided

Whether, sales promotion would affect your purchase decision

Brand loyalty. If a particular brand is not available, you will:

If you want to buy a wafer chocolate, say Kitkat and if it is not available, you would settle for a Bar/Moulded chocolate say 5 Star or CDM

CHOCOLATE BRANDS IN INDIA

Are you happy with the kind of chocolate brand available in India

PLACE RELATED

Outlet Preference

DEMOGRAPHIC PROFILE OF THE RESPONDENTS

Age

Sex

Marital Status

Occupation

Monthly income

Michael Porter's Model for Competitive Advantage

There should be continuous efforts towards competence by drawing down costs and improving product quality. According to Michael Porter's 5 point model for competitive edge, any corporate entity needs to counter threats posed by the following five market forces.

The Corporate Entity

Potential Entrants Competitors Activities

Suppliers Buyers

Substitutes

Potential Entrants

With the increase in growth rate of the market and wide spread acceptance of chocolates in Indian market, companies like Mars, Sara Lee etc. are eyeing the chocolate market. American Hershey foods etc., also plans to enter in it. Though these companies would facilitate further growth of the market, they would also want a share of the pie.

Further, a favourable duty structure would facilitate import of international products than new manufacturing units being set up.

MARKETING MIX

The objective of the marketing mix developed is:

To develop a product that is available, affordable, based on local raw material, and adapted to the taste & the nutritional habits of the population”.

The elements of the mix – Product, Price, Place & Promotion have been entailed below:

Product

As mentioned earlier, the two most important segments of the market are moulded and countline segment (segments have a high share of the market). Also, it can be seen in the findings, the Indian consumer does not recognize the difference between moulded and countline segment. Further, a key decision that needs to be taken is to decide whether to have a core brand focus of have a plethora of brands. Here, it would be advisable to launch a complete basket of products covering both the countline and the moulded chocolate segment (at least if not Panned). A range of brands can

help cushion out risks over the entire offering. Also, it has been that to sustain in the long term, a complete portfolio of chocolates for every taste is essential. However, a concentration strategy may be adopted in the first phase, focusing on one core flagship brand.

The various product attributes have been mentioned below:

Stipulations regarding the use of Hydrogenated Vegetable Oil – HVO (since it contains nickel) may be adhered to. Nickel in chocolates can cause cancer. However, research is still on to prove this. Product formulation should keep this aspect in mind.

Packaging: The packages or the cover packs, of the brands can be in Blue, Green and Red color which represents a fun element. The packaging should

MARKET TESTING PLAN

It would reduce the risk of failure in the market where it goes national, by validating the marketing mix.

Facilitate validation of positioning.

Allow corrective action through incorporation of consumer feedback.

For test marketing the chocolates, the plan may be as follows:

Test Objectives: To validate the brand names, new outlets, etc. and to measure the sales volume, pricing and promotion policy. Competitor reaction can also be analyzed.

The product may be launched in Bombay (as a soft test launch). This selection was based on:

Bombay is uniformly represented by the target segment.

Competitor activity is high. Also, Nestle was able to wrest a significant market share from Cadbury's when it was launched.

Bombay is representative of the target segment.

IMPLEMENTATION

A Well-designed marketing plan counts for nothing, if not implemented properly. Success in the market place depends upon the way the plan is implemented. The launch is recommended to be before winters-say September or October, since-

That period would facilitate high Diwali sales, and

FUTURE OUTLOOK

The growth and expansion of the Indian chocolate market in the past has been hampered, due to stiff excise duties on chocolates (at 18 percent - while other agro based products are being charged as low as 8% and a few, even 0% excise) and non-availability of quality cocoa in the country.

Also, import of chocolates has been put in the OGL category, with duties being reduced (in a phased manner). The industry has made recommendations to the Indian government to go back to the special item list category, in order to safeguard the domestic industry.

However, continuous marketing focus by the players in the market has resulted in the industry looking up like never before. These companies/brands have become much more market savvy. The Indian chocolate market is transforming and new players (Sara Lee is planning to set up base in India) are entering the market. Hence, considering the low per capita consumption of chocolates, the future of the industry seems to upbeat.