

Cadbury marketing essay sample

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I. Product and Competitor:

a) Product Overview:

Mondelez India Foods Limited (formerly known as Cadbury) is a part of the Mondelez International group of companies, a global food company which is the world's largest chocolatier and a spin-off from Kraft Foods. Mondelez India Foods was ranked 3rd amongst India's most admired companies by Fortune India in 2013. Its flagship product, Cadbury Dairy Milk is considered to be the chocolate taste preference of the Indian consumer. The other popular products include Cadbury Choclairs, Cadbury Bournvita, Perk, Bournville, Celebrations, 5-Star and Gems. The popular chocolate, Toblerone is also now available in the Indian market. b) Competitors:

Competitors in Chocolate Market: Turnover of Rs. 4500 crore; there are three major market players:-

Cadbury with 70% of the market share

Nestle having 21% of market share

Ferrero having a niche market of 6% and remaining 3% with other players.

II. Analysis of the category:

1. Aggregate market factors

a) Market size and Market share:

Size of overall chocolate market: Rs. 4500 crore

Likely size of the Chocolate market by 2021: Rs. 8000 crore Share of

premium chocolate in overall market: 27%

Expected growth rate of overall chocolate market: 20-25%

Expected growth rate of premium chocolate market: 30-35%

[1]Source: (Mar 30, 2014) Unwrapped. Business Today]

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b) Growth:

Following are the key drivers for the rapid growth of the Indian Chocolate industry: Shift in consumer preference (from traditional sweets to chocolates) Increase in health awareness - demand for sugar-free, low sugar and diet chocolates. Rising income levels and improvement in standard of living has led to increase in demand of premium chocolates. Rapid development in rural markets

Tradition of gifting sweets for various occasions

Growth Rate:

The chocolate industry has shown steady growth in urban and semi urban areas, with a compounded annual growth rate (CAGR) of 25% and is expected to grow beyond Rs 7, 500 crore by 2015, according to the apex industry body ASSOCHAM. [2] [Source: (Oct 9, 2013). The Times of India.]

According to National Confectioners Association, India is the fastest growing chocolate market. [3] [Source: (Nov 9, 2012), National Confectioners Association, USA]. Interestingly, India also happens to be fastest growing market for adult consumption of chocolates and candies as per Economic Times Report dated Aug 1, 2013. [4] [Source: (Aug 1, 2013). The Economic Times.]

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c) Seasonality:

Seasonal launches of new range of products have proved particularly dynamic and big grossers across the market. With the changing mind-set and preferences, Indian consumers prefer chocolate assortment boxes as these are considered to be premium, hygienic and longer-lasting than traditional Indian sweets. This has largely contributed to increased sales as the popularity of seasonal gifting of chocolate is much higher, particularly during festivals. During festivals, the demand of chocolates increase by 35% in urban areas.[5] [Source: Purvita. (Nov 7, 2012) India's craving for chocolate unwraps business opportunities. Business Line]

2. Macro Environmental Factors:

a) Political:

Budget 2014-15 of India laid more thrust on expansion of food processing industry. [11][Source: CRISIL Budget Analysis July 2014] The increase in tax break exemption limit to Rs 2. 5 Lakhs is expected to support growth in consumer durables sector. [11][Source: CRISIL Budget Analysis July 2014] Excise duty on processing machinery used for agri-products has been lowered to 6% from 10%, which would help Cadbury in maintaining prices of its products. [11][Source: CRISIL Budget Analysis July 2014] Major world's cocoa is produced by countries in Africa. Political instability in these countries can affect supply and ultimately price.

b) Economic:

GDP of the nation is increasing with growth forecast average at around 5.4-5.9% [8][Source: July 9, 2014: Economic Survey: 2014-15 GDP Growth] The unemployment rate is set to decrease with more business friendly government in power. Excise duty cut in consumer durables will also push growth as it supports consumer consumption. [11][Source: CRISIL Budget Analysis July 2014] Increase in disposable incomes of existing working population will result in more demand for consumables. With swelling up of Indian middle class, the high-end products of Cadbury will be affordable to a larger section of the population. This will help Cadbury in increasing their volumes. Expansion projects of Cadbury have been given a boost by new government policies which have emphasized a greater thrust on the expansion of the food processing industries. Cadbury India has signed a MoU with the AP government to set up its largest manufacturing plant in whole of Asia Pacific Region. Plant will come up on a 134-acre facility in Chittoor and plans to be functional by mid-2015. [9][Source: Nov 27, Hindu Business Line, Cadbury's largest plant in Asia Pacific.] Increases in wages of its employees will also increase the operational expenses of Cadbury

c) Social:

With 29% population falling in the below 14 years age group and 88% below 54 years age group [Source: <http://censusindia.gov.in/>], India is one of the most prominent markets with future potential, especially for its young population. Changing life style with growing middle class families is a big impetus to consumer market. Middle class families with an income of 2-10 Lac is expected to be 87 million households by 2025 and will be a huge market. Also, with rise in income consumption behaviour changes and gives <https://assignbuster.com/cadbury-marketing-essay-sample/>

boost to consumer goods [14] [Source: Kotler, P., Armstrong, G., & Cunningham, Principle of marketing] Globalisation is playing an important role in changing the outlook of customers in India and customers are becoming aware of global brands . Customer consumption pattern is also changing and the youth are becoming brand conscious. India with very diverse culture and heterogeneous population forms a very fragmented market with varying taste.

d) Technological:

With a rich experience of almost 200 years in confectionary industry, Cadbury can leverage its technical expertise and innovation capabilities to come up with more advancement in its research and development area. Cadbury has made a telling contribution towards the Cocoa cultivation in Kerala in association with the Kerala Agricultural University. There has been an increase in the releases of hybrids and clones which has thus resulted in improving the yield of cocoa. [6][Source: Mondelez Cocoa Gold Program] Cadbury has implemented Lean System in its production line. This will help them in reduction of their production expenses. [7][Source: Supply chain digital]

e) Legal:

There are no clear and centralised laws governing advertisement. The laws related to advertisement are fragmented in various Media laws.

Thus, Advertisement Standards Council of India (ASCI), a non-statutory and self-regulatory body takes charge of regulating it. Weights and Measures (Packaged Commodity) Acts: It prescribes all the rules regarding information

given about the product and hence it is very important to take care while packaging [12] [Source: Industry & Services, food processing, business. gov. in] Consumer Protection Act, 1986: Apart from normal product related grievances , clause 2 of this act gives consumers the right to appeal against any advertisement they find misleading [13] [Source: Consumer Protection Act, 1986] Food Safety and Standards Act, 2006: The law provides regulations related to manufacturing, storing, distributing, selling and importing the food items [12] Food Safety and Standards Authority of India: It monitors and regulates all the process like manufacturing , packaging, distribution, storage etc to ensure the safety in food industry including confectionery (Chocolate) [12] [Source: Industry & Services, food processing, business. gov. in] Licensing & Registration regulations: Subsection (1) of Section 31 of the Food Safety and Standards Act, 2006 requires to have proper licence before starting confectionery business [12] [Source: Industry & Services, food processing, business. gov. in]

3. Micro-environmental Analysis

Competitor analysis:

a) Threats of new entrants:

The Indian chocolate industry is mainly dominated by Cadbury and Nestle. As mentioned above Cadbury has close to 70% market share and Nestle has close to 21% market share. The investment required to enter into the chocolate industry is very high. As a result it would be difficult for new players to enter into this market. Cadbury's enjoys strong brand loyalty and any potential new entrant into this market will take time to build the same

loyalty and eat into the market shares of Cadbury. There are few chocolate manufacturers like Perfetti, Parle, Ravalgaon, Nutrine & Parry's, etc who have entered into the market but are not of any threat to Cadbury. Foreign companies like Ferrero and Hershey have entered into the Indian chocolate market and are trying to make some inroads into the chocolate market. Overall, there is a moderate likelihood of new entrants.

b) Threat of substitute products:

The Indian chocolate industry faces a lot of challenge from the omnipresent sweet industry. In India people usually prefer sweets over chocolates during the festive season. Other substitutes such as ice- creams, cakes and pastries also present themselves as a threat to chocolates. In today's world people are becoming more health conscious. As a result demand for natural fruits, health bars, cereal bars and fruit bars are on the rise and are becoming threat to chocolate industry.

c) Bargaining power of suppliers:

The key input required for Cadbury is the cocoa beans. Cocoa farmers from Cote d'Ivoire, Ghana, Indonesia and Brazil among others are the main suppliers. Furthermore cocoa producers from West African, Far Eastern and South American equatorial regions act as adequate supplier buffer. In order to reduce dependency on its suppliers Cadbury has started cocoa farming in India. Overall the bargaining power of the suppliers is moderate.

d) Bargaining power of buyers:

In India, the main distribution channels for Cadbury's are the independent retailers which account for the 76.2% of the market share. This reduces the buyer's power as the retailers don't have the bargaining power as the bigger supermarket chains. Cadbury has a huge brand loyalty and retailers need to address the consumer demands. This further reduces the power of the buyers. Retailers however have wide range of food products and confectionery is only a small part of the total product range, the buyer power increases. Overall the bargaining power of the buyers is moderate.

e) Current rivalry in category:

Cadbury's is the most dominant player in the Indian market with a share of 70% followed by Nestle with a share of 21% and Ferrero with a share of 6%. The Indian brands like Amul and Campco have a very less market share. In a price sensitive country like India Cadbury is targeting people of different income groups with its wide variety of products like Dairy Milk, Dairy Milk Silk, Celebrations and other products. Nestle is giving a stiff competition with its products like Kit Kat which is targeting the lower income group and Alpino which is targeting high end customers. Ferrero is providing competition with its products like Ferrero Rocher and Kinder Joy. In spite of these competitions Cadbury is able to hold on to its No 1 position due to great brand loyalty. Overall there is a moderate degree of rivalry in the confectionery category.

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