

# Ferrero and morocco essay sample

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For the SWOT Analysis we have the Strengths and Weaknesses of the company and the Opportunities and Threats that the company might face in the new Market of Morocco. We acknowledge as strengths the high in quality products that Ferrero produces and more specific Nutella and also the worldwide awareness the Ferrero Brand causes. With these main factors Ferrero can depend on for its expansion among the globe and be able to attract more and more customers every day, every hour. People just by hearing the name Ferrero or Nutella will be always more keen to buy a product from this company than from another more infamous one.

Furthermore the packaging of the product by itself can promote it and have an instant customer recognition. We also believe that the great amount of funds that the company has at its disposal is a huge advantage, because in case there is need for money to promote more the products or to save the company's face from a bad situation they could do it very easily and without worrying on where they'll find the funds.

We can consider as weaknesses the company not investing a lot in advertising, so there are very few and rare ad campaigns which do not help a lot for improving the brand awareness for the company and its products. Also the perception that chocolates and chocolate confectioneries are unhealthy might be a reason for consumers not to buy the company's products. Concerning now the Nutella itself a great weakness is that one of its ingredients is palm oil which production causes deforestation and is really environmental unfriendly so people with environmental concerns will not buy it and maybe do a negative marketing of the product. Now, on the industrial part, we think that a great opportunity is the ability of the company to launch

new products and reach more people and more maybe forgotten target groups, such as the diabetics. Also, what Ferrero produces and sells can be considered as an affordable indulgence, an affordable little treat for ourselves, especially now because of the Worldwide Financial Crisis.

Another opportunity can be considered the emerging economies to where Ferrero can go and either produce at lower costs or sell its products. Finally, the threats that Ferrero faces are quite few but almost all of them, with the right handling, are manageable. To begin with chocolate and chocolate confectioneries, which Ferrero main products are in this category, are more seasonal and therefore we might have a great reduction of sales in places/countries where for example the summer is too hot and people do not want something too heavy as a chocolate or they image of a melted chocolate might destroy the company's image. Furthermore, as we already mentioned consumers are growing more and more to healthy diet and foods and therefore such high in fat and calories products will not be appealing to them and Ferrero might lose a lot of potential customers, because for example mothers that do not allow their kids to eat sweets will reduce the sales and also these kids will grow into these healthy diet and will not buy the products nor for themselves nor for their own kids, it would be a chain reaction with sales dropping as a result. As threats are also considered the many and different substitute products that Ferrero has to deal with, from other chocolate companies to sweets manufacturers to beverages, restaurants, pastry shops etc etc.

All these make Ferrero to have to “fight” harder and compete with so many rivals that will have to spend a great amount of money in advertising and making its products better and better and more appealing to people. Also exactly because of those substitutes there is also intense rivalry, which leads to fewer sales to fewer profits and have to be considered and find ways to overcome it and be profitable enough. Last but not least there is the threat caused by Greenpeace because of the negative valuation the organization gave to Ferrero for the use of palm oil as an ingredient of Nutella, as we already mentioned, and the negative marketing the company got which also may lead to fewer sales because of the customers disappointment.

#### PESTEL ANALYSIS

Our pestel analysis is concentrated on the country of Morocco and how the different aspects of this country will facilitate or complicate Ferrero’s entry there with Nutella. Morocco is a country of almost 34 million citizens and has around 10 million tourists from around the world visiting it annually. This makes it a considerable market for a company to enter. First of all, for the Political factor we must mention that Morocco is a Constitutional monarchy with an elected parliament. It has a stable government for more than 20 years and in contrary with other African countries does not suffer from riots or civil wars which is very appealing for foreign companies if they want to introduce themselves to the African markets. To continue with the Economic factors, we must say that despite the Financial Crisis, Morocco has a growing GDP with an average of 4. 15% for the past four years and 3. 7% for 2012. Its

currency is the Moroccan Dirham and has a very uneven exchange rate with the EURO and USD.

The prices of the commodities are very low in comparison with other EU countries which the foreign countries must deal with. The disposable income is €6090. 43 and its annual growth for 2012 is 32. 4% and this is a very fortunate thing for the companies to consider and maybe invest to that market. We should not forget to mention also the purchasing power index is 28. 14%. Moving on the socio-cultural aspect, the country's citizens average age is 25 years old which is an age where people love to eat sweets and chocolates and Ferrero can concentrate on this and promote to this people mainly its products and especially Nutella which no-one could resist and will always be loved and preferred. Also Moroccans are in majority Muslims and follow the Islamic Law in their daily life, so the company must be very careful on how it will promote Nutella and not to go against their beliefs or offend their Law somehow. In Morocco co exist 8 different languages with French and Spanish the languages spoken for business and Arabic the most common in the daily life. So probably the packaging should have Arabic, French and Spanish on it. The Moroccan cuisine uses a lot of spices and that should be definitely considered by companies relating to the food and beverage industries such as Ferrero and make their products more appealing to the tastes people there are used to.

Finally, Moroccans love candies, chocolates and in general any kind of sweets and since Ferrero is in that specific industry gives it an advantage. Now, on the technological aspect, there is the Casablanca Technopark, which

was established in October of 2001 and covers a total surface of 29, 400m<sup>2</sup>. This is Morocco's first industrial park in Casablanca and this project is under the supervision of Ministry of Communications of Morocco. The industrial park proves that Casablanca is improving in all aspects including the technological aspects. Various multinational companies are investing in Casablanca because the Park serves various essential purposes in the society of Casablanca. Different types of activities are arranged in the Casablanca Technopark like its training and courses regarding e-learning that is very helpful for the students in Casablanca.

Also since November 2003 all tariff barriers on Information Technology products were removed, so by joining the Information Technology Agreement prices of Information Technology inputs in Morocco are more competitive and more appealing to foreign investors and promote local industries by making Information Technology products cheaper for Moroccans. Also there is a positive transportation system which facilitates any cargo transportation within the country, something really important to Ferrero in order to get all of its products to the preferred destinations. On the environmental aspect we must mention that Moroccans and their government are getting more and more eco friendly, since their country has visible damages by the pollution and maltreatment of the earth. For this reason Morocco has signed International agreements for environmental protection issues and have put in action the National Environmental Action Plan.

The government also offers reduction of taxes to individuals or companies that are following a more environmental friendly approach. To finish with our PESTEL analysis, we need to mention some Legal factors that might influence a company's decision on entering the Moroccan Market. There are signed trade agreements with Europe, USA, other African and Middle East countries. At the core of Morocco's effort to entice foreign business is the 1995 Investment Charter Law. The tax incentives within the Investment Charter include a 2.5 percent discounted tax rate for land acquisitions intended for housing developments; a 0.5 percent tax on any company contributing to capital formation or capital increase; and an exemption from registration fees associated with the purchase of land intended for capital investment. The Charter also shields foreign investors from paying value added tax (VAT) on imported equipment, materials, and goods; and exempts start-up firms from license fees, corporate taxes, and general income taxes for five years. Thereafter, new businesses are required to pay a tax that is deeply discounted.

In Morocco also exist several Free Trade Zones and there are several additional sectoral incentives available to businesses that invest in one of Morocco's several FTZs. These incentives include exemptions from: duties and taxes associated with the acquisition of land, license and "urban taxes" for 15 years, VAT on all exported goods, and corporate taxes for five years, with a reduced 8.75 percent corporate tax thereafter. Finally, Morocco has strong Intellectual Property Rights (IPR) legislation, these help Ferrero to ensure its brand and not being afraid of someone stealing its logo or something like that.