The hershey company is the largest chocolate producer marketing essay

The Hershey Company is the largest chocolate producer in North America and also one of the oldest US manufacturers of chocolate and non-chocolate confectionery and chocolate-related grocery product. The Hershey Company operates in accordance with their mission statement: “ Undisputed Marketplace Leadership” (www. hersheys. com). Among the company’s well established brands are Hershey’s Chocolate Bar, Almond Joy, Kit Kat, Hershey’s Kisses, Reese’s and many others.

I shall begin an external analysis with the first element of Porter’s Five Forces Model: Industry Rivalry. Slow confectionery industry growth increases the intensity of rivalry among numerous competitors. It needs to be mentioned that the stage of confectionery industry life cycle is Maturity stage. These chocolate have been around since a 100 years and most people buying these chocolates are repeat consumers. The Hershey Company holds one of the leading positions in the domestic market, currently having a market share in the U. S. of over 22%. Its biggest rivals in US market are Mars Inc (the leader according to the industry’s 2010 results), Kraft Foods and Nestle. As for the global competition, according to the latest results of the confectionery industry’s global survey, Hershey Foods Corp. (USA) is number 5 among the top 100 international

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confectionery brands rating with 4, 881 US($) millions sales volume figure. The main competitors in the global market are Mars Inc (USA), Cadbury Schweppes PLC (UK), Nestlé SA (Switzerland) and Ferrero SpA (Italy).(The Big Get Bigger, 2011, January 10).

Although the Hershey Company has a steady strong presence in the U. S. chocolate and confectionery market, its global position needs to be strengthened and the focus should be kept on the global market. Rapidly developing countries such as China and India have to be Hershey’s main targets because even a limited presence in these countries would provide a substantial increase in revenue. Besides it, company cannot duplicate their domestic strategy and expect to be successful. On the contrary they must integrate into each country’s culture and develop an adapted strategy to immerse their brand name into these areas.

The next force I need to specify is the Risk of Entry by Potential Competitors force and this risk for chocolate industry is quite low. The reasons of it are significant entry barriers (high production output, large capital requirements, product differentiation, and customer loyalty). These factors deter smaller competitors from entering into the market. (Ellis M., McCants M., Frye N., Miller J., Polk M., Rogers G, 2008, May 22).

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The third and one of the most influential in the Hershey’s case force is Bargaining Power of Suppliers. Their bargaining power is relatively high because the number of suppliers of the chocolate industry is limited, supplier group is concentrated and there are no substitute products as well. The Hershey Company needs to find alternate (non-West African) locations or different methods for obtaining cocoa beans, because this would allow Hershey to have a secure control over their raw materials.

The next force is Bargaining Power of Buyers which can be described as low to moderate. This industry has several large volume retailers that have significant bargaining power. Large volume retailers can bargain for lower prices and reduce the industry's profits, but the differentiated products (with high level of brand identification and customer loyalty among the chocolate consumers) considerably reduce the power of buyers.

Finally, the Threat of Substitutes for chocolate industry is moderate. There are numerous substitute products such as alternative cooking flavors (such as vanilla, butter, etc) and non-chocolate snacks (such as ice cream, fruits, etc.). Also there is a threat of unhealthy image of chocolate products among the consumers.

Besides Porter's Five Forces Model and Industry's Life Cycle I would like to analyze the way demographic, social, or

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technological trends have influenced the chocolate confectionery industry.

There are some positive and negative socio-cultural and demographic trends that make an influence. Among the positive are: the desire for richer products/changing tastes, joint ventures (i. e. coffee), dark chocolate health benefits and increased importance of holidays. The negative trends are: spreading of allergies, increasing obesity and greater environmental concern.

Among the social/political trends a problem of child labour and unfair trade can be named. For example, Hershey has been criticized for not having programs to ensure sustainable and ethical cocoa purchase, lagging behind its competitors in fair trade measures. (Hershey Dominates US Market, but Lags Behind Competitors in Avoiding Forced Labor, Trafficking and Child Labor (2010, September 13). The positive technological trends are: technological improvements to milking machines, efficiency improvements for distribution, telecommunications. And the negative technological trends are lack of government support to developing countries (poor education of new technologies) and increased cost of managing the manufacturing technological progress. And I would like to finish this essay with Hershey Company founder Milton Hershey quote about the most distinctive feature of Hershey's products: " Give them quality. That's the best kind of advertising in the world".

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