

Market audit and competition in brazil



**ASSIGN
BUSTER**

The market audit and competitive analysis, gave us a prospective of the baby food industry in Brazil. There will be many challenges ChuChu will face when first entering the market. The biggest problem will be obtaining market share from the two major brands in Brazil Nestle (Gerber) and Danone (Danito). These two companies have had years of experience in the market as well as a well known brand image in the market. For this reason, Chuchu is prepared to innovate in many ways to gain brand recognition. First, we are partnered with one of the largest and most well-known food companies in Brazil.

We discovered that Brazilians like to educate themselves about nutritional items. For this reason, we will place educational kiosks in our retail store to inform parents about the advantages of buying organic baby foods. Not only we educate Brazilians about our product but we also gain brand awareness and reliability in the eyes of the customer. We will target the major cities first such as Rio de Janeiro, Sao Paulo, Salvador, and Brasilia because of they have an increase in population and they hold the majority of our target audience, which is middle-upper class.

The benefits of targeting this major cities is the availability of near ports and highways that would facilitate the distribution process, by making the product to arrive faster to the desired location. Carrefour, Brasil, Pao de Acucar, Casas Senda, and Bom preco are the major retail stores we will distribute our products because they are the largest supermarket chains in the country. The distribution process will be facilitated by the help of the logistics system BRF uses for their products. We will use trucks near the regions we will be placing our products.

We expect sales to be below industry average since we are a new brand trying to enter the market. However, if we are able to achieve these goals, ChuChu will be a major competitor to Nestle and Danone in the baby food industry. . Introduction: ChuChu is a brand that it is going to be introduced to the Brazilian market in 2012. ChuChu, in Portuguese is a word that is an expression of endearment, meaning darling or dear. We picked this name since it is a representative word in Brazil and because the word “ Chuchu” also can represent the sound of the train that normally infants imitate.

In order to enter to the market, we are joining ventures with Brasil Foods or BRF. One of the largest food companies in Brazil, with many well known food brands in the country. We felt the needed to partner with a recognized company to enter into the baby food market in Brazil and we feel BRF is the perfect option. The following is an analysis of the industry that would help us recognized many factors we need to take into consideration in order to be profitable in the Brazilian market. . Product: ChuChu is made with the best quality organic ingredients.

All foods are tasty, natural and organic ingredients that suit a baby’s nutritional needs. We offer a range of organic fruit purees giving your baby a variety of natural tastes and flavors. Extracts of fruits such as banana and mango, apple and raspberry, apple cherry or banana, and pear and raspberry, among other combinations of flavors of pure fruits and vegetables will help the baby to expand their palate. We offer a range of flavors that would provide the baby with the necessary nutrients, depending on the age of the baby.

Flavors and combinations such as organic tomato, beef risotto, organic banana, mango pudding, organic mango, wholegrain rice, among other combinations are offered to 7 months babies. The target market chosen to try our products is a middle-upper class from Brazil. Because of the disposable income from these social classes, we are trying to provide Brazilian parents with the necessary education about the benefits of organic baby food. ChuChu will enter the Brazilian market through a joint venture with one the biggest food companies in the world, Brasil Foods (BRF).

Being a recognize company, with well-known brands will allow ChuChu to compete directly with the biggest baby food companies in Brazil while being able to use BRF's distributions centers and partner retailers. In order to educate our audience, we will place " The Best for Your CHUCHU" kiosks around supermarkets that provide parents with classes and information about organic food and the importance of the nutrients to their baby. We will have these educational bases throughout supermarkets and baby stores for around 2 months before we get our product out to the whole country.

Resistance to our product might come from being a new brand as well as the word " organic. " If there is any resistance to the products, we will conduct surveys to know more about the customers that assisted to our classes and ask them for input on their point of view towards the product. . The Market The baby food industry in Brazil is highly competitive. Especially with brands from Nestle and Unilever that are the industry leaders. Since we will be joining ventures with BRF, we will have the competitive advantage of their distribution and supplier channels, as well as their brand image.

The major cities such as Sao Paulo, Rio de Janeiro, Brasilia, Salvador, among other big cities that hold the majority of our target market, will be the cities we will enter at the beginning. Since these are metropolitan cities, transportation is advanced as well as easy to enter. Sao Paulo is located in Southeastern Brazil, on a plateau within the Serra do Mar with an elevation of around 2,621 feet above sea level; however, is only 43 miles from the Atlantic Ocean. Sao Paulo is surrounded by two highways =, the Anchieta, and the Imigrantes making it easier for our products to be transported to the city.

Rio de Janeiro is the second largest city of Brazil, and the third largest metropolitan area. With around 6.3 million people in the city will be a great city for ChuChu to enter the market since it holds the second largest GDP in the country. Rio is on a strip of Brazil's Atlantic coast, facing largely south in Guanabara Bay. There are 1,200,697 opposite-sex couples and 5,612 same-sex couples, which can potentially have children or are, planning to have them. Salvador is the largest city on the northeast coast of Brazil and is known to be one of Brazil's most prominent ports and international trading centers.

Being one of the most touristic places in Brazil transportation is advanced, which is why BRF has distribution centers in this area of Brazil. Consumer Buying Habits By being an emerging market, the population of Brazil is enjoying an increase on family income providing them with disposable income. The middle class is increasing due to the economic growth the country has seen throughout the years. Family income makes a significant

impact on consumption of food in Brazil. The southeastern region of Brazil has the highest expenditures on food of around \$ 1, 250 per family.

As incomes rise, Brazilians consume more meat, dairy, fruits, vegetables. Products such as beans, rice, grains, and seeds are less consumed by the well-off population. Consumers living in urban centers such as Sao Paulo and Rio de Janeiro are eating away from home more and prefer to purchase food at supermarket because of higher disposable income and the desire to reduce food purchasing and preparation time. Urban areas population spends an average of 25% of their food budget on food away from home.

In general, Brazilians love talking about food and nutrition, and they are information seekers, and believe food labels should provide information on nutrition. Although the number of meals has been reduced, they are snacking more. The organic market in the country has a potential growth of 25% to 30% annually. People from Sao Paulo are the most health-oriented, altruistic, and concern about organic foods. Some consumers believe that organic products taste better and are better quality. Since Brazilians are sensitive towards country origin, they prefer organic food grown in Brazil.

Even though, a trend to organic foods is growing, Brazilians have a low level of trust in organic claims, which can be an impediment towards the growth of the organic industry in Brazil. Distribution of the Product Joining ventures with BRF means that we will be able to use the retail outlets the company uses. Major supermarkets such as Carrefour Brasil, Pao de Acucar, Casas Senda, and Bom preco chains will be the retail outlets we will use at first to enter the baby food market. BRF has agreed to allow us to use its logistics

structure. They are recognized to have one of the most complex logistics structure in the country.

The company operates 9 thousand trucks, and employs 15 thousand to meet expectations. The product profile demands continuous operations with rigid timeframes. By using the trucks and the logistics system from BRF, ChuChu will reach the desired retail outlets at the time needed. Even though, BRF's logistics structure operates to be the leading in cost efficiency, ChuChu products need to be carefully distributed because of its shape and the organic ingredients it provides. For this reason, we will use only the distribution centers near the target cities, and the trucks that cover the same area.

Highways that are located surrounding the big cities will be an advantage for our distribution system. The majority of the cities we will start selling at the beginning, have ports where we would be able to enter many of the imports for our products. Since Brazilians are very conscious about country of origin, we would use local middlemen to obtain the necessary raw materials to produce ChuChu. Advertising and Promotion Brazilian advertisement agencies are constantly winning international awards for their creative advertisements for consumer brands.

Advertisements are, like in other countries, a multi-channel experience and for the upper class it is expected that brands also connect with their customers in social channels like Facebook and Twitter. For around two months before our product is introduced to the market, we will place kiosks that will educate our audience about organic products, and will give samples of the many products we are going to offer. By conducting surveys after

classes are over, we will be able to analyze the responses in order to offer a better service and deliver better products to our audience.

Billboards around the cities are one of the best ways to reach our target audience, as well as TV commercials. ChuChu's target market is well educated as well as interested in magazines, and newspapers. Placing print ads around baby magazines, or specialty foods magazines will provide the reader with more knowledge about ChuChu. Technology is a very important part of the middle upper class in Brazil, placing bar codes that our customers can scan through their smart phones that would take them to our website and the locations of the kiosks, will bring us brand awareness as well as innovation from competitors.

Since the products under the brand name ChuChu are differentiated by the quality of its raw materials as well brand positioning, we will not offer any type of promotional items while entering the market. However, throughout the holidays and certain months known to have a higher rate of births, we would create promotional items such as buy one get one free. However, they would not last long since we would not want to risk the brand name and original price. Pricing Strategy Our price strategy is based on our mission of quality and sustainability.

Real fruit extracts and ingredients that are environmentally friendly guarantee the best quality and social responsibility of our product. By guaranteeing the best quality requires a higher price. First we will take into consideration all the costs, and then forecast the profit we will make at the beginning of the market entrance. By taking the break-even we will know what would be the margin we will place to our products. After analyzing our

competition, we will place a certain percentage price margin to differentiate from the competitor brands.

We have to take into to consideration that we will probably face some problems of brand recognition, and for this reason less sales at the beginning. However, because of our advantage of having one of the most recognized food companies in Brazil behind our product, we believe there is a good chance our product will be profitable very soon after entrance. Competitors Nestle purchased the Gerber brand, which is the most recognized brand for baby food in the world, making it our biggest competitors in Brazil. Danone is a brand of yogurts whose target market depends on the product they are selling.

The brand that is targeted to babies and pre-adolescents is Danito. These two major companies have shown profitability in the baby food market because of the brand recognition they have built in Brazil. Nestle (Gerber): Nestle has wide variety of products for babies such as powder milk, cereals, oatmeal, juices, among other products. However, the Gerber brand is our main competitor since they have similar products as ChuChu. Gerber educates its customers with the 3 steps system: the first step is a smaller portion of food for the baby since they still depend on breastfeeding or formula.

The second step, introduces a higher portion of food that includes vitamin C. Moving from step one to step two depends on the dissatisfaction the baby shows of the variety of food given and the ability of receiving different types of foods. In the third step, the products have a package portions since the baby is not depending on milk, but is more dependent on other types of

foods. The package is round, and made out of glass with the Gerber baby in the front. Glass is used in order to protect the babies from any health related problems from plastic.

The price per food depends on the stage or if it is organic. For stage 1 organic, the price varies from \$1.50-\$2. Nestle bases its advertising in the normal advertising forms such as TV commercials, print ads and radio ads. Now, is focusing on making its website more user- friendly while offering promotions for the kids that are only found online. Danone (Danito): Danone has a variety of milk based products targeted to different stages in life. For example, Activia is targeted to young to middle age adults, and Danito is targeted to the infant and pre-adolescent stage.

Our major competitor is Danito, since it focuses on babies and pre-adolescence customers. Danito offers a variety of products for children that are all fruit and milk based products. What makes Danito special in the market; it is its use of colorful packaging. The company uses famous cartoons to attract the little ones to tell their parents to buy them the product. Danito targets an older children market, which does not represent a direct competitor to ChuChu. Price of the product always depends on the product that is being bought.

For the product that is similar to ChuChu, the price varies from \$4 to \$5 because the customer purchases six cups of yogurt. Danito also uses the usual advertising channels to reach its target market, TV commercials, print ads, and radio commercials. Danone does not focus its advertising on its website because it is more of an informational than user-friendly. Market Size There are many variables that affect the sales of baby food in Brazil.

Activists argue that breast-feeding is the best nutritional food for a baby. For this reason, many mothers rely only in breast-feeding.

There are other factors such as geographical area, and social class differences. We forecast depending on the profit acquired last years that the industry sales and ChuChu sales are the following: Market Size for Baby Food in Brazil 2012 2012 Industry Sales (Estimated): \$164, 520, 000 2012 ChuChu Sales (Estimated): \$ 74, 570, 000 We estimated this amounts based on the economic situation Brazil is going through as an emerging market. Studies show that the demand of packaged baby food has a slight increase from 2009 which was \$131, 900, 000.

It is expected Brazilians to spend almost \$325 billion on food by 2013. Since our brand is new compared to the other two brands mentioned we expect to have low profitability in 2012. First ChuChu needs to achieve the brand image desired in order to have an increase in sales by 2013. All the expenses taken for the introduction of the product brings profitability down. However, because of the joint venture with BRF we have the advantage of using its logistics structure as well as their middlemen used to purchase our ingredients.

Since we have a differentiation strategy we need to focus in promotion of the brand to increase sales. Government Participation BRF is a company native from Brazil, which means they already have the required permits to make business in the country. Since we are using a brand name native from Brazil ChuChu would not have any governmental problems entering the market. Since BRF has been in the market for a long time, we have the advantage of

counting with all the required experience and knowledge to enter the Brazilian market without any trouble.

Brazil is part of the WTO, meaning they are part of the ISO 22000, an internationally recognized food safety management system that inspects safety on the food. Suppliers are required to pass an inspection or an audit that demonstrates the pesticides free ingredients of the food produced. This is a regulation we need to follow since we are expecting to grow or buy products from local suppliers. For this reason, we need to make sure all our suppliers follow this regulation, to make sure that we do not only follow governmental regulations but also to guarantee the best quality of the ingredients.