sector is further illustrated by the fact that it typically accounts for up to 60% of all new product activity taking place within the confectionery industry every year.

Growth within the chocolate sector held up fairly well during the global economic downturn that followed the banking crisis in 2008, despite its effect on consumer spending and the rising price of raw materials such as cocoa. Chocolate has also faced severe criticism from some quarters, most notably the health lobby – this trend has been especially apparent in markets such as the UK and the USA, where the role of sugar in rising obesity rates has come under particular scrutiny. Within the chocolate market itself, recent growth has been highest in certain sectors – notable examples have included Fairtrade chocolate (which has benefited from the aforementioned extension of a number of major brands into the category) and single-origin products, both of which tend to be priced at the higher end of the market.

In regional terms, growth in demand for chocolate has come from the less developed parts of the world. Although developed regions and countries accounted for almost 60% of global sales in 2012, annual growth in these places has averaged just 3% lately. In contrast, the chocolate market in parts of the world such as Asia and Latin America has grown by around 11% in recent years, driven by rising consumer incomes and the greater availability of western-style chocolate products. Brazil, for example, is the third largest confectionery market in the world. Within the next few years, the share of the global chocolate market taken by the Asian region in value terms is forecast to increase to around 20%, as countries such as China and India assume growing significance.

In value terms, chocolate accounts for a leading 55% of the global confectionery market, ahead of sugar confectionery (31%) and chewing gum (14%). The situation is rather different by volume. However, in this instance, chocolate's share of the global market drops to 35%, trailing sugar confectionery (57%). The reason for this apparent discrepancy is that chocolate is frequently sold at a higher price than many forms of sugar confectionery, and the share taken by more expensive products is therefore more significant.

In many of the world's poorer countries, chocolate remains unaffordable for large sections of society. As a result, sugar confectionery products such as boiled sweets and mints are the preferred choice of snack, and consumer penetration levels for chocolate remain on the low side. The same is true for countries in warmer climates, where chocolate may be prone to melting. In contrast, consumption of chocolate outweighs sugar confectionery in many of the Western European countries, such as UK, Germany and France.

27.3 Industry supply

The global chocolate market is contested by a large number of companies, ranging from multinational food groups to small, artisanal chocolate producers. The bulk of the international market, however, is controlled by a select few global operators, which are present in most of the world's regions and countries.

Not only do these suppliers benefit from considerable economies of scale as far as manufacturing is concerned, but they are also able to devote sizeable budgets to research and development activity.

Compared with the sugar confectionery industry, the chocolate market is relatively concentrated, with the top five suppliers accounting for almost 60% of global sales in value terms. This is mainly because the sugar confectionery category comprises a wider selection of products (ranging from boiled sweets to mints, fruit chews, toffees, caramels, lollipops, gums and jellies), while in poorer countries such as India, many forms of sugar confectionery are sold through informal retail channels, of which street markets are one notable example.

Concentration within the global chocolate industry has increased as the new millennium has progressed. Much of this has occurred as a result of manufacturers seeking to increase their presence in high-growth markets in the developing countries, as well as to counter the buying power of the major food retailers. Some of the largest mergers and acquisitions to have taken place within the confectionery industry of late include Kraft's £ 11.5bn purchase of Cadbury in 2010 (which in turn created the global snacks giant Mondelez International) and the US$ 23bn acquisition of Wrigley by Mars Inc. two years earlier.

The merger between the former Kraft and Cadbury businesses created a new leader within the world chocolate confectionery market. Mondelez now accounts for 16% of global sales, ahead of closest rivals Mars (15%) and Nestlé (13%). Also worthy of note are Ferrero and Hershey, each of which account for 7% of global chocolate confectionery sales (Table 27.2).

Prior to its acquisition by Kraft, Cadbury occupied a particularly strong position within chocolate markets such as the UK, Ireland, Australia, New Zealand and South Africa. It is also leader of the growing Indian chocolate market, where it accounts for 70% of sales. Kraft's strength prior to the merger with Cadbury lay mainly in European markets (where its Milka brand continues to represent one of the region's largest varieties of chocolate blocks and tablets), while the company also accounts for almost one-third of chocolate sales in Brazil.

Table 27.2 Shares of the global chocolate confectionery market (% value), 2013. Source: Leatherhead Food Research (2011, 2013).

Company	% value
Mondelez International	16
Mars	15
Nestlé	13
Ferrero	7
Hershey	7
Others	42
Total	100