



Candy Catastrophe

Your client is an FMCG manufacturer comparable to Cadbury. The company has been facing a decline in profits. Help them figure out the exact reason for this decline.

CASE TYPE
Profitability

COMPANY NAME
Accenture Strategy

DIFFICULTY LEVEL
★ ★ ★

Candy Catastrophe

Why is candy manufacturer facing decline in profits?

Case Type
Profitability Case

Company Name
Accenture

Round
Partner

Difficulty Level



Problem Statement

Your client is an FMCG manufacturer comparable to Cadbury. The company has been facing a decline in profits. Help them figure out the exact reason for this decline.

I have some clarifying questions.

Since when is the client facing a decline in profits and what is the percentage? What are the different SKUs and how does the value chain look like? What is the geographical location of the client?

The client is facing a decline of 30–40% for the past 6 months.

The product lines and value chain is similar to that of Cadbury. They sell pan India and they are the 3rd largest player in the market.

Is the decline in profits specific to a particular product and geography? And is this issue revenue oriented or there has been some increase in costs. And have other players in the market faced a similar decline?

The revenue of toffees has declined and the cost has remained the same
No, the problem is client-specific.

Can I take some time to structure my thoughts?

Sure

- The decline in revenue can be due to a decrease in market size or a decrease in market share but since the problem is client specific, thus we can focus on the market share.
- For the market share, we can estimate the volume of sales reduced due to a change in demand or a change in supply.

Do we have any information available for choosing between the two?

The supply side and the distribution model have all remained the same, so you can structure your thoughts around the demand side.

I have noticed that small value items like toffees are given as change in retail shops but due to the recent surge in digital transactions, maybe the role of toffees in this aspect has declined.

This is an interesting point of view to look at, but why don't we circle back to customer oriented issues.

Alright, then we can focus on the Need, Accessibility, Affordability and Awareness of the product as a breakdown for demand. Is that a good approach to go ahead with?

Yes, you can focus on the Accessibility to the product as a factor for now.

Can you tell me a bit more about the client's distribution channels?

The company sells through both online and offline channels with the major sales coming from offline mode from kirana stores and retail shops. Also, a product like toffees is pretty standard so there is not much scope for differentiation.

Alright, let us look at the customer journey for kirana stores.

- As the customer would enter the store, they would first pick up a basket .
- Then select and pick up the items to be purchased.
- Then finally head to the billing counter for payment.

Since a product like toffees is pretty standard, therefore customers would pick up the toffee which is most physically attainable, so it should be placed at a location where it is adequately visible to the customers entering the kirana store. At the same time, it should also be constantly backed up and recommended by the seller. Therefore, after looking at all these factors, I think that the product placement, in-store marketing and retailer incentivisation will have a very big role to play in terms of accessibility to the product. I think that the client is not paying attention to the processes followed after the toffees have been supplied to the retailers.

**Well explained. You have correctly identified the problem here.
We can end the case here.**



HERE'S A TIP!

It is always important to think and clearly construct your idea before you speak, but at the same time, sometimes you can think out aloud and let the interviewer know your thought process.

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Why is candy manufacturer facing decline in profits?

CASE FLOW

CASE FACTS

- 1 An FMCG manufacturer comparable to Cadbury is facing a decline in profits
- 2 The problem is client specific. The revenue has declined with no change in cost
- 3 Find the exact reason for this decline in profits of the company

