**EXECUTIVE SUMMARY**

This project is all about the customer satisfaction towards Cadbury and Nestle. In this project I have discussed about the industry overview of the cadbury and Nestle, problems of the company, competitors information, and companies profile.  In this project we have also discussed about companies SWOT analysis and their trends. We have also discussed 4 p s of marketing mix elements and we have done research design also and make questionnaires and found some positive and negative aspects of the organization.

During the past four decades Cadbury has built a reputation for excellence that has earned the respect of consumers and industry experts alike. Building a leading chocolate company has required relentless innovation, commitment to quality and dedication to customer service and value. The qualities of entrepreneurship, growth and leadership have characterized Cadburys business through more than four decades of success. Through the strength of its heritage, its culture and its people and franchisees, Cadbury looks forward to more success in future.

There are different objectives of every organization. In order to achieve these objectives different targets are set. Targets pass down the hierarchy depending on the nature of the business. Therefore, in order to achieve the objectives, management decides on different strategies. These strategies are divided into many sub-parts and are useful for the running of the business. The employees and the management know what they have to achieve through the targets which have been set to them and the strategies they have adopted help them know the way they will achieve the objectives.

**INTRODUCTION**

With the entry of multinationals and home companies sprucing up their act, the confectionery market is booming. McKinsey & Co. has estimated the confectionery industry to touch a whopping Rs.6 500 crore by the year 2008.

Till the eighties, the chocolate market was small and the product category itself was fuzzy. In the eighties, Cadbury’s - the virtual monopolist - had decided to focus its efforts on making chocolates a distinct category with an identity of its own. And the marketer had sharply positioned its product at children to do that. Hence, chocolates bore an “Only for kids” tag, and kept adults at bay.

By the end of the eighties, Cadbury’s still ruled the roost with over 80 percent market share. And though several brands - like Amul and Campco - tried to break into the market, none of them had succeeded in shaking the leader’s grip. In fact, Cadbury’s had become a brand virtually generic to chocolates. Then chocolates were used to reward and reinforce positive behaviour and hence were categorized as a luxury reserved for special occasions. This was, a stark contrast to the west where chocolates were snacked on, eaten as mini meals or just to suppress pangs of hunger.

But constant working by players like Cadbury’s (re-launch of Cadbury’s Dairy Milk targeting adults and as a casual any-time buy) and Nestle towards exploding the myth that chocolates are meant for children only, has resulted in the segment booming.

**Trends in the Industry**

* With socio-economic changes rapidly taking place, the young and not so young population will lead a new life style and chocolate eating is definitely going to be widespread and acceptable.
* In the industry, both population and family incomes as well as urbanisation are on the increase.
* There has been a significant growth in the middle class, with 5.8 million people having upgraded to the quoted middle class.
* There is quantified data on FMCG usage having increased (NRS-VI & IRS’98 figures)

Thanks to the above reasons the growth in the chocolate market is estimated to be at22% in 2001. But marketers in the industry are looking forward to a much higher growth rate, as India’s per capita consumption of chocolates is only 15 Gms. Versus 6 Kg in the west.

The Indian Chocolate market can be sliced into four parts.

1. **Moulded Chocolate Segment -** comprising slab chocolates like Dairy milk chocolates, etc. These are made by pouring the ingredients into moulds.
2. **Count line Segment -** comprising bars like 5 star, Bar One, Perk, Kit Kat, etc. These have ingredients other then chocolate and are usually Bar shaped, making for chunky bites.
3. **Choco-Panned Segment -** comprising chocolate forms like Butterscotch, Nutties, Tiffins, etc. Panned variety has different cores/centers which are covered with a layer of chocolate.
4. **Sugar-Panned Segment -** comprising chocolate forms such as Gems, Chocolate eclairs, etc. These generally have a sugar coating on the outside.

**Nestle India,** the largest food company in the country is continuously looking at new niches in the market place for its various products.

In milk products Nestle has made a considerable mark. For instance, the company was the first to introduce a Dairy Whitener with its product 'Everyday'. And till today that product is a brand leader despite the presence of a host of other brands in the field. IN the case of Milkmaid condensed milk, Nestle relaunched the product as desert maker and has seen the sales graph climbing since.

In 1990, NIL entered the chocolate business introducing Nestle Premium chocolate. Nestle's products are sold under brand names such as a Milkmaid, Everyday, Cerelac, Nescafe, Maggi, Lactogen, Eclairs etc. It launched the world famous Kitkat chocolates in 1995. During the year 1996 Milo the world's largest selling chocolate energy food drink was launched.

**RESEARCH METHODOLOGY**

As mentioned earlier, the objective of the study is to formulate a Marketing Strategy for any new entrant in the Indian Chocolate Industry. While recommending the said strategy detailed information from both primary and secondary sources was collected and analysed. This included:

**Primary Sources**

Four level primary information collections were undertaken.

1. To analyse buying behaviour and in order to gain an insight into the buyer need-satisfaction level, a questionnaire was formulated and administered among 80 people.
2. A distributor was also interviewed so as to get pertinent information regarding the most important ‘P’ of FMCG marketing – Place.
3. Extensive interviews were conducted with retailers in the DELHI area. These included pan shops, grocery shops, bakeries, departmental stores, etc. They provided information on various facts of chocolate distribution such as Point-of –purchase material (dispensers etc.), infrastructure problems, critical informational regarding the policies of the present players in the market, etc.

**Secondary Sources**

A number of secondary sources of information were used. These were:

* Information: Industry statistics, problems facing the industry, future outlook, etc. Also measures being adopted for cocoa production development.
* Internet websites Of Cadbury’s, Nestle and indiainfoline.com, askjeeves.com
* Extensive use of secondary information in the form of magazines/journals/newspapers clippings, such as Business World, Business Today, Business India, Brand Equity, Economic Times, etc.

The methodology adopted was as follows:

|  |
| --- |
| * Industry Scenario Sketch (utilizing secondary information) |
|  |
| * Extensive Interviews held with Primary/Secondary Sources   (Companies/Chocolate manufacturers Association). |
|  |
| * Extensive retailer interviews in DELHI Area |
|  |
| * Formulation and administration of a questionnaire |
|  |
| * Formulation of the Recommended Strategy on the basis of the above mentioned Primary and Secondary Information |

**OBJECTIVES OF THE STUDY:**

1. To get familiar with their marketing strategies separately.4

2. To view the segments being targeted by these brands in the market.

3. Up to what extent do the public respond to their products?

4. Which company’s chocolate people prefer eating more?

**Company profile**

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**History**

* Started business in 1948 in India. The company was incorporated as Cadbury-Fry (India) Pvt. Ltd.
* Founder: John Cadbury in Birmingham, UK in 1824
* Current MD: Mr. Rajiv Bakshi
* Turnover: 450 Cr.
* No. of offices: 4 Staff Strength – 2000 approx.

1. Branch Manager is responsible for the entire Branch Function
2. Promotional Materials – Network ad, Media, POS Materials like posters, danglers, dispensers etc.
3. Target – All age groups
4. Distribution: Through C&F Agents → Re-distributors → Retailers → consumers   
   Godown: 1 in Delhi   
   Office: 1 in Delhi   
   Avg. No. of calls per day by S.O.: 35   
   Sales Reporting – weekly basis
5. Sales Kit: Daily call report, product folder, price list, calculator, etc.
6. Organisational Structure:
7. Key products: Cadbury’s Dairy Milk, 5 Star, Fruit & Nut, Bournvita etc., Perk

**COMPANY BACKGROUND**

In 1930 R Hudson and Company finally joined with Cadbury. This gave the flourishing local firm a direct link with one of the greatest in international chocolate manufacturing and marketing. Over the years the company has been involved with many other long standing brands and entrepreneurs – names such as Fry – a chocolate brand dating back to 1756, and of course Schweppes which is still part of the Cadbury group internationally although not in New Zealand.

In 1969 Cadbury Fry and Schweppes merged internationally with the New Zealand Company becoming known as Cadbury Schweppes Hudson Limited in 1973.

In 1986 Cadbury Schweppes Hudson merged with Cadbury Schweppes Australia. The result was a truly international operation with both the New Zealand and Australian companies supplying each other.

Most recently, in 1990 Cadbury required the Griffins confectionery business, and sold the Hudson biscuit operation in a reciprocal agreement. The Griffins business dates back to before the turn of the century. George Griffin established the company when he opened a small confectionery business at Nelson.

Finally, in 1991 we became known as Cadbury Confectionery Ltd, and can now boast dominance in New Zealand’s chocolate and sugar confectionery markets.

The Cadbury group has also flourished internationally. Cadbury Schweppes plc – the parent company – has manufacturing facilities in 20 countries and its famous brands are bought and enjoyed in more than 110 countries around the world. Cadbury is one of the world’s leading chocolate makers and is number one in England and Australia as well as in New Zealand.

**PRODUCTION**

Cadbury India’s first manufacturing facility was set up at Thane (Mumbai) in 1966. Today, the factory has grown manifold and manufactures a range of products that include Cadbury Dairy Milk, 5 Star, Nutties, Gems and Bournvita. The factory employs about 750 people and houses the R&D and engineering development facilities of the company.

In a move towards backward integration, Cadbury bought Induri Diary farm in Pune in 1964. Recently, a major investment program resulted in the installation of modern moulding, crumb and chocolate making facilities. Today, the Induri Factory manufactures intermediate products like milk crumb and a range finished chocolates.

In 1989, the company began operations in their newest and most modern plant at malanpur. Equipped with state-of-the-art technology and backed by constant investment, this unit manufactures Eclairs, Gems, Perk and Picnic.

**V I S I O N**

The governing objective for Cadbury India is to deliver:

* Superior Shareholder Value
* Cadbury in every pocket

***The company believes this requires:***

* Broadening our consumer appeal and extending their reach to newer markets
* Sustained growth of their market share through aggressive product development
* Striving for international quality in their products and processes
* Focusing on cost competitiveness and productivity in their operations and innovative utilisation of their assets.

**Finding a Market Winner**

Developing a successful new product which will stand the test of time and gain a permanent place in a company’s product portfolio is not easy. Much quoted figures estimate that it takes in the region of 58 new product ideas to end up with one successful new product and some people put the initial figure as high as 100. The majority of ideas fail early in the process – well before they reach the consumer. A further significant proportion fail to move from the test market into national distribution.It may take several years for a new product to grow from concept stage to national distribution. The search for a new product usually beings with an evaluation of the opportunities or gaps in the market.

Successful new brands are targeted as far as possible to avoid taking market share from a company’s existing brands. A new sector must be created in the market or the new product must attack competitors’ brands.

Successful new product development is essentially team work involving research and development, marketing and sales, market research, production, engineering and finance. At Cadbury, in common with most companies, the marketing role is fulfilled by the Product/Brand Manager whose function is to coordinate and mastermind the project through from the initial brief to national launch, until the largest sales tonnage has been achieved. The initial ways for embarking on a New Product Development project can be:

Changes in consumer lifestyles

* Technology developments where new processing techniques have been devised
* The need for market extension abroad, particularly into Asia Pacific, and the demise of trade barriers.

However, products cannot be simply transferred from one market to another without review and possible adaptation to suit differing expectations and cultures.

Whether the product strategy is:

* Existing product improvement
* New product development within the current range of activity
* Production diversification

**Sales sheet summary of Cadbury India Ltd. Of the year 2010**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Product** | **MRP (Rs.)** | **Quantity** | | **Rate (Rs.)** |
| DAIRY MILK F. PACK 140 GMS | 40.00 | OT | 7.5 | 363.60 |
| DAIRY MILK 160 GM | Rs. 50.00 | OT | 6.0 | Rs. 227.50 |
| **DAIRY MILK 15 GM** | Rs. 5.00 | OT | 16.25 | Rs. 273.00 |
| DAIRY MILK 30GM | Rs. 10.00 | OT | 7.46 | Rs. 436.80 |
| DAIRY MILK 44 GM | Rs. 15.00 | OT | 16.10 | Rs. 546.00 |
| DAIRY MILK 80 GM | Rs. 26.00 | OT | 6.10 | Rs. 473.00 |
| BOURNVILLE DARK 40 GM | Rs. 15.00 | OT | 2.10 | Rs. 273.00 |
| FRUIT & NUT 44GM | Rs. 17.00 | OT | 18.5 | Rs. 309.00 |
| FRUIT & NUT 80 GM | Rs. 40.00 | OT | 12.8 | Rs. 273.00 |
| ROAST ALMOND 80 GM | Rs. 40.00 | OT | 8.5 | Rs. 363.60 |
| CADBURY’S GOLD 44 GM | Rs. 17.00 | PC | 24.0 | Rs. 15.45 |
| CRACKLE 105 GM | Rs. 38.00 | OT | 2.0 | Rs. 345.50 |
| CRACKLE 40 GM | Rs. 15.00 | OT | 17.10 | Rs. 273.00 |
| 5 STAR JUNIOR 15 GM | Rs. 5.00 | OT | 12.25 | Rs. 273.00 |
| 5 STAR REGULAR 33-7GM | Rs. 10.00 | OT | 11.2 | Rs. 273.00 |
| BREAK COCOA 20 GM | Rs. 5.00 | OT | 6.36 | Rs. 182.00 |
| RELISH 20GM | Rs. 5.00 | OT | 10.20 | Rs. 163.80 |
| PICNIC 26GM | Rs. 10.00 | OT | 12.2 | Rs. 214.08 |
| PICNIC 43 GM | Rs. 15.00 | OT | 7.4 | Rs. 327.60 |
| PERK S.V.P. 105 GM | Rs. 40.00 | CS | 0.78 | Rs. 4363.2 |
| PERK 35 GM | Rs. 13.00 | OT | 9.12 | Rs. 425.52 |
| GEMS 18 GM | Rs. 7.00 | OT | 4.20 | Rs. 384.00 |
| GEMS 35 GM | Rs. 12.00 | OT | 17.0 | Rs. 327.00 |
| NUT BUTTER SCOTCH 30 GM | Rs. 15.00 | OT | 2.3 | 682.00 |
| NUTTIES 40 GM | Rs. 16.00 | OT | 13.10 | Rs. 291.00 |
| CARAMELS 350 GM | Rs. 140.00 | OT | 1.3 | Rs. 637.00 |
| TIFFIN TIN 200 GM | Rs. 110.00 | OT | 2.3 | Rs. 500.00 |
| TIFFINS 30 GM | Rs. 12.00 | OT | 4.0 | Rs. 218.20 |
| ÉCLAIR 620 GM | Rs. 100.00 | CS | 3.11 | Rs. 2068.8 |
| ÉCLAIR 93 gm | Rs. 15.00 | OT | 16.0 | Rs. 136.50 |
| MR. POPS 600 GM | Rs. 3.00 | OT | 7.48 | Rs. 130.50 |
| ENGLISH TOFFEE 1 KG | Rs. 170.00 | CS | 0.1 | Rs. 1728.0 |
| PERK LITE MANGO 28 GM | Rs. 10.00 | OT | 22.18 | Rs. 182.00 |
| PERK LITE STRAWBARRY 28 GM | Rs. 10.00 | CS | 19.125 | Rs. 182.00 |
| BOURNVITA GLASS JAR 200 GM | Rs. 44.00 | CS | 5.1 | Rs. 1614.0 |
| BOURNVITA REFILL 500GM | Rs. 85.00 | CS | 131.0 | Rs. 78.00 |
| BOURNVITA GLASS JAR 500 GM | Rs. 92.00 | CS | 6.7 | Rs. 1266.0 |
| BOURNVITA PET JAR 500 GM | Rs. 92.00 | CS | 6.7 | Rs. 1266.0 |
| BOURNVITA REFILL 500GM | Rs. 85.00 | PC | 12.0 | Rs. 78.00 |
| BOURNVITA PET JAR 1 KG | Rs. 175.00 | PC | 2.0 | Rs. 160.55 |
| DRINKING CHCOLATE 100 GM | Rs. 25.00 | OT | 2.12 | Rs. 465.00 |
| DRINKING CHOCOLATE 200 GM | Rs. 45.00 | CS | 1.3 | Rs. 2514.0 |
| DRINKING CHOCOLATE 500 GM | Rs. 85.00 | CS | 0.25 | Rs. 2373.0 |

**CADBURY PRODUCTS**

**1. CADBURY DAIRY MILK**

The story of Cadbury Dairy Milk started way back in 1905 at Bournville, U.K., but the journey with chocolate lovers in India began in 1948.

The pure taste of Cadbury Dairy Milk is the taste most Indians crave for when they think of Cadbury Dairy Milk.

The variants Fruit & Nut, Crackle and Roast Almond, combine the classic taste of Cadbury Dairy Milk with a variety of ingredients and are very popular amongst teens & adults.

Recently, Cadbury Dairy Milk Desserts was launched, specifically to cater to the urge for 'something sweet' after meals.

Cadbury Dairy Milk has exciting products on offer - Cadbury Dairy Milk Wowie, chocolate with Disney characters embossed in it, and Cadbury Dairy Milk 2 in 1, a delightful combination of milk chocolate and white chocolate. Giving consumers an exciting reason to keep coming back into the fun filled world of Cadbury.

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**2. CADBURY 5 STAR**

Chocolate lovers for a quarter of a century have indulged their taste buds with a Cadbury 5 Star. A leading knight in the Cadbury portfolio and the second largest after Cadbury Dairy Milk with a market share of 14%, Cadbury 5 Star moves from strength to strength every year by increasing its user base.

Launched in 1969 as a bar of chocolate that was hard outside with soft caramel nougat inside, Cadbury 5 Star has re-invented itself over the years to keep satisfying the consumers taste for a high quality & different chocolate eating experience.

One of the key properties that Cadbury 5 Star was associated with was its classic Gold colour. And through the passage of time, this was one property that both, the brand and the consumer stuck to as a valuable association.

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**3. CADBURY PERK**

A pretty teenager; a long line, and hunger! Rings a bell? That was how Cadbury launched its new offering; Cadbury Perk in 1996. With its light chocolate and wafer construct, Cadbury Perk targeted the casual snacking space that was dominated primarily by chips & wafers. With a catchy jingle and tongue in cheek advertising, this 'anytime, anywhere' snack zoomed right into the hearts of teenagers.  
  
Raageshwari started the trend of advertising that featured mischievous, bubbly teenagers getting out of their 'stuck and hungry' situations by having a Cadbury Perk. Cadbury Perk became the new mini snack in town and its proposition "Thodi si pet pooja" went on to define its role in the category.

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**4. CADBURY ECLAIRS**

Éclairs was first discovered by a local confectionery firm in London, England in the 1960s. The firm then became part of Cadbury in 1971 making Cadbury Éclairs the second largest brand in the company. The experience of eating a Cadbury Dairy Milk Éclairs is truly unique because of its creamy caramel exterior and rich Cadbury Dairy Milk chocolate at the center.

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**5. CADBURY GEMS**

Cadbury Gems occupies a very special place in the hearts of kids; present and past. Its unique shape, size, colours and format instantly set it apart. These tasty, colourful, chocolate buttons have become an integral part of the lives of both children and adults.

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**6. CADBURY BOURNVITA**

Cadbury was incorporated in India on July 19th, 1948 as a private limited company under the name of Cadbury-Fry (India). Cadbury Bournvita was launched during the same year. It is among the oldest brands in the Malt Based Food / Malt Food category with a rich heritage and has always been known to provide the best nutrition to aid growth and all round development.

Throughout its history, Cadbury Bournvita has continuously re-invented itself in terms of product, packaging, promotion & distribution. The Cadbury lineage and rich brand heritage has helped the brand maintain its leadership position and image over the last 60 years.

** **

**7. CADBURY OREO**

The delicious combination of dark chocolate biscuit and vanilla cream was first introduced to the world in 1912. That original formula was so perfect that it has hardly been modified since. Each year more than 7.5 billion Oreo Biscuits are eaten, making it the world’s no. 1 biscuit. Paired with a glass of milk, it is the perfect snack.   
  
Children across the world teach their parents the fun way to eat Oreo – twisting the biscuit open, licking the cream, and then dunking the biscuit in milk. It’s no wonder then, that families the world over, come together over this tasty snack

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**8. BUBBALOO**

Bubbaloo, Cadbury’s bubble baby, took its first steps in the international confectionery market in the year 1984. With its launch in the Indian market in 2007, the definition of bubble gum underwent a juicy change!

Bubbaloo with Bubba the cat as the brand mascot and the tagline, Juicy Masti (fun), is synonymous with flavored fun in bubble gums! Bubbaloo stands out because of its unique flavored liquid filling. There is a Bubbaloo for everyone, and that is why bubble gum fans will continue loving it for years to come!

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**ADVERTISING & SALES PROMOTION**

As we have discussed the importance of Advertising and Sales promotion in introduction, so we know how much advertising aim sales promotion are important.

The slogans of advertising are the tools of sales promotion are so important which couples the customer to purchase the product. Now we are going to discuss all these things one by one about Cadbury.

Following are a few advertising slogans used by Cadbury for introducing the product to the customers:-

|  |  |
| --- | --- |
| * *THE REAL TASTE OF LIFE* | (DAIRY MILK ) |
| * *THODI SI PET POOJA KABHI BHI KAHI BHI* | (PERK) |
| * *WHEN EVER ON HUNGER STRIKE* | (PERK) |
| * *TAN KI SHAKTI, MAN KI SHAKTI* | (BOURNVITA) |
| * *KUCH ZADA HI SOLID* | (PICNIC) |
| * *YEH CHOCOLATE KHAE AAP INHE KHAE* | (ECLAIRS) |

All these slogans used by Cadbury are beautifully prepared because they can compel the consumer to buy the product to some extent.

Now we will discuss them in details with the help of which we can easily understand how these slogans can leave these impression on the customer.

* ***The Real Taste of Life***

This slogan was prepared for the first chocolate introduce by the Cadbury first time in India. The chocolate was ‘Dairy Milk’. This slogan says that there are many types of products present in the market, they have different taste but Dairy Milk is the best and the true taste of the life. This slogan also stands for the victory. On electronic media, the advertisement shows that a cricketer wins the match and after that he and his girl friend eats this product. Therefore, this stands for victory of any body eats this product will definitely win in his life.

* ***Thodi Si Pet Pooja Kabhi Bhi Kahi Bhi***

When Cadbury introduced its next chocolate named ‘Perk’ this slogan were used. This explains that if anybody is hungry and he do not have any thing to eat accept this Perk then he can have this. This shows that Perk is so good chocolate which can be used as a substitute of food and is a complete food.

* ***Whenever on Hunger Strike***

Later on Cadbury came out with new slogan on television; the advertisement shows that few students are on hunger strike. But they had the chocolate. This shows that nobody can control himself/herself if this product of Cadbury is lying in front of that person. This means that Cadbury product is so good that nobody can leave it.

* ***Tan Ki Shakti, Man Ki Shakti***

This slogan was used for ‘Bournvita’. Bournvita is full of proteins, vitamins, minerals and all those necessary things which are useful for our body and mind. Therefore, this slogan stood best for Bournvita. TAN KI SHAKTI, means the energy to the body. If anybody here this product, he /she will remain active for whole day. That person will look healthy, active and will look smart.

* ***YEH CHOCOLATE KHAIN, AAP INHE KHAIN***

When Eclairs toffee came in the market, this slogan was used. Eclairs is a toffee filled with chocolate. It means that instead of having chocolate you can have eclairs toffee too. It a person does not want to have 12 pieces of chocolate, can have one or two eclairs toffee.

* ***KUCH ZADA HI SOLID***

Nowadays new chocolate has been introduced by the Cadbury and this slogans going on creating demand for this new product. In this ad we can see that one chocolate falls on a car and damages the car. This chocolate is so strong due to lots of nuts, caramel etc. etc. present in this chocolate. This also shows that this is for adventurous people who love thrills, adventure etc.

**DISTRIBUTION SYSTEM ADOPTED BY CADBURY**

Cadbury Schweppes pick the world number 3 soda market has aggfed to sell most of its soft drinks business outside the US to Coca Co. for $ 1.85 billions to finance a head on battle with Coke in the No. 1 soda makers home market.

The agreements included the Schwoers Dr. Pepper chanda dry and crush brands and exude South Africa and France the pact which was dependent on regulatory approval was likely to be concealed in mid 1999 Cadbury said.

“This sort out the places where Cadbury’s systems weren’t strong enough to compete with Coca-Cola,” said Mr. David long an analyst a Henderson Crosthwaite, “they were fighting with proper for this.

**Patterns of distribution channels and types of distribution intermediaries**

***Main steps involved in Developing the channel design***

* Formulation of channel objectives.
* Identification of channel functions.
* Analysing the product characteristics and linking channel design to the product.
* Evaluation of the distribution environment including legal aspects
* Evaluation of competitors channel patterns.
* Evaluation of company resources and matching the channel design to the resources.
* Development of alternative channel designs.

***Qualities that Cadbury management look for while selecting dealers***

* Business reputation and business standing.
* Business capacity and salesmanship.
* Expertise and previous experience in the line.
* Financial capacity and willingness to invest in the line.
* Credit worthiness.
* Capacity to offer to customers :
* Required assortments of products.
* Required services.
* Capacity and willingness to extend credit to customers.
* Capacity to provide.   
  (1) Storage facilities.   
  (2) Showrooms,   
  (3) Shops,   
  (4) Service workshops,   
  (5) Salesmen and    
  (6) Service men commensurate with expected business
* Social status
* Good relation with:   
  Consumer, especially, bulk consumers, and sub dealers.

**PRICING POLICIES ADOPTED BY CADBURY**

Despite intensifying competition for target share and a stream of new products, pitted against each other, the price line of popular brands of chocolate had move upward over the past one year.

Prices of key brands like Nestle’s Kitkat and Cadbury’s Dairy Milk have rose by 25 per cent each between November 2001 and November 2002.

Brands such as Cadbury’s Eclairs, where the unit prices is lower, have seen a sharpener price hike.

A major portion of the price revision occurred in the last part of 2001 and in the first quarter of 2002.

A sharp rise in cocoa prices and rupee and depreciation escalation in input costs for chocolate manufacturers in the last leg of fiscal 2001-98.

Whole cocoa, prices have receded from their high after September 2001, rupee depreciation and the higher incidence depreciation and the higher incidence of excise duties has kept the price line of chocolates.

The cost of cocoa, the key input, accounts for around 45 per cent of the manufacturing costs for chocolates production.

Domestic cocoa production (estimated at 4500) to 5000 tonnes for the current year) has been stagnant and takes are of less than a third of domestic requirements of chocolate and malted food manufacturers. Manufacturers such as Cadbury and Nestle India import over half of this cocoa requirements.

International cocoa prices moved up from 140 cents per kg in January 2001 to peak at 190 cents per kg in September 2001, prompting a round or price increase in chocolates in the last part of 2001.

Subsequently cocoa prices have receded to around 150-160 cents per kg and are expected to rule at these levels in the near term. However, rupee depreciation of around 17 per cent since September 2001 is likely to have offset the impact of this on production costs.

**FACTORS INFLUENCING PRICING OF CADBURY**

***Internal Factors***

* Corporate and marketing objectives of the firm.
* The image sought by the firm through pricing.
* The characteristics of the product.
* Price elasticity of demand of the product.
* The stage of the product on the product life cycle.
* Use pattern and turn around rate of the product.
* Cost of manufacturing and marketing.
* Extent of distinctiveness of the product and extent of production differentiation practiced by the firm.
* Other elements of the marketing mix of the firm and their interaction with pricing.
* Composition of the product line of the firm.

***External Factors***

* Market characteristics.
* Buyer’s behavior in respect of the given product.
* Bargaining power of major customers.
* Competitors pricing policy.
* Government controls regulations on pricing.
* Other relevant legal aspects.
* Societal (or social) considerations.
* Understanding, if any reached with price cartels.

***Cadbury objective of pricing***

* Profit maximization in the short-term.
* Profit optimization in the long-term.
* A minimum return (or target return) on investment.
* A minimum return on sales turnover.
* Targets sales volume.
* Target market share.
* Deeper penetration of the market.
* Entering new markets.
* Target profit on the entire product line irrespective of profit level in individual products.
* Keeping competition out, or keeping it under check.
* Fast turn around and early cash recovery.
* Stabilizing prices and margins in the market.



**NESTLE INDIA LIMITED**

**HISTORICAL HIGHLIGHTS**

Incorporated in 1959 as Food specialties, Nest India (NIL) was promoted by Nestle Alimantana, Switzerland, which presently holds 51% equity stake in the company. Manufacturing in India began with the start up of the Moga Factory in 1962. Nestle's first unit at Moga, Punjab is manufacturing:

* Milk products
* Infant milk formulae
* Weaning cereals
* Culinary products
* Beverages

It is the main manufacturing unit of Nestle India Limited. The second factory at Choladi, Tamil Nadu to produce beverages i.e. 100% EOU for instant tea was set up in 1967.

The third plant in Nanjangud, Karnataka was set up in 1989 to produce

* Instant Coffee
* Health Beverages

The fourth plant at Samalkha, Haryana, was set u in 1993, to produce

* Weaning cereals
* Culinary products
* Health beverages
* Milk products

The fifth plant at Ponda, Goa was set up in 1994 to produce:

* Wafers
* Waffles

The sixth plant at Bicholine, Goa commenced construction for manufacture of a range of culinary products and this was expected to be commissioned in the latter part of 1996.

According to the chart shown, we can easily known as to which product were launched in which year:

|  |  |
| --- | --- |
| Launch year | Product's Name |
| 1962 | Milkmaid |
| 1964 | Nescafe |
| 1968 | Lactogen |
| 1972 | Ricory |
| 1974 | Maggi, Cuber, Cerelac |
| 1982 | Nespray, Lactogen |
| 1983 | Sunrise, Maggi Noodles (Chicken Masala) |
| 1985 | Maggi Sauces - Tomato & Hot & Sweet |
| 1987 | Cerelac - Wheat Apple, Wheat Orange, Maggi Sauces, Chilli Garlc, Masala Chilli |
| 1989 | Everyday Ghee, Maggi Soups - Tomato, Chicken, Mushroom, Taster's Choice-Leaf Tea. Sunrise Extra (originally Ricory), Nestogen 2, Sunrise Premium (Originally Sunrise), Cerelac - Wheat vegetable |
| 1990 | Nestle Chocolate - Premium Milk, Milky bar and Crunch |
| 1991 | Nestle Eclairs, Bar-One, Maggi Soups – Mixed Vegetable, Chicken Noodles, Nestogen I |
| 1993 | Maggi Super Seasoning (Originally Maggi Cubes) - Chicken, Vegetarian Lemon Malasa, Nestle Bonus, Polo, Bar-one-Roasted Peanut, Taster's Choice - Dust Tea, Contamina - Snack Pressing |
| 1994 | Cerelac - Wheat Soya, Milkmaid Desert Mixes - Custard Powder, Gulab Jamun, Shahi Rabri, Kesar Kulfi, Maggi Tonite's Special - Butter Chicken Gravy Sauce, Karahi Paneer Gragvy Sauce, Pizza Sauce Topping, Nescafe Pre-Mix |
| 1995 | Nestle Bonus - Chocolate, Nestle Kitkat, Toffo - Coffee, Elacichi, Milk, Polo-Paan |
| 1996 | Nestle Milo, Milkmaid Dessert Mixes – Kalakand, Maggi Pickles - Lime, Lime Sweet, Mango, Mango Punjabi, Mixed, Maggi Dosa Mixes - Masala Plain, Sambhar, Maggi Soups - Chicken Sweet Corn, Hot & Sour and Rasam, Polo - Spearmint, Cerelac - Rice, Taser's Choice - Tea Bags. |
| 1997 | Mithai Magic, Splash Candy, Butter Scotch Candy, Toffee-Elaichoo, Koffees, Polo-Fruit Rings, Extra Strong, Maggi Rich Soups, Nestea, leaf/Dust Tea, Nescafe 3-in-1, Teamate Creamer, Maggi Pickles, Variants, Maggi Macroni Snack, Cerelac - Wheat Banaa, Wheat Honey |
| 1998 | Maggi - Tamarina Sauce, Nestle Allan's Soother's, Sunrise Eclairs |
| 2002 | Nestle - Dahi & Imli Sauce |

**MORE THAN A MOUTHFUL - CHOCOLATE INDUSTRY**

The Indian chocolate market is getting bigger and better. While on one hand, the premium segment (comprising imported varieties) is opening up, on the other, companies like Cadbury India are launching indigenous products made to international standards. Of the 20,000-tonne chocolates market worth about Rs. 400 crores, Cadbury accounts for about 70 percent, followed by Nestle, with a share of around 20 percent. Amul has five per cent of the market, with minor players taking the rest. The battle, though, is between Cadbury and Nestle. Though much smaller portfolios, Nestle is putting up a touch fight.

**PRODUCTS**

**NESTLE EVERYDAY DAIRY WHITENER** is a creamy Dairy Whitener which is specially made to add a rich, smooth taste to your tea. Every time, every day.  
  
NESTLÉ EVERYDAY Dairy Whitener was launched in India in 1986 and this innovative product created a separate category of Dairy Whiteners in India .



**POLO**

POLO is one of Nestle's key strategic confectionery brands worldwide, and represents Nestle's first entry into the large 50,000 tonne p.a. (organized sector) Indian Sugar confectionery market.



**NESTLE PURE GHEE** is 100% Shudh [pure] Ghee which is untouched by hand and hygienically packed.



**NESTLE MILK**

Nestlé has over 135 years of dairy expertise and NESTLÉ Milk ensures high quality and safety. NESTLÉ Milk goes through Ultra Heat Treatment to provide bacteria-free milk to its consumers. The product also goes through stringent quality checks and can be consumed straight from the pack as no boiling is required. The sealed pack of NESTLÉ Milk has a shelf life of 120 days without refrigeration. However, once opened, it must be refrigerated. The packaging is tamper-evident.

 

**NESTLÉ MILKMAID** is a Partly Skimmed Sweetened Condensed Milk. NESTLÉ MILKMAID is a versatile product and excellent as a dessert ingredient. Lip-smacking desserts can be whipped up in the shortest possible time.

NESTLÉ MILKMAID is a globally recognised and popular brand of Nestlé. It has been available in India ever since the Company first started importing and selling its products over 90 years ago.



**MAGGI** 2-MINUTE Noodles is one of the largest & most loved food brands in India. Continuing forth our innovation & consumer engagement, we have recently come out with the new “Guess the Taste” Noodles, where consumers have to taste the product and name it for us!! This innovation comes on the back of three new successful launches last year – ie **Thrillin Curry, Tricky Tomato, & Romantic Capsica Noodles.**

 

**GROWING MARKETS .. FALLING MARGINS**

Incorporated in 1959 as Food Specialities Ltd., Nestle India Ltd. (NIL) is promoted by Nestle Alimentana-Switzerland, which presently owns 51% equity stake in it. Nil is one of the top players in the processed food and beverages industry and the largest producer of instant coffee with a 49% market share. Its market dominance apart from instant coffee is spread over processed milk products (condensed milk, milk powders and dessert mix), infant foods and processed and culinary products (instant noodles, sauces, soups etc.).

Established in 1860, its Swiss parent Nestle, S.A. with ownership and a clutch of topsellng global brands (Kit-Kat, Polo, Nescafe, Nido, Maggi, Perrier etc.) is one of the largest and most profitable players in the processed food and beverage industry. with sales at US$ 47.7 billion, it ranks 39th in the Fortune 500 list towering over its competitors like, Kelloggs, Conagra, Groupe-Danone, Kraft-General Foods and others.

Increasing market dominance: NIL's portfolio comprising over 65 products, marketed through a representative-network in 3000 towns and 570000 outlets, is manufactured at five state-of-the-art manufacturing plants in India.

While its Moga unit produces milk products, infant milkfood, weaning cereals, culinary products and beverages, the Choladi unit was set up to produce tea in 1967. The third plant at nanjangud was set up in 1989 to manufacture instant coffee and health beverages. Its other two plants are located at Samalkha in Haryana and Ponda in Goa. It is currently setting up another plant at Bicholim, Goa to manufacture culinary products. The gamut of operations of NIL could be broadly classified into four categories.

**Direct Competition**

At present there are three major players Nestle, Cadbury’s and Amul in the Indian Chocolate market. Campco initially tried to break into market but failed. Brief profile of the same has been entailed below:

**Cadbury’s India Ltd.**

Cadbury’s India Ltd, has been in India since 1948. Its brands: Dairy Milk, 5 Star, Gems and Chocolate Eclairs are the households names in India today. In all the segments i.e. moulded chocolates, count chocolates and panned chocolates, it is undoubtedly the market leader.

Cadbury’s has its manufacturing units at Thane (Mumbai), Malanpur, Indori (near Pune), Mithuri and Kolapur. It has a strong distribution network with about 500 distributors in North India and more than 3 lac retail outlets being serviced all over India.

In 1997, Cadbury planned to pump in Rs.80-crore to up production capacity at a couple of Cadbury’s factories. This cash is exactly double of what’s been invested in 1996.

The Company launched Perk, a wafer enrobed chocolate in 1995. This was reactionary to the launch of Kit Kat and has been able to counter competition.

**Cadbury’s Dairy Milk (CDM) - The Flagship brand**

CDM, the oldest of Cadbury’s brands was launched in 1956. In the early 90s, a rise in the prices of cocoa, increase in the excise duty and a fall in the demand inspired the idea of repositioning.Two years in the process after relaunch Cadbury’s Dairy Milk’s market share stood at 25 percent with sales rising by an average 40 percent per annum.

Besides CDM Cadbury’s has a number of endorser brands such as Fruit’n’Nut, Nut Milk etc. Even though contribution of these brands to the company’s bottom-line is very small, they are required in order to make a complete portfolio of offering.

The Company developed a concentration strategy on CDM, Five Star, Cadbury’ Gems, Cadbury’s Eclairs, Perk and the latest of its offering Picnic (which has drawn a good response in the market).

*.*

**Nestle India Ltd.**

Nestle India Ltd. has been in India for more than 35 years now. The world’s largest marketer of chocolates (became world number one when it acquired Rowntree Macintosh of the UK) - Nestle, made its foray in the Indian chocolate Industry in November 1990. It launched three products - the milk chocolate, the bitter chocolate and Crackle (a crunchy chocolate) - in the slabs category and Bar One in count lines.

Cadbury’s was quick to react, and launched a whole host of products in succession: All Silk milk chocolate, Creamy Bar, and a new version of 5 Star.

Nestle, in the beginning did not have its own manufacturing facility. It had an alliance with Campco to manufacture chocolates. Later, in 1995 a state-of-art manufacturing plant was set up at Ponda, Goa at a cost of Rs. 50 crores. This unit took care of the entire Kit Kat production. However, the production tie-up with Campco still continued.

**Launch of Kit Kat**

Kit Kat, one of world’s most popular chocolate, was launched in India in 1995. Within months of its launch, it fulfilled every target Nestle had set. Its launch was accompanied by the launch of Cadbury’s Perk in order to counter Kit Kat and safeguard the flagship brand – CDM. Kit Kat has been able to define a new segment in the industry in the form of the wafer enrobed any time snack.

Kit Kat outsells Perk in the outlets where both are available. In the crucial markets of Bombay and Delhi both are running neck-and-neck. It has even said to have threatened the mother brand, Cadbury Dairy Milk.

**NESTLE’s New Launches**

**Brand        Launch**

Allen Splash       Selected Cities

(Sugar Candies)

After Eight Mints      Delhi & Mumbai

Lion Wafer Bars      Delhi & Mumbai

**Future Outlook**

Focus will be on chocolates and confectionery followed by culinary products which include the Maggi range and coffee.

**Amul**

Gujarat Cooperative Milk Marketing Federation (GCMMF) launched the Amul Chocolate way back in 1974. With its milk chocolates, Badam Bar, Crunch and Fruit n Nut has a market share of about 5 %.

Due to lack of focus and with multinationals spending huge amounts on advertisements its market share has been falling.

GCMMF is involved in a large number of products, of which chocolates constitutes just 1-2 %. The company is not concentrating much on its chocolate business. As of now, Amul chocolates are not on company’s focus.

Interestingly, Kaira District Cooperative Milk Producers Ltd. (KDCMPL) - the manufacturer of Amul chocolate - is selling whatever it produces. Limited capacity is also a reason for the share it has.

However, Amul’s memorable advertising campaign positioning it as a “*A Gift for Someone You Love”*, saw the sales graph rising. Amul’s sales grew by 39% then. Ever since, Amul has maintained a low profile.

**Other Domestic Players**

The only other organized player in the market is Campco, which has an insignificant share of the market. It is supplying its production to Nestle. Apart from this Campco did come up with its new brands like Treat. But crunch of resources grossly effected the pace of the company and is hardly to be heard of today.

**IMPORTED BRANDS**

Considering the high growth potential, various multinationals wanted to set up facilities in India (Mars being one of them). However, shortage of cocoa, seasonality in demand, and the absence of a proper cold chain deterred them from investing in India. The government also moved the import of chocolates from special item list to open general license category. The duty structure was also reduced. This resulted in making import of foreign brands easier and price competitive.

An alternate strategy was formulated to import Mars chocolate brands into India through Sarura Business (I) Ltd. Sarura, which came into existence about an year ago, imports Mars brands and sells through its own distribution network. Highlights of the strategy being followed are mentioned below:

* Imports Mars brands every 40 days, after careful demand analysis. Takes 20 to 22 days to reach India.
* **Duty Structure**

|  |  |
| --- | --- |
| Customs Duty | 40 % |
| Counter-vailing Duty( a form of excise) | 2 % |
| Special Duty(Surcharge) | 3 % |

The import duty on finished product is expected to come down to 20-25 percent in a phased manner.

* **Distribution Logistics**

The company has its operations being controlled from Delhi. A typical FMCG distribution chain is being utilised. This includes-

|  |
| --- |
| Carrying & Forwarding Agents |
|  |
| Distributors |
|  |
| Retailers & Wholesalers(about 5000 as of now) |
|  |
| Consumers |

In Delhi, the company reaches the retailers and the wholesalers on its own. It operates about 3 vans, and each retailer is serviced twice a month.

A soft launch has been done in North India. The following States have been covered in the first phase (including the distribution chain):

|  |  |
| --- | --- |
| **STATES** | **DISTRIBUTION CHAIN** |
| **Rajasthan** | 1 C&F and 6 Distributors |
| - Jaipur, Jodhpur, Agra |  |
| **Uttar Pradesh** | 1 C&F and 12 Distributors |
| - Lucknow, Nainital, Allahabad, Banaras, Dehradun |  |
| **Punjab** | 1 C&F and 8 Distributors |
| **Assam** |  |
| - Guwahati | 1 Distributors |
| **Other Areas** |  |
| - Chandigarh, Shimla, Kalka |  |
| **Delhi** | Directly by company |

**Other Foreign Brands:**

Nestle has also recently launched its foreign brands by importing them into India. These include Lion and After Eights.

**Future of The Imported Brands:**

The future of this segment is highly dependent on extraneous factors like, government policies regarding import of chocolates and the duties structure therein. Any movement can make these players price competitive. In December 1997, a no. of products reaching expiry are said to have been dumped into India due to favourable import policy (this is when foreign brand imports like Sarura’s products came into the market).

**INDIRECT COMPETITION**

Since the target audience includes, consumers of not only chocolates but also of biscuits and confectionery, it faces indirect competition from these product categories. Also, other confectionery products like toffees, candies etc have proved to be indirect competition (however would be limited since we are targeting small kids segment).

**MARKET RESEARCH**

In order to recommend and execute an effective strategy for marketing of goods and services, a systematic market research needs to be undertaken. The buyer preference research would play a vital role in the assessment of consumers taste/purchase habits and a better understanding of the consumers mind. In fact the strategy formulation/recommendations in this report of the marketing mix relies heavily on these research findings.

A questionnaire was administered (as mentioned in the Methodology) amongst people of different age groups and professions. Results from this research provided interesting cues, which were extremely beneficial in the formulation of the recommended marketing mix.

The main object of this research/questionnaire was as follows:

* To find out the current the current taste/chocolate eating habits.
* To find out the extent of brand loyalty.
* To get feed back of consumers perception about flavours and conventional outlets.
* To find out extent of price sensitivity
* Retail outlet preference.
* Brand preference etc.

**OBSERVATIONS**

Based on the basis of the questionnaire research, some of the facts that came to the fore have been listed below. These research findings played a key role in the development of the recommended marketing strategy.

* Kit Kat and CDM had a high unaided awareness level and also, both these brands enjoyed a high consumer preference. Amul is perceived for giving value for money.
* Chocolates are no more a children’s item.
* Most of people buy chocolate by impulse decision. Chocolates are even considered as a good gift option.
* Consumers preference vis-à-vis place of purchase, size/form/taste of chocolates, etc
* Most of the respondents had a high ad. Recall level for Cadbury’s Dairy Milk and Kit Kat.
* When it comes to gifting, usually the receivers are
  1. A friend of opposite sex
  2. Children
* The idea of making chocolates available at sweet shops, gift shops, ice cream parlors, fast food joints/restaurants was asked to be rated. The concept of exclusive chocolate parlors was rated favourably (around 63%).
* The product category does not enjoy high brand loyalty levels.

**SWOT analysis of Cadburys**

**Strength**

1. Cadbury is a company, which is reputed internationally as the topmost chocolate provider in the world.
2. The brand is well known to people & they can easily identify it from others.
3. Cadbury the world leaders in chocolate, is a well-known force in marketing and distribution.
4. Users have a positive perception about the qualities of the brand.
5. Cadbury main strength is Dairy milk. Dairy milk is the most consumed chocolate in India.
6. By using popular models like Cyrus Brocha, Preety Zinta and others Cadburys has managed to portray a young and sporty image, which has resulted in converting buyers of other brands to become its staunch loyalists.
7. Cadbury has well adjusted itself to Indian custom.
8. It has properly repositioned itself in India whenever required i.e. from children to adults, togetherness bar to energizing bar for young ones etc.

**Weaknesses**

1. There is lack of penetration in the rural market where people tend to dismiss it as a high end product. It is mainly found in urban and semi-urban areas.

2. It has been relatively high priced brand, which is turning the price conscious customer away.

3. People avoid having their chocolate thinking about the egg ingredients.

**Opportunities**

1. The chocolate market has seen one of the greatest increases in the recent times (almost @ 30%)
2. There is a lot of potential for growth and a huge population who do not eat chocolates even today that can be converted as new users.

**Threat**

1. There exists no brand loyalty in the chocolate market and consumers frequently shift their brands.
2. New brands are coming and existing brands are introducing new variants to add up to an already overcrowded market.

**SWOT Analysis of Nestle**

**STRENGTH:-**

•        BRAND IMAGE  
•        Marketing strategies established by the company are innovative.  
•        Customers.  
•        Financial, marketing and sales strategies are formulated by gauging the periodic research carried out to judge market trends.  
•        It is a large scale organization, with abundant funds and has the capability of acquiring weaker firms by throwing them out of competition. An example for this strength of the company: Multinational.  
•        Growing Sales and profits.  
•        Major shareholder in the food industry of Pakistan.  
•        Aggressive Marketing.  
•        Efficient Distribution networks through out the country.  
•        Quality Products.  
•        Environment Friendly.  
•        Skilled labour.  
•        Educated staff.  
•        Large number of offerings.  
•        Pre purchase virtual display.  
•        Good background of the company.  
•        Easy to approach outlets.  
•         Solid Financial position  
•        Strong supply chain network  
•        Focus on research and development Estimations of UHT Milk Production

**WEAKNESES:-**

•        The target market of Nestle MilkPak is upper middle and high class because lower middle and poor class cannot afford to buy UHT milk due to its premium price.  
•         It is a main weakness of MilkPak that there are different companies of milk but the name of nestle MilkPak is always stand in the last because of low advertising and marketing.  
 **OPPORTUNITIES:-**  
•        There are substantial growth opportunities considering the average yield of Pakistani animals at only 1,100 liters/annum as compared to 6,000 liters/annum for animals in Europe and USA. There are nearly 20 million milk producing animals in the country, mostly in Punjab (80%).

**Threat**

**Competition** - The company faces immense competition from the organised as well as the unorganised sectors. Off late, to liberalise its trade and investment policies to enable the country to better function in the globalised economy, the Indian Government has reduced the import duty of food segments thus intensifying the battle.

**Changing consumer trends** - Trend of increased consumer spends on consumer durables resulting in lower spending on FMCG products. In the past 2-3 years, the performance of the FMCG sector has been lackluster, despite the economy growing at a decent pace. Although, off late the situation has been improving, the dependence on monsoon is very high.

**Sectoral woes** - Rising prices of raw materials and fuels, and inturn, increasing packaging and manufacturing costs. But the companies’ may not be able to pass on the full burden of these onto the customers.

**RECOMMENDED MARKETING STRATEGY DESIGN**

The market strategy of the firm is a complete and unbeatable plan or an instrument designed specially for attaining the marketing objective of company. The formulation of the marketing strategy consists of two steps:-

1. Segmentation & target market selection.
2. Assembling the marketing mix.

**Market Segmentation And Target Market Selection**

Market segmentation and target market selection have an intimate relationship with market strategy formulation.

The company may focus on the following factors while laying down the target market.

**1. Geographic Segmentation**

Geographically the country can be broadly divided into 3 sub segments -Rural, Suburban and Urban.

In the first phase (after the test launch), Urban parts of the country should be targeted. The chosen segment is targeted because –

* Lack of infrastructure, like refrigeration-not to venture rural markets.
* The consumption pattern & behavior in Rural India does not fit with the product attributes and perceived benefits.
* The limitation of disposable income is another factor that hampers entry in Rural areas.
* Semi-Urban may be considered in the second phase. An year after the launch.

Within Urban India, the cities with 1 million + population i.e. top 23 metros will be targeted. A soft launch of the brand should be undertaken before taking the brand to these areas. This (test launch) will be undertaken in Bombay, since it (Bombay) is a high consumption city for chocolates. (Source: Nestle (I) Ltd – infect Nestle’s sales peaked out in Bombay, during its initial launch).

**2. Demographic Segmentation**

The demographic variables have been separately addressed to arrive at the target audience.

* **Age:** 12 years + segment of the population is recommended to be targeted. Small kids may not be targeted, because of the nature of the perceived product benefit by consumers in that age group, who are inclined towards sweeter and creamier snacks. Further, it may not be easy to get youngsters off their tuck money. Also, children today already have an array of cheap domestic and international confectionery (in the form of chewing-gums, lollipops, rolls, lozenges and toffees).
* **Family Life Cycle :** In terms of family life cycle it is addressed at all of the following :

1. Young/Single or Married (with/without Kids)
2. Matriculates and College goers
3. Married with no children under 18.
4. Married old couple/old single.
5. Empty nest couples.

The brand may positioned such that it fits all stages of family life cycle.

* **Income:** The income segmentation may be all households with an annual income exceeding Rs. one lakh. Targeted audience may be all households that can afford a television or have access to satellite television.

**3. Psychographic Segmentation**

**Social Class:** In terms of psychograph the social class targeted is the educated upwardly mobile urban middle and upper class.

**Personality Traits:** This segment essentially consists of emulators i.e., upwardly mobile, pioneers, freaky, fun loving type of people. These are the people who like to enjoy life and believe in traveling and adventure.

**Life Style:** In terms of lifestyle, it may be aimed at those who favor buying convenience products. They are also willing to experiment with alternate products in place of conventional food items, as the universe of chocolate consumption is changing from occasion led to more casual consumption.

1. **Behavioural Segmentation**

The moulded segment of the market is perceived to be the growth engine of the market. Hence, this segment is quite lucrative for a new brand launch. Also, chocolate purchases have moved from being occasion-led to a casual snack. Hence, anytime anyplace snack aspect needs to be established. This segment comprises of people who like to have chances and want to try new things.

1. **Learning-Involvement**

   The purchase of a chocolate is of a low-involvement category. It is an impulse purchase and decision to buy is not pre-planned.

1. **Usage Rate**

   The market may be further segmented on usage rather than attitude-Anytime Anyplace Snack. This is a group of consumers that find traditional snacks too heavy. Even though a range of chocolates may be offered, a core brand (concentrated strategy mentioned later) may be launched in the count line segment. Since this segment is tipped to be the growth engine of the industry (according to industry sources – Mr. Sanjay Verkey, Cadbury’s India and Mr. Bohidar) and this segment has a substantial share of the market (33%).

**SUGGESTIVE MARKETING MIX FOR INTRODUCING A NEW PRODUCT**

The objective of the marketing mix developed is:

**“To develop a product that is available, affordable, based on local raw material, and adapted to the taste and the nutritional habits of the population”.**

The elements of the mix - Product, Price, Place & Promotion have been entailed below:

**Product**

As mentioned earlier, the two most important segments of the market are Moulded and Countline segment (segments have a high share of the market). Also, it can be seen in the findings, the Indian consumer does not recognise the difference between Moulded and Countline segment. Further, a key decision that needs to be taken is to decide whether to have a core brand focus or have a plethora of brands. Here, it would be advisable to launch a completebasket of products covering both the count line and the Moulded chocolate segment (at least if not Panned). A range of brands can help cushion out risks over the entire offering.Also, it has been that to sustain in the long term, a complete portfolio of chocolates for every taste is essential. However, a concentration strategy may be adopted in the first phase, focusing on one core flagship brand.

The various product attributes have been mentioned below:

* Stipulations regarding the use of Hydrogenated Vegetable Oil-HVO (since it contains nickel) may be adhered to. Nickel in chocolates can cause cancer. However, research is still on to prove this. Product formulation should keep this aspect in mind.
* **Packaging:** The packages or the cover packs, of the brands can be in Blue, Green and Red color which represents a fun element. The packaging should keep the product crisp, fresh and protected from the harsh climatic conditions in the country, and hence provide a longer shelf life.
* **Sizes:** As can be seen in the findings the most popular size is 40 gms. However, in order to provide a good assortment of offering, the following sizes may be introduced:

⇒ 15 gm ⇒ 35/40 gm ⇒ 80 gm.

⇒ Super Saver (105 gms.)

⇒ 200 gms

⇒ Gift packages: since, chocolates is a very popular gifting option, attractive gift packs may be introduced. The offering is also planned to be distributed through gift shops, hence, attractive packs on the “Swiss Coats” (small local player) concept be developed.

* Any foreign brand formulation needs to be “tropicalised” and hence, adapted to the Indian conditions. Dropping of the “international” formula (Nestle had faced problems because of this as product could not take the Indian heat) may be considered.
* **Taste:** Since, Indians have a preference for soft chocolates with caramels, wafers etc inside (see findings), and the product should appeal to the Indian palate by incorporating these in the offering. In this segment there will be direct competition only from Truffle. A panel of target consumers may be called in to sample any fresh batch of chocolates, so as to ensure that the product developed appeals to the Indian palate.

The milk and creams in India are different, and workers no way as well trained as abroad. Hence, the product development must keep this fact in mind.

* The product should also have a high shelf life with a good shelf appeal as well. This so since, chocolates is an impulse buy and a good distinct product look can attract a customer.

Product Differentiation

Since, there exists strong competition from heavy weights such as Nestle and Cadbury’s; the product offering should be well differentiated. Nestle, when it launched its chocolate brands in India, ensured that each brand was well differentiated - White chocolate(not conventional brown) with a sugary taste that appealed to kids, Milky bar marbles differentiated as they had white chocolate centre instead of the brown chocolate core in Gems.

**Pricing**

Factors like competition, internal costs, and the positioning and corporate objective of the company need to be taken into consideration by a company before pricing a product.

Premium pricing (relative to the competing brands – not designer chocolates), with special emphasis on taste and quality (most important attributes-see findings) is recommended. The premium pricing does not suggest that the offering is made unaffordable to the target consumer. A high price would accompany a promise for a better taste and quality. Therefore, the brand(s)’ taste & quality needs to justify the high price.

Further, the product category is relatively inelastic i.e. consumers would not stop buying their favourite brands if the price is increased by a few rupees. Consumers feel that even if the price of their favourite brand is reduced, they might not buy more of it. Also, there is a general perception of chocolates being “Reasonably O.K.”

According to Sarura Business, the high priced (relative to other brands in the market) imported foreign brands have been able to draw a decent response. Primarily, because of their high foreign brand equity.

As can be seen in the table (on brand comparison –on price, given on the next page), Nestle and Cadbury’s are pitted against each other and Amul is the cheapest brand in the market.

Considering the above, a premium pricing strategy, with the assurance of good quality and better taste, in a market that is not high on price sensitivity may prove to be a success.

It may be noted that the price should be only Rs2/- or Rs 3/- expensive than Cadbury’s or Nestle’s offering. For instance

CDM is priced at Rs 15/- for 40 gms

Nestle’s Milk Chocolate at Rs 13/- for 40 gms

Amul is priced at Rs 10/- for 40 gms

The offering in this segment may, therefore, be around Rs 16/-

While pricing the product, the following duty structure may be considered:

* 18 percent excise
* Other state levied duties (after excise) such as Sales tax, etc. (which vary from state to state)-within 10 to 20 percent.

**Placement:**

The success of any FMCG product thrives on distribution. Factors like financial cost effectiveness) perish ability of the product, repeat orders; managerial capacity and unit value of the product need to be carefully analysed while setting up the distribution framework of the company. The product category is essentially a “pull” market. However, the channel members provide greater visibility to the product. This is extremely important since chocolates is a low involvement impulse purchase product. The recommended distribution framework has been entailed below:

**Carrying & Forwarding Agents:** These may be appointed at two or more State(s) of operation of the company. Carrying & Forwarding agents work on a commission basis – 3% (industry norms) of the goods handled. It is recommended that the country keeps about 4 to 6 weeks of inventory at the C&F level and a commission structure which is in keeping with the industry norm. Therefore a 3 percent commission on the invoice value may be provided to the agents.

**Stockiest:** A stockiest provides a local delivery point for the manufacturer/marketer. They store the products, break bulk, and distribute to the retailers. With greater no. of retailers now seeking credit from the retailer, efficient management of collection has become a vital part of the stockiest’ job.

The main problems that new product faces is that of getting experienced and effective channel members. As existing marketing marketer/manufacturer can piggy back on the existing channel structure. A new company will have to provide greater incentives convince channel members to stock the product offering. Hence, an innovative means of channel handling needs to be adopted:

* Competitive commission to the stockiest-around 5.66% on the invoice (industry standards 5.66%)
* The efforts of the sale representatives employed by the stockiest to get orders may be supplemented by the manufacturer’s sales force.
* Retail outlets to be serviced at least four times in a month (at least once a week)
* Distributors (stockiest) to maintain stock of not more than 15 to 20 days
* Since, distributors are to maintain air-conditioned godowns, in summers the A/C expenses may be borne by the Co.
* The Merchandiser concept: Merchandisers may be appointed by the company (salary to be borne by the Co.) in order to keep a constant touch, and to “feel the pulse” of the market. These merchandisers would also facilitate implementation of various schemes of the co. Regular job would include:

⇒ to check if products have reached expiry,

⇒ Proper setting of shelf space

⇒ POP material displays, etc.

* More transparent and clearer claims handling policy

**Wholesaler:** Whole seller’s prime concern is buy in bulk and sell at the fastest rate. The aim of any distribution chain of mass-market product category like chocolates would be to expand its reach i.e. the no. of outlets storing its products. This may not be possible even with a well established stockiest network. Hence, wholeseller’s play a significant role in supplementing the stockiest’ effort send in providing a better reach to the product.

**Retail Outlets:** It is extremely important for any chocolate brand to have a well entrenched retail presence. Reach I the key. Consider, General De Confetaria (marketer of Boomer Bubble gum) having its products available in 400000 outlets around the country, and Perfetti with 250,000 outlets. The aim would be to expand the retail network as wide and deep as possible.

The biggest problem in distributing a product category like chocolates is lack of infrastructure. The product needs to be kept in refrigeration (more so, in summers)-limiting the points at which it is available (ideal temperature needed for chocolates is 18 to 25 degrees). Hence, summer see sales suffer. Demand falls by almost two-thirds in the summer months. To counter this, the Co. can –

* Cool/chilled vans may be operated in summers (for C&F to Stockiest transit of goods). Because of only a seasonal requirement, these may be out sourced.
* Insulated boxes, Ice/chilled pads and packs, Ice surrounded Sintex tanks, towels etc may be used to ensure that the product reaches the retailers without losing its form.
* Considering the importance of refrigeration ( specifically in summers), Vizzy coolers may be installed. These coolers not only provide refrigeration but also a good POP value.

Further, while distributing chocolates, it must be ensured that the brand has a deep retail coverage not a selective presence.

Finally, while deciding onto the selling outlets, certain unconventional outlets may be considered. These include –

1. **Sweet Shops:** The product may be kept at traditional Sweet Shops. More so, during festival times.
2. **Gift Shops:** As the idea of gifting chocolate is becoming more popular among the targeted segment, it would be profitable to ensure the availability of chocolate chocolates at various gift shops.
3. **Stationary/Book Shops:** Teenagers, is a lucrative segment with a high consumption rate. They frequent book shops and magazine stores quite often. Hence, making chocolate available at these outlets may be considered.
4. **Ice Cream Parlors :** In India, ice cream is treated as a fun product and a sweet dish or a desert after meals. Both these attributes match with chocolate consumption habits. Hence, ice cream parlors may prove to be beneficial in providing greater reach to the product. Here again, chains like Dollops, etc. may be used in order to facilitate greater reach. A strategic distribution tie-up may be reached with ice cream companies such as Kwality Walls, Vadilal’s etc for distribution of chocolates along with the distribution of ice creams through the Vending Trolleys.
5. **Fastfood Joints/Restaurants:** As a discussed above that on our country the chocolates can be served as a sweet after meals, hence separate counters may be installed at various fast food joints such as Mac Donald’s, Nirula’s etc. This would provide the brand, not just greater visibility but also valuable sales. Also, these outlets possess adequate infrastructure to store chocolates.
6. **Exclusive Chocolate Parlors :** As can be seen in the findings, there has been an overwhelming response to the idea of buying chocolates from exclusive chocolate outlets. Hence, development of exclusive chocolate parlors may be considered.

**Promotion:** This involves communicating persuasively to the consumers, in order to arouse their interest in the product. A detailed promotion plan involving advertisement, sales promotion and public relations is proposed.

**Positioning**:The positioning of the various brands in the market has been listed below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Cadbury’s Brands** | **Positioning** | **Nestle’s Brands** | **Positioning** |
| Cadbury’s  Dairy Milk | *“The Real Taste*  *of Life”* | Classic Milk  Chocolate | Positioned as  an affordable, |
|  |  |  | enriched milk  chocolate |
| Fruit n Nut | Positioned at |  |  |
| Creamy Bar | adults as an |  |  |
| Roast Almond | impulse anytime |  |  |
| Nut Milk | Purchase |  |  |
| Crackle | - self expression |  |  |
| Bournville | values attached |  |  |
|  |  |  |  |
| 5 Star / Perk | Perk-Positioned as a | Kit Kat | Positioned as a |
|  | Snacking  Consumption. |  | Snacking  Consumption |
| Break/Crisp/  Double Decker | *“Thodi Si Pet Pooja”*  5 Star-Energy Bar |  | *“Have a Break,*  *Have a Kit Kat”* |
|  | *Reach for the Stars* | Bar One | Positioned as a |
|  |  |  | trendy, cool |
|  |  |  | anytime snack |
|  |  |  |  |
| Gems/Eclairs |  |  |  |
|  |  |  |  |
|  | Positioned as |  |  |
| Butterscotch | variety, gifting |  |  |
| Caramels/  Overtures | and taste  preference |  |  |
| Nutties/All Silk |  |  |  |
| Tiffins |  |  |  |
| Relish |  |  |  |

The flagship brand(CDM) may be positioned as a premium (see pricing) anyplace, anytime snack. Since, snacking proposition is the growth engine for the industry, positioning should hence, be focused on that. The two drivers – Impulse purchase and need to snack.

**Advertisement Plan**

The Advertisement plan could be as under:

**Corporate objective:** The corporate image should be built over a period of time, so as to reinforce consumer confidence in the brands of the company. This is also essential to counter competition, since over a period of time, names such as Cadbury’s, Nestle have attained high levels of recognition and assurance.

**Advertisement Objectives**

* To position the product as a “high quality brand, with a wide range of offering, providing, fun anytime, anyplace products”.
* To create awareness about new flavours.
* Induce consumer trials.
* Build corporate image
* To undertake competitive advertisement.

**The Budget** : Considering the fact that the market is dominated by big-wigs such as Cadbury’s and Nestle, aggressive competitive advertising needs to be undertaken.

Since both Kit Kat and Perk are allocating 60 to 70 percent of their total ad budget on chocolates, an allocation of about 20 to 25 percent of the projected turnover may be sufficient in the first year. After which about 10 to 12 percent may be used to sustain the brands.

Message: The message design will be consist of following;

* Appeal: Chocolate is basically a fun product and exchange chocolate as gifts is getting popular these days. An EMOTIONAL appeal of “Love” can be designed. Apart from it chocolate can be highlighted by fun elements in life can be positioned as MOOD ELEVATORS. An ASPIRATION appeal would also be helpful.
* Presentation: The design of advertisement will be the setup of fun scene like picnic, college, campus, sports. Ground, partly time can be suitable so that people can “Associate” the chocolate with fun.
* Message Source: For print media the message source will be the copy part and creative advertisement design. For electronic media, the source will be whole family unit, younger enjoying exchanging and eating chocolate.

Consumer Promotion: Some of the consumer offers that could be introduced are :

1. Free gifts like pen, comics etc., on return chocolate wrapper.
2. Money Savers
3. Chocolates in a toy truck etc.
4. The Company can announce consumer “contests” (with proof of purchase) with attractive prizes, supplemented by an advertisement campaign.

**CONCLUSION**

The growth and expansion of the Indian chocolate market in the past has been hampered, due to stiff excise duties on chocolates (at 18 percent – while other agro based products are being charged as low as 8% and a few, even 0% excise) and non-availability of quality cocoa in the country.

Also, import of chocolates has been put in the OGL category, with duties being reduced (in a phased manner). The industry has made recommendations to the Indian government to go back to the Special item list category, in order to safeguard the domestic industry.

However, continuous marketing focus by the players in the market has resulted in the industry looking up like never before. These companies/brands have become much more market savvy. The Indian chocolate market is transforming and new players (Sara Lee is planning to set up base in India) are entering the market. Hence, considering the low per capita consumption of chocolates, the future of the industry seems to upbeat.