

Strategic Implications and Competition for a Chocolate Brand: XYZ India

Author details: Semila Fernandes, M.Phil, MBA, PGDIPR Asst. Professor – Marketing - Symbiosis Institute of Business Management, Bengaluru - (Constituent of Symbiosis International University) #95/1, 95/2, Electronics City, Phase-1, Hosur Road, Bangalore-560 100

Abstract: It was Saturday evening and Kylie West, the Chief Marketing Officer of leading chocolate manufacturer ABC Ltd. sipped her fifth coffee as she pored over the two-page document on her desk prepared by her new team.

The last few weeks had been of great turmoil. It all began when she was presented with two very important reports which contained worrying data presented by her sub-ordinate. The first document contained the quarterly report of the brand perception survey carried out to check the brand health and positioning of her key chocolate brand XYZ and other chocolates (Exhibit III). The report showed a widening gap in the perceptions, and revealed the changing dynamics of the population. The consumer was changing his preferences and Kylie had to do something quickly to meet the challenge posed by the foreign brands of chocolate which were flocking to fill the gap, challenging the key brand.

The second document contained a report on the trends in the chocolate category (Exhibit IV). The shifting trends supported the previous report on changing perceptions. Kylie was contemplating expansion into new categories and was skeptical about their success. There was also the risk of damaging the brand name if she decided to extend the line or enter a new category.

A bunch of fresh graduated were set to work on these two problems and were assigned the task of coming up with workable solutions. To help them get a gist of what the company is about, and the background to the brand and the company, Kylie got compiled a set of past documents and reports.

1. The story behind the brand (Exhibit I)
2. Key Financials
3. The various products and brands owned by the chocolate division, their introduction and stage in the product life cycle (Exhibit I)
4. The various campaigns launched by ABC over the years which ensured the positioning the company was trying to achieve
5. The Marketing Mix and Product Strategies for XYZ
6. The Brand Strategy, Brand Identity, Brand Model and other Brand Metrics important for ABC's XYZ chocolate brand.

7. The Report on Opportunity analysis (Exhibit II)
8. The Latest report on Category Attractiveness
9. New products in the market and their acceptance (Exhibit IV)
10. The Perceptual Map for XYZ (Exhibit V)

Equipped with this data, the task for the team was to come up with a set of recommendations and suggestions to move forward considering the problem statement (Exhibit VI). Mary read the document at her desk on more time. She knew she would have to make a few radical decisions.

Keywords: Brand strategy, positioning, Chocolate, perceptual map

EXHIBIT I

Brand History

XYZ is a brand of milk chocolate currently manufactured by ABC Ltd. The journey of ABC started way back in the year 1910, but it came to the Indian market in 1956. From the time it was introduced in India, XYZ has been the market leader in the confectionery segment commanding a 30% market share and average daily sales of 1 million bars.

Product Life Cycle-

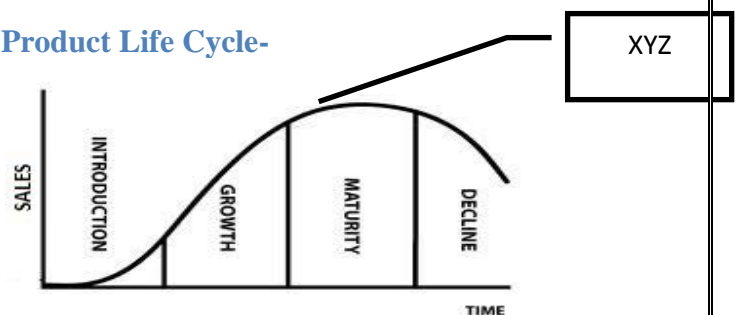


Figure 1: XYZ – Product Life Cycle

ABC controls over 65% share in the Rs 5,500 crore chocolates segment in India, followed by Competitor 1 with 24% share and Competitor 2 with 5% share (data from market research agency). Out of which 30% is held by XYZ alone. It has maintained this by constantly re-inventing the brand and bombarding communication towards

the consumer consistently to maintain top of mind recall in the confectionery segment.

EXHIBIT: II

Opportunity Scan:

There is an immense opportunity for chocolate industry in India.

- In the Indian market of chocolates, there is a completely dynamic mix of trend having complexities in consumption levels, level of income, attitude and spending pattern.
- The demands and consumer preferences of the consumers is the prime motive of companies to expand their business. The variety in pack sizes, price points, different flavors, quality are few important elements.
- Loyalty of Brand has to be attained and economic distribution is mandatory for survival.
- Broadening its product range, the company spread its risks and made itself less vulnerable to downturns in any particular area of its business.
- XYZ's parent company ABC Ltd. is heavily investing in go-to-market strategy and in selling activities in its India operations. This market has been lucrative for this American company where they see slowdown in the sales due to global competition.
- They increased the sales infrastructure in the market and the company took big leaps by expanding into rural market of India.
- There is a growing market in chocolates in India, but the sales of the domestic market have fallen with consumers investing less in chocolates due to economic downturn.
- Although the economic downturn and issues will persist and moreover in the emerging and developing markets, ABC intends to leverage market share gains to offset potential volatility.
- ABC's more than Rs 4,200-crore India operations division last year announced plans to invest \$185 million to build a plant for manufacturing chocolates.
- In the Rs 6,100-crore domestic chocolate segment, ABC has over 65% market share, followed by Competitor 1 (C1) at 24% and Competitor 2 (C2) at 5%.
- Increasing the share of the market, however, may not be easy for ABC, which has been pushing its costlier brand and lowest priced brand. Rival competitor C1, which grew 7% too is focusing on its new brands.
- In the health beverage section, ABC also faces tough competition in India.
- The Demographics of India is surprising with > 50% of its population in the age bracket of < 25 and > 65% below the age of 35, Age Structure:- 0-17 years : 37 % (0.45 billion) Group-I 18-34 years: 26 % (0.32 billion) Group-II 35-64 years: 30 % (0.35 billion) Group-III 65 above : 5.1% (0.05 billion).
- Market penetration seems an ideal expansion strategy for this business.
- 50,000 employees XYZ India operations are also looking for more opportunities in worldwide.

EXHIBIT: III

1. BRAND INDEX AND BRAND STRENGTH REPORT

- Role of Brand: measures how much the decision to purchase is attributable to the Brand Power, regardless of other factors like product or price features.
- Role of Brand Strength measures the ability of the brand to secure delivery of future expected earnings. It is evaluated across 7 dimensions of brand activation, given weights and scores out of 100. (Market size, stability, leadership, spread, trend, support, protection)

Relating Role of Brand and Brand Strength for ABC:

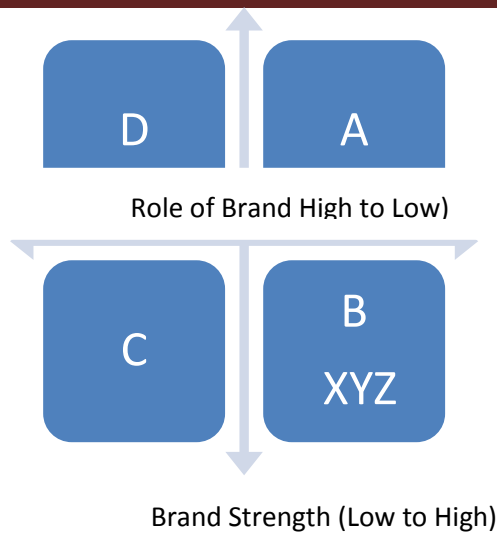


Figure 2: XYZ – Brand Index/Brand Strength

Quadrant A: Highly competitive position. Customers will look for price and other tangible drivers of purchase decision

Quadrant B: Arena to experiment. The brands have a low contribution in a growing segment. Thus, these brands should come up with new offerings

Quadrant C: Brand building required to protect market share from competitors

Quadrant D: Brand has the potential to be the point of difference

The table gives the data for the Hard Core Loyal of the various brands. The numbers indicate the probability of hard core loyal for the brand, considering the switching behavior.

Table 1: Hard Core Loyals

Brand Loyalty		2013-'14	2014-'15
Foreign Brands		13.21	23.77
XYZ		37.74	16.98
Competitor 1 (C1)	1	9.43	5.66
Competitor 2 (C2)	2	9.43	5.66

(The numbers are indicative, but not actual)

EXHIBIT: IV

New Products:

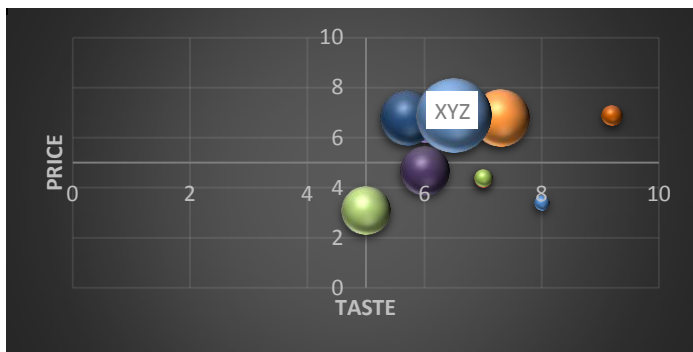
- Consumers prefer dark chocolates. In USA, which spends US\$1.2bn on dark chocolate,

70% of consumers are aware that dark chocolate is healthier.

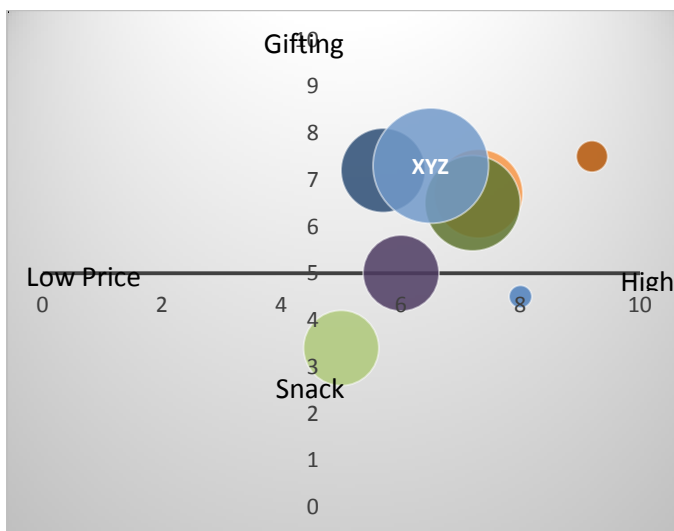
- A study estimates that year-on-year is increasing by 7.5% approx. In certain countries like Switzerland, the market share of dark chocolates grew by 10% in recent years. China is the world's biggest dark chocolate market. As Chinese prefer less sweetness, the market share here have outgrown tremendously.
- In the US, Hershey aims to position dark chocolate as a lifestyle choice. The company is promoting various brands, including Scharffen Berger for wine-tasting parties, fruit-flavored Brookside as a workday treat, and its own indulgent Bliss for ritual evening relaxation. With makers investing in developing flavanols that do not taste as bitter, dark chocolate's appeal could broaden even further.
- Euro monitor report also indicates that after hazelnut, caramel is the second most liked flavor and consumer preference is for this luxury taste.
- Newer variety of flavors has increased the functions of a chocolate and has moved leaps and bounds from being just a chocolate to being a pre-lunch appetizers or accompaniment while consuming wine.
- Companies aims be health friendly and support the Spanish market in producing the chocolate with ingredients like olive oil, cheese and wine.
- Carre chocolate has entered the market with ChocOBeer, which is a chocolate filled with beer.
- Consumers' are feeling nostalgic of chocolates which is instilling the sense of innovation amongst marketers. The dark chocolate wrapper of a Swiss chocolate Lindt's reminds customers of the originality in its recipe.
- Small manufactures include artisanal ingredients in the making of a chocolate. A Taza chocolate manufacturer makes use of cocoa bean particles and some amount of sugarcane in the bar for coarse texture and intense flavor.
- ABC is trying to venture into launching a different chocolate which would probably not melt.

EXHIBIT: V**Perceptual Map**

- The map shows customer perception of various chocolates available in the market. The first map is of price versus taste whereas the second map is price versus gifting / snack, that is, whether the chocolate can be gifted or is only eaten as a snack.

**Figure 4: XYZ – Product Life Cycle**

- From the above map, it is evident, that consumers feel they can still get better taste at a good price. There is a gap of chocolate providing richer taste and higher prices.

**Figure 3: Perceptual Map – Price versus gifting**

- As we can in the above map, there is a gap in low price, and gifting, as well as low price and snack; also, consumers feel that a High value

premium gifting option is not available in the market for which they are willing to pay more.

Importance of Attribute

The importance of attributes based on score and weights assigned is as given in the excel



Attribute Importance.xlsx

EXHIBIT: VI**Problem Statement:**

- The rise in the demand for foreign chocolates. Will ABC's XYZ brand be able to hold its market share in light of the growing competition?
ABC has successfully created a culture of gifting chocolate. Now, the other foreign brands are cashing in on the ready market created by ABC. Also, as XYZ is so ubiquitous, the brand will have to go for a serious repositioning as a premium brand to protect its market share. Competition is not robust enough to challenge the market leader position of ABC, but it can surely bite into the share of ABC.
- The rise of new categories. Should ABC come up with products in related categories like chocolate cakes and cookies?
The brand has been a pioneer in chocolates. But most of its products are in the maturity stage. Also, results show that the category of cakes and cookies is poised for growth. The company has the capability to expand into these categories. Or, it could go for innovations in the chocolate segment itself, which is facing growing competition in segments like dark chocolate, where ABC does not have a strong presence.

Author Profile:



Prof. Semila Fernandes holds an MBA in Marketing Management from Pune University, M.Phil in Management from Periyar University and B.Sc from Goa University. She has also completed "Post graduate Diploma in Intellectual Property Rights" from NLSIU, Bangalore. Presently she is pursuing her Ph.D from SIU Pune. Her teaching experience consists of 10 years in the area of Marketing. Prof. Semila has also got corporate exposure at Bajaj Allianz General Insurance Company as Executive - Direct Marketing and at ICFAI as Regional Summer Internship Co-ordinator and has been actively involved in conducting workshops and orientation for prospective MBA students. Her research expertise has been in the area of Consumer Behavior.