The Chocolate Industry

Saddmun Ahsan
Rebecca Etessami
Laya Mallela
Nishat Yasmin
Why The Chocolate Industry

- Who doesn’t love chocolate?
- More than just a snack
Industry at a Glance

Revenue
16.8bn

Profit
959.9m

Annual Growth
2011-2016
1.2%

Annual Growth
2016-2021
0.7%

Businesses
1,149
Types of Consumers

Value Consumer
- Wants cheaper products and value lines
- Looks for bite size varieties

Luxury Seeker
- Sees chocolate as more than just a product
- Demands premium quality

Hybrid Consumer
- Aims to economize while brightening life
- Less loyal to brands
Supply Chain

FROM BEAN TO BAR

Cocoa beans grow in pods, directly from the trunk of the cocoa tree (Theobroma cacao, or “food of the gods.”) One tree produces between 20 and 30 pods a year, each containing 20 to 50 almond-sized cocoa beans. A year’s harvest from one tree — processed into cocoa liquor, cocoa butter or cocoa powder — is enough to make up to 500g of chocolate.

Source: World Cocoa Foundation, Cocoa Barometer, Cadbury, Nestle
Supply Chain

FROM BEAN TO BAR

Cocoa beans grow in pods, directly from the trunk of the cocoa tree (Theobroma cacao, or “food of the gods.”)
One tree produces between 20 and 30 pods a year, each containing 20 to 50 almond-sized cocoa beans. A year’s harvest from one tree – processed into cocoa liquor, cocoa butter or cocoa powder – is enough to make up to 500g of chocolate.

Source: World Cocoa Foundation, Cocoa Barometer, Cadbury, Nestle

Innovation

Sustainability
Cost Structure

3% Farmer
5% Local taxes & cocoa buyer
12% Transport, storage and trade
20% Production costs
10% Marketing
7% Grinder/processor
43% Retail & supermarket margin

Industry Overview  Content Analysis  Raw Data Analysis  Recommendations & Conclusion
Competitive Landscape

- Concentration
- Substitutes
- Revenue Volatility
- Regulation
Market Concentration is High

Top 4 firms command 74% of the total market
Substitutes

Consumer preference driven

Industry Overview  Content Analysis  Raw Data Analysis  Recommendations & Conclusion
Revenue Volatility

- Price of raw inputs/energy
- Consumer demand/disposable income

Monthly Averages of Daily Cocoa Prices (USD/tonne) from January 2013-2016
Regulatory Agents

FDA
EPA
Competition Bureau

Health and Labeling
Pollution
Price Fixing

Industry Overview
Content Analysis
Raw Data Analysis
Recommendations & Conclusion
Major Players

- The Hershey Company
- Mars
- Nestlé
- Lindt
- Mondelez International
## Financial Performance

<table>
<thead>
<tr>
<th></th>
<th>Hershey</th>
<th>Mars</th>
<th>Lindt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>4,893M</td>
<td>3,543M</td>
<td>1,175M</td>
</tr>
<tr>
<td>Operating Income</td>
<td>687M</td>
<td>195M</td>
<td>161M</td>
</tr>
</tbody>
</table>

---

**Industry Overview**

**Content Analysis**

**Raw Data Analysis**

**Recommendations & Conclusion**
# Social Media Performance

<table>
<thead>
<tr>
<th>Platform</th>
<th>Hershey</th>
<th>M&amp;M</th>
<th>Lindt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facebook</td>
<td>8.2M</td>
<td>10.6M</td>
<td>1.6M</td>
</tr>
<tr>
<td>Twitter</td>
<td>156K</td>
<td>79.5K</td>
<td>52.8K</td>
</tr>
<tr>
<td>Instagram</td>
<td>2K</td>
<td>131K</td>
<td>57.3K</td>
</tr>
</tbody>
</table>

## Industry Overview

- **Social Media Performance**

## Content Analysis

- Compare and contrast the performance metrics across platforms for each brand.

## Raw Data Analysis

- Analyze the data to understand trends and patterns.

## Recommendations & Conclusion

- Provide recommendations based on the analysis.
- Summarize the key findings and conclusions.
Hershey’s Content Analysis

- No ads were informative or comparative
- No ads used humor, fear, or celebrities
- Movie-like
- One-brand strategy
M&Ms Content Analysis

- 100% used **humor** and featured the **M&M characters**
- None were informative or comparative
- Some were **specialized** for Crispy or Peanut M&Ms

Current Campaigns

- Partner with X-Men Movies
- Celebrating 75 Years
- Pick Your Favorite Flavor
M&Ms Primetime Analysis

- Promotes different product lines throughout the year
- Featured M&Ms Peanut during 2014 Super Bowl Campaign

![Bar chart showing M&Ms Primetime Analysis](chart.png)
Lindt Content Analysis

- Highlighted that chocolate is an **experience** good
- **Persuasive** in nature – “smooth” & “luscious”
- Don’t use humor
- Campaign remained the same over 5 years
  - Woman tasting chocolate
  - Master Swiss chocolatier
Raw Advertising Data Analysis

- 2014 Prime Time Data
- 2009, 2010 Full Data

Industry Overview  |  Content Analysis  |  Raw Data Analysis  |  Recommendations & Conclusion
$70 million spent on 1177 prime time ads in 2014
Mars Inc. spent the most in prime time advertising

- Mars: 54%
- Hershey: 23%
- Ferrero: 5%
- Lindt: 18%
- Merci European: 0.2%
Advertising Data

- Increase in ad spending as recession ended

### Ad Dollars Spent

- 2009: $333m
- 2010: $560m
- Increase: +68%

### Number of Ads

- 2009: 189,482
- 2010: 306,594
- Increase: +62%
Seasonality

During summer months, drop in both number of ads and ad dollars spent (in millions)
Seasonality

Same trend seen in 2009-2010
Seasonality Compared to Candy

- Non-chocolate candy shows different seasonal patterns

![Graph showing seasonality compared to candy](image-url)
Valentine’s Day

- Peaks leading up to Valentine’s Days and then drops
Halloween and Christmas

- No large advertising jump for Halloween, but huge buildup to Christmas

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of Ads</th>
<th>Dollars Spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/30</td>
<td>500</td>
<td>1000</td>
</tr>
<tr>
<td>10/7</td>
<td>1500</td>
<td>2000</td>
</tr>
<tr>
<td>10/14</td>
<td>2500</td>
<td>3000</td>
</tr>
<tr>
<td>10/21</td>
<td>1500</td>
<td>2000</td>
</tr>
<tr>
<td>10/28</td>
<td>1000</td>
<td>1500</td>
</tr>
<tr>
<td>11/4</td>
<td>1000</td>
<td>1500</td>
</tr>
<tr>
<td>11/11</td>
<td>1500</td>
<td>2000</td>
</tr>
<tr>
<td>11/18</td>
<td>2000</td>
<td>2500</td>
</tr>
<tr>
<td>12/2</td>
<td>2500</td>
<td>3000</td>
</tr>
<tr>
<td>12/9</td>
<td>3000</td>
<td>3500</td>
</tr>
<tr>
<td>12/16</td>
<td>3500</td>
<td>4000</td>
</tr>
<tr>
<td>12/23</td>
<td>4000</td>
<td>4500</td>
</tr>
<tr>
<td>12/30</td>
<td>5000</td>
<td>5500</td>
</tr>
</tbody>
</table>

Industry Overview | Content Analysis | Raw Data Analysis | Recommendations & Conclusion
Gourmet vs. Mass Market

- Lindt

- Mars Inc.

Industry Overview  Content Analysis  Raw Data Analysis  Recommendations & Conclusion
Gourmet vs. Mass Market
Seasonality

Gourmet brands advertise much more heavily in the during the first and last quarters of the year, while mass market brands advertise consistently throughout the year.
Gourmet vs. Mass Market
Average Ad Price

2009 + 2010

Lindt: $2,841
Mars: $1,767

2014, Primetime

Lindt: $60,880
Mars: $58,057

Recommendations & Conclusion
2014 Program Type Proportions: Mass Market and Gourmet
Primetime Programming: Mass Market

Hershey’s Top Programs
- Whose Line is It Anyway?
- Supernatural
- Hell’s Kitchen
- Bob’s Burgers
- Brooklyn Nine-Nine

Mars Top Programs
- Whose Line is It Anyway?
- Supernatural
- Arrow
- America’s Dad
- The Originals

Industry Overview | Content Analysis | Raw Data Analysis | Recommendations & Conclusion
Primetime Programming: Gourmet

Lindt Top Programs

Industry Overview  Content Analysis  Raw Data Analysis  Recommendations & Conclusion
## 2009-10 Programming: Mass Market

<table>
<thead>
<tr>
<th>Hershey’s Top Programs</th>
<th>Mars Top Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are You Smarter Than a 5th Grader?</td>
<td>Clean House</td>
</tr>
<tr>
<td>The Bernie Mac Show</td>
<td>CSI: Crime Scene Investigation</td>
</tr>
<tr>
<td>Deal or No Deal</td>
<td>ESPN News</td>
</tr>
<tr>
<td>Family Feud</td>
<td>That '70s Show</td>
</tr>
<tr>
<td>Early Show</td>
<td>Sportscenter</td>
</tr>
</tbody>
</table>

---

**Industry Overview**

**Content Analysis**

**Raw Data Analysis**

**Recommendations & Conclusion**
Lindt Top Programs

- Animal Cops
- Jimmy Kimmel Live!
- Flubber
- Played by Fame
- Jingle All the Way

Industry Overview  Content Analysis  Raw Data Analysis  Recommendations & Conclusion
Trends and Strategies

- Health
- Seasonality
- Develop Brand Identity
Recommendations

- Major brands should get ahead of the trends
  - Health
  - Sustainable

- Continue to experiment with artisanal ingredients

- Further innovate in production, technology, marketing