

CADBURY VS NESTLE: A STUDY OF THE CHOCOLATE WAR

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Abstract:

This research paper focuses on how the two firms in the same industry: The study is based in the city of Mumbai. Cadbury and Nestle sell similar products and yet manage to have huge product differentiations in their own way. It throws light on how the two confectionery firms chosen are in monopolistic competition and how the products are differentiated via branding, which include the 4Ps, attributes of the products, target markets and the segmentation.

Key words: chocolates, attributes, price , marketing.

Introduction: THE DUOPOLISTIC COMPETITIVE MARKET FOR CHOCOLATES

India's chocolate market is dominated by two just companies-Cadbury and Nestle.

Cadbury is a British multinational confectionary brand owned by Mondelez International. Cadbury India has a majority share in the market. Cadbury India is regarded as the 'gold standard for other chocolate companies in India. Some of the popular brands are Cadbury Dairy Milk, Silk, 5 Star, Bourneville, Éclairs and Oreo. Cadbury has a great branding strategy. It offers chocolates to all ranges of age and income. While it has Oreo and Cadbury Dairy milk for the younger generation, it also has Bourneville for the taste of dark chocolates and elder generation. It has chocolates which are cheap i.e. Cadbury Dairy Milk and 5 star while it also has premium chocolates worth i.e. Silk and Bourneville.

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Nestle is a Swiss multinational confectionery, food and beverage company. It is known to be the largest food company in the world measured by revenues.

Nestle India has been in existence for over nine decades now and has built a relationship of trust with the people of India. Nestle chocolates like Kit-Kat, Milky Bar, Nestle Classic, Éclairs, Polo and Munch are a big part of the Indian confectionery market. They introduced the first white chocolate i.e. Milky Bar which still sells in great numbers. They also introduced one of the first wafer chocolates i.e. Kit Kat which is their most sold chocolate till date.

In this type of market, as there is product differentiation, each firm must incur additional selling cost to be preferred by the consumers. These include advertisement expenses, promotion expenses, marketing staff income etc.

Cadbury has always had a very strong marketing strategy and it invests huge amount of its revenue in promotions. With its advertisement strategies 'Kuch mitha ho jaaye' it focuses on all age groups. It has used icons like Amitabh Bachchan to focus attention on the elder generation of the society. Nestle also focuses a lot on marketing. Its flagship campaign has been of its leading chocolate, Kit Kat 'Take a break'. To focus on the younger generation it had Rani Mukherjee as its brand ambassador with a campaign on Munch.

The two firms compete on the basis of brand, product and quality advertisement. Cadbury and Nestle offer different kinds of chocolates with different prices.

Cadbury and Nestle are differently sized firms and have their own set of strategies to become even bigger in the Indian market. None of them are influenced with each other and are independent firms.

Research Methodolgy

Data Collection

All the data has been collected from primary sources. The questionnaire had a series of close-ended questions regarding various strategies of the two firms, customer preferences and market

analysis. The total sampling size was 84 respondents from Mumbai city. Convenience sampling has been used for conducting the survey. Usable responses were received from 75 respondents.

Limitations of the Research

- A sample size of 84 respondents to represent the entire city of Mumbai may not be adequate.
- The data received from some respondents in the form of informal interviews were not supported by written facts.
- The accuracy of data collected through questionnaires cannot be judged to be absolutely correct in case they may have not been telling the truth.

Data Analysis and Interpretation

Purchase of chocolates

Table 1- Number of chocolate bars bought per week

No. of chocolate bars	Total Responses	Percentage of Responses
Less than 3	5	77.3
	8	
3-7	12	16.0
More than 7	5	06.7

It is important to understand the frequency of purchase of chocolate bars as it would determine the sales of each firm. More than half i.e. 77.3% consumers buy less than 3 chocolate bars in a week, which shows that chocolates are usually associated with occasions and are not consumed every day. If Cadbury and Nestle introduce Chocolate Nutrition Bars, the sales per week may increase.

Table 2- Loyalty to a chocolate brand

Brand	Total Responses	Percentage of Responses
Cadburys	56	74.6

Nestle	09	12
Other	10	13.4

Table 2 shows the brand to which the customers are most loyal. It shows how the presence availability, promotion and quality of Cadbury have done wonders with the leading market brand. 74.6% consumers would prefer a Cadbury product to any other. Nestle Kit-Kat is also another product which is the most favoured after Cadbury. This shows trust, faith and comfort for a brand like Cadbury.

Table 3-The chocolates most commonly bought among the Cadburys group

Brand Name	Total Responses	Percentage of Responses
Cadbury Dairy milk	44	58.6%
Cadbury silk	16	21.4%
Cadbury 5 star	06	8.0%
Dairy Milk Caramel	02	2.6%
Perk	01	1.4%
Cadbury Bourneville	06	8%

Table 3 shows the most famous and preferred chocolates of Cadbury. Topping the list is their oldest brand Cadbury Dairy Milk with 59.6% of the respondents preferring it Cadbury Silk finds favour with 16% of the respondents. Cadbury Dairy Milk was the first known chocolate of this firm which gave a push in their brand image. After a lot of modifications in the chocolate, till date it the most sold chocolate in India which is borne out of secondary data also. Cadbury Silk is a new addition to the Cadbury family in India. It is preferred due to its smoothness and it is available in many flavours like orange, nuts and caramel . This product was introduced with a set of very appealing advertisements which probably helped in increasing sales.

Packaging

Table 4- Opinion of respondents on which chocolate has the best packaging

Brand	Total Responses	Percentage of Responses
Cadbury Dairy Milk	16	21.4%
Kit-Kat	21	28%
Cadbury Silk	31	41.3%
Nestle Alpino	07	9.3%

Table 4 reiterates the attractiveness of product packaging. Packaging is an important factor, as the product must stand out in order to get selected amongst others. Cadbury's Silk appears to be the winner being the verdict of 41.3% of the respondents for the glossy cover and great font and colour combination. The packaging of Kit-Kat finds favour with 28% of the respondents for its red colour and unique shape. The packaging of Dairy Milk finds favour with 21.4% of the consumers surveyed.

Place:

Availability is the most important aspect after marketing of the product. If the product is not always visible in the market, the demand for the product automatically falls due to many other substitutes.

Table 5- Easy availability of the brand

Brand	Total Responses	Percentage of Responses
Cadbury dairy milk	60	80
5 star	05	6.6
Cadbury Silk	06	8.0
Kit-Kat	04	5.4

Where the availability of the chocolates to the consumers is concerned, Cadbury Dairy Milk tops the list with 80% consumers believing in its easy availability followed by Cadbury Silk (8%), 5 Star (6.6%) and Kit Kat with (5.4%).

Cadbury is easily one of the most available brands and it has achieved its target of providing it in every shop, every super store, petrol pumps and medical stores as well.

Nestle follows the FMCG strategy of distribution which includes breaking the bulk. The distribution strategy is as follows:

Manufacturing --- C&F Agent--- Distributors--- Retailers---consumer

Even though Nestle channel is strong with great marketing and sales network, it does not seem to be good enough. Nestle introduces trade discounts to improve the channel but its major challenge is to compete against Cadbury. Nestle must work on its distribution channel in order to catch up with Cadbury.

Price:

Indian customers are very price sensitive and the price of a chocolate bar can easily determine its sales. If the prices are too low then it affects the company profits while higher might mean diminished sales.

Therefore Cadbury Dairy Milk resorts to the reasonable and affordable price mission while Cadbury Silk caters to the customers willing to spend more on a chocolate bar. Cadbury caters to all types and all classes with 5 Star, Cadbury Dairy Milk, and Perk being in the reasonable price range and Cadbury Silk and Bourneville being the premium chocolates.

Nestle has adopted a similar method. As the two firms are in great competition, similar chocolates have similar prices. But the new Nestlé's Alpino is the premium chocolate competing against Cadbury's Silk as a gifting and a higher chocolate.

Table 6-Responses on whether a discounted price would make more consumers buy premium chocolates like Silk and Alpino

Response	Total Responses	Percentage of Responses
Yes	30	40
No	14	18.6
Price does not matter	31	41.4

Table 6 shows three sets of people : one group who are ardent chocolate lovers (18.6%) , another set who is two price sensitive (40%) and the last category where people do not like spending much on chocolates (41.4%).

Table 7-Perception on price

Brand	Total Responses	Percentage of Responses
Cadbury Dairy Milk, Silk, Bourneville, 5-star	66	88
Nestle, Kit-Kat, Milky Bar, Alpino, Munch	05	6.6%
Amul	00	00
Choc-on	04	5.4

Table 7 shows there is a perception that Cadbury is the most expensive brand out of all those of the available. Cadbury has a strategy of “one Cadbury, one pocket”. It caters to all classes of the society with a range of Rs 5 to Rs 300. Yet its premium chocolates i.e. Silk and Bourneville, are

of a higher price than premium chocolates of any other brand like Nestle (Kit-Kat Crunchy, Alpino)

Therefore it is tagged as the highest in terms of price with 88% of the consumers having this perception.

Promotion

Cadbury has been known for its promotional strategy. It has always had very good advertisements and taglines in order to attract the attention of the consumers. The company has different kinds of advertisement catering to different age groups. The company also gives different discounts on many occasions with a new kind of packaging also. The promotion campaign has different kinds of tag lines like ‘ Shubhaarambh’, ‘ Kuch meetha ho jaaye’, ‘ Meetha hai khana aaj pehli tareek hai.’

The Nestle tune which was launched two decades ago became one of their best advertising campaigns and brought Nestle strongly in the market. Even advertisements for Magi led to a better brand image, which helped in sales of chocolates as well.

The Kit-Kat chocolate had a big marketing campaign where the tag line suggested ‘Take a break-take a Kit-Kat’. With a very innovative website of kit-Kat, the FMCG company expected a major demand in Kit-Kat. Their famous taglines include ‘ Can’t stop munching’, ‘Take a break, take a Kit-Kat’ and ‘ Crunchiest ever excitement’.

Table 8- Perception on which company has the best promotion strategy

Company	Total Responses	Percentage of Responses
Cadbury	62	82.6
Nestle	07	09.4
Amul	06	08

Table 8 shows majority of the consumers (82.6%) believe that Cadbury leads with the best promotion strategy. The company comes up with brilliant set of promotion campaigns and offers

in order to attract the consumers. The company attempts to connect with the consumers at an emotional level and each consumer can somehow relate to their advertisements. Nestle also has a great set of advertisements but they have better promotion campaigns for their other products i.e. Maggi and Nescafe.

Table 9- Influence of brand ambassadors on the consumer

Opinion	Total Responses	Percentage of Responses
Strongly Agree	08	10.6
Agree	40	53.4
Strongly Disagree	09	12.0
Disagree	18	24.0

Table 9 shows the importance of brand ambassadors in increasing sales of the product. Around 64% agree that brand ambassadors have a big hand in this but 36% of the respondents disagree to this view. On probing further it was found that the first time sale of a new product is definitely encouraged by a respected celebrity endorsing it, while the other group believed that the quality, trust and faith in a firm are bigger factors in buying a product for the first time.

Table 10- Superior Brand Ambassadors

Brand and its ambassadors	Total Responses	Percentage of Responses
Cadbury: Amitabh Bacchan, Ranbir Kapoor, Sania Mirza	70	93.4
Nestle: Rani Mukherjee,	05	6.6

Virat Kohli, Prateik Babbar		
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Table 10 shows that 93.4% of the respondents endorse the choice of Cadbury in their brand ambassadors while only 6.6% approve of the choice of Nestle.

Cadbury rolled in Amitabh Bachchan whose universal appeal and respect led the company to influence a big range of target groups. Ranbir Kapoor for that matter had a big influence of the youth and Sania Mirza on the sports lovers. Cadbury got them at the right time to promote their chocolates.

Attributes of the product

A customer may associate a brand with happiness, sweetness, colours, memories, shape of the product, brand ambassador, specific advertisement, song etc.

Cadbury recently changed its promotional strategy perhaps to change the pace of increase in sales. Cadbury started focusing on emotional marketing. With its brilliant advertisements of celebrations, Rakhsha Bandhan and many more, they formed a connect with the audience where the consumers would hear them out. Cadbury wants to be known as a sweet of happiness, festivals, gifts, family etc. They want that their chocolates replace the traditional Indian sweets.

Table 11- Attributes chocolates are associated with

Opinion	Total Responses	Percentage of Responses
Happiness	20	26.6
Colour	07	9.4
Brand ambassador	05	6.7
Advertisements	26	34.6
Festivals	07	9.4
Taste and quality	10	13.3

34.6% of the consumers associate the chocolates with the brilliant advertisements they create, 26.6% call it the sweet of happiness, and 13.3% associate it with to the taste and quality.

Targeting and Segmentation:

Cadbury India correctly repositioned its market as the focus earlier was only on kids. They wanted to change the whole concept of chocolate being just for children and this would help them grow rapidly. And so Cadbury decided to appeal to the older generation and get more business. It was a big challenge in the Indian market, as many adults would not consume chocolates at all. They initiated a change in their campaigns with ‘ Real Taste of India’ and ‘ the kid in all of us’ and also got Mr. Amitabh Bachchan as their brand ambassador.

Nestle’s main targeting segment is the working class as nuts provide for the hunger needs with sufficient amount of calories in one chocolate. Another target audience is the young students studying in colleges and universities. Their white chocolate i.e. Milky bar is for another set of audience who dislike brown and dark chocolates.

Conclusion

Cadbury and Nestle have been giving each other big competition and challenges in the Indian market. The monopolistic competition has two big firms fighting for becoming the leading snacking company in India. They are coming up with great promotional strategies, distribution channels, offers, gifts and many more incentives in order to get more and more customers.

This research shows that Cadbury is leading in promotion strategy, customer’s choice, availability and distribution channels, ad campaigns, brand ambassadors and a soon to be replacement to the Indian traditional sweets. They are far ahead from Nestle in terms of chocolates while Nestle is ahead in terms of snacks.

The Indian confectionery market has changed its focus from chocolates just for children and are fast replacing the traditional Indian sweets. 96% of the consumers in the range of 15-55 years age have voted chocolates as a sweet for all ages.

Recommendations of the Study:

The Indian chocolate market has changed dramatically in recent years and is poised for great growth in the future. Rising disposable incomes and the tendency to gift chocolates instead of traditional Indian sweets are also contributing towards this.

Cadbury and Nestle should concentrate more on premium brands for urban India and on smaller single serve packets in the rural areas.

Both companies are advised to pay attention to their dark chocolates as more and more Indians are becoming health conscious. As growth picks up in India it will remain a sweet spot for chocolate makers.

Both companies will now face stronger competition from other foreign brands which have just entered India. The industry should try to get more people to eat more chocolate, which calls for making it more affordable and being more innovative.

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