Godiva Case:
Should Godiva launch a new category?

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Chocolate Market Overview

- **Market value:** ¥ 4B (retailer)
- **Home consumption**: 234,869 MT (1.84 kg/capita)
- **2013**: negative sales growth in chocolate confectionary
  - Volume growth: -4.54% CAGR
  - Value growth: -3.44% CAGR
- **Market expected to shrink in volume (-1.49%) and value (-1.17%)**
  - Japan's aging population and birth rate decline
  - Longer summers
  - Higher prices of ingredients commodities such as cocoa

Sources: Chocolate and Cocoa Association of Japan, International Markets Bureau, "Consumer Trends: Confectionery in Japan", Euromonitor
● Chocolate confectionary => store-based retail
  o Supermarkets/hypermarkets: 34.9% (based on retail value)
  o Traditional grocery retailers: 13.83%
  o CVS: 19.58%
● Major competitors: Meiji (17.8%), Lotte (13.41%), Morinaga (11.79%), Nestle (Kit Kat) (4.78%)
  o Meiji: leading company
    ▪ 2013: products targeting adults (i.e. Kyo Mocha Chocolate)
  o 2013: 50th anniversary of Ghana
    ▪ Milkier and richer taste + simpler packaging
    ▪ Introduction of seasonal Ghana Marriage: bi-layer chocolate (milk chocolate + flavored chocolate)

Sources: MacroMill, ZDNet Japan
# Customer Segment

<table>
<thead>
<tr>
<th>Persona 1: Shoko</th>
<th>Persona 2: Mariko</th>
<th>Persona 3: Fumiko</th>
</tr>
</thead>
<tbody>
<tr>
<td>● young professional in late 20s</td>
<td>● office lady in mid 30s</td>
<td>● housewife in late 40s</td>
</tr>
<tr>
<td>● fast-paced work day</td>
<td>● relaxed working environment</td>
<td>● buys chocolate to eat when relaxing at home or for children</td>
</tr>
<tr>
<td>● eats chocolate when feeling tired or stressed at work</td>
<td>● eats chocolate during afternoon break</td>
<td>● channels: grocery stores or supermarket</td>
</tr>
<tr>
<td>● channels: CVS, train station</td>
<td>● channels: CVS, grocery stores or supermarket</td>
<td>● careful comparisons with similar product before making purchase decision</td>
</tr>
<tr>
<td>● decision made on-the-spot</td>
<td>● some considerations of alternatives when purchasing</td>
<td></td>
</tr>
</tbody>
</table>
# Segment Evaluation

<table>
<thead>
<tr>
<th>Persona</th>
<th>Age</th>
<th>Size</th>
<th>Avg Annual Income</th>
<th>Avg Monthly Spending</th>
<th>Highest Price Willing to Pay</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shoko</td>
<td>late 20s (20-29)</td>
<td>6,386,000 (5.02%)</td>
<td>2,580,000</td>
<td>2618</td>
<td>340/unit</td>
<td>Everyday: 6.7% 3-5x/wk: 13.2% 1-2x/wk: 22.8% 42.7%</td>
</tr>
<tr>
<td>Mariko</td>
<td>mid 30s (30-39)</td>
<td>8,224,000 (6.46%)</td>
<td>2,945,000</td>
<td>2982</td>
<td>350/unit</td>
<td>Everyday: 2.7% 3-5x/wk: 9.3% 1-2x/wk: 28.7% 40.7%</td>
</tr>
<tr>
<td>Fumiko</td>
<td>late 40s (40-49)</td>
<td>8,957,000 (7.04%)</td>
<td>2,845,000</td>
<td>3039</td>
<td>328/unit</td>
<td>Everyday: 3% 3-5x/wk: 6.6% 1-2x/wk: 15.7% 25.3%</td>
</tr>
</tbody>
</table>

Currency = Yen
Sources: Japan Statistics Bureau, National Tax Agency, Ministry of Health, Labor and Welfare, VLC, Dentsu
Forecasting Demand

● **Target segment (20-39, working females):**
  - Population (20s) = $6,386,000 \times 80\% = 5,108,800$
  - Population (30s) = $8,224,000 \times 70\% = 5,756,800$
    - 40\% purchase at least once/wk from CVS
      - $10,865,600 \times 40\% \times 4 = 17,384,960$ units/mon.
    - 25\% purchase at least once/mon. from CVS
      - $10,865,600 \times 25\% = 2,716,400$ units/mon.
    - Of which, 41\% is chocolate
      - $20,101,360 \times 41\% = 8,241,558$ units of chocolate/mon.
  - **Total est. demand of approx. 800 million yen per month**
    (assuming 100 gram per unit charged at 100 yen)
High price per unit (yen)

Low Price per unit (yen)

Innovative

Traditional

Meiji Harel (squares)

Meiji Harel (pearls)

268.5

Meiji Meltykiss

Meltykiss Pyramid

Uchi Cafe sweets プレミアム純生クリームチョコ

258

250

238

210

Meiji おぼろ抹茶

大人Look Fujiya

7/11 Premium
# Marketing Mix

<table>
<thead>
<tr>
<th>Product</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Satisfies the desire to occasionally indulge in some quality chocolate snacks as a break away from work</td>
<td>● Above most confectionaries= keep the luxury image of Godiva</td>
</tr>
<tr>
<td>● Projects an image of stylish luxuriousness</td>
<td>● Below 510 as it would be beyond the estimated possibilities</td>
</tr>
<tr>
<td>● Variety (shape, colors and taste)</td>
<td></td>
</tr>
<tr>
<td>● Instantly recognizable packaging</td>
<td></td>
</tr>
</tbody>
</table>

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<th>Promotion</th>
<th>Place</th>
</tr>
</thead>
<tbody>
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<td>● Advertising: social media campaigns to raise awareness and generate interest for the product (LINE and Facebook)</td>
<td>● Convenience stores (7-Eleven, Lawson, Family mart, Sunkiss)</td>
</tr>
<tr>
<td>● In-store advertising</td>
<td>● Godiva stores in train stations</td>
</tr>
<tr>
<td>● Stands in train stations=&gt; introducing the product</td>
<td>● Supermarkets/grocery stores</td>
</tr>
<tr>
<td>● On-pack promotion (i.e. chance to win a million yen)</td>
<td></td>
</tr>
</tbody>
</table>
Financial Projections

Conservative

- **Price point:**
  - 338 per unit

- **Demand:**
  - 28.6% willing to pay
  - 301-500 yen
  - \(10,865,600 \times 28.6\% \times 338\)
  - 1,050,355,820 yen per month

Optimistic

- **Price point:**
  - 510 per unit

- **Demand:**
  - total of 49,323 CVS in Japan
  - \(49,323 \times 2 \times 510 \times 30\)
  - 1,509,283,800 yen per month

Sources: Japan Franchise Association, VLC Co. Ltd.
Risks and Uncertainties

Internal
- Supply chain
- Personnel training
- Top management
- Premium value delivery

External
- Rising cocoa and sugar prices
- Local competitors premiumizing
- Aging population
- Longer summers
Implementation

● Introduce the product in CVS first before expanding to other channels
● Monitor sales and customer feedback
● Modify product to better accommodate customer needs
● Expand to other locations
Thank you for your time

Any Questions?