

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
 - Supermarkets/hypermarkets: 34.9% (based on retail value)
 - Traditional grocery retailers: 13.83%
 - CVS: 19.58%
- Major competitors: Meiji (17.8%), Lotte (13.41%), Morinaga (11.79%), Nestle (Kit Kat) (4.78%)
 - Meiji: leading company
 - 2013: products targeting adults (i.e. Kyo Mocha Chocolate)
 - 2013: 50th anniversary of Ghana
 - Milkier and richer taste + simpler packaging
 - Introduction of seasonal Ghana Marriage: bi-layer chocolate (milk chocolate + flavored chocolate)

Customer Segment

<u>Persona 1: Shoko</u> <ul style="list-style-type: none">• young professional in late 20s• fast-paced work day• eats chocolate when feeling tired or stressed at work• channels: CVS, train station• decision made on-the-spot	<u>Persona 2: Mariko</u> <ul style="list-style-type: none">• office lady in mid 30s• relaxed working environment• eats chocolate during afternoon break• channels: CVS, grocery stores or supermarket• some considerations of alternatives when purchasing	<u>Persona 3: Fumiko</u> <ul style="list-style-type: none">• housewife in late 40s• buys chocolate to eat when relaxing at home or for children• channels: grocery stores or supermarket• careful comparisons with similar product before making purchase decision
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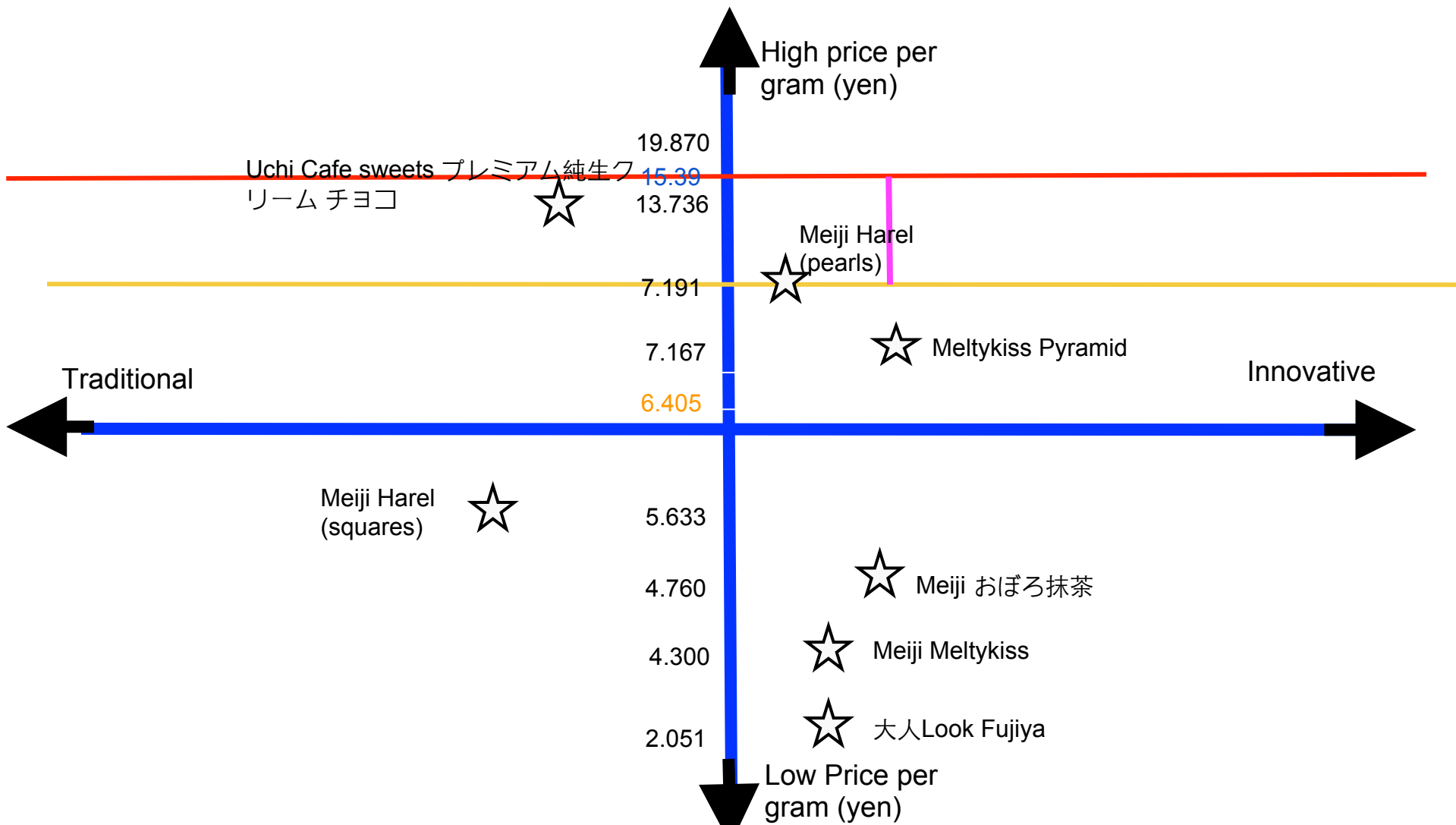
Segment Evaluation

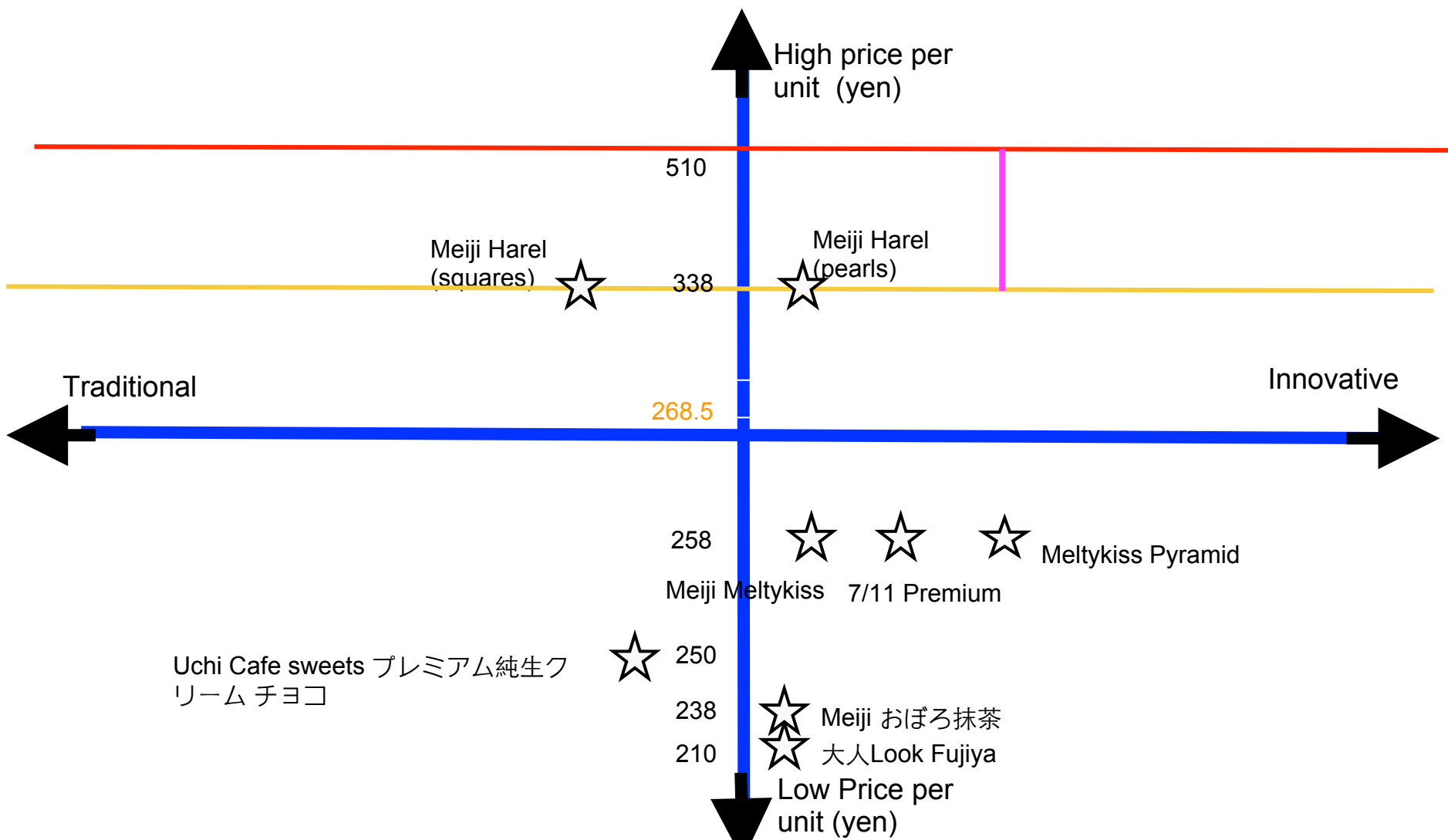
Persona	Age	Size	Avg Annual Income	Avg Monthly Spending	Highest Price Willing to Pay	Frequency
Shoko	late 20s (20-29)	6,386,000 (5.02%)	2,580,000	2618	340/unit	Everyday: 6.7% 3-5x/wk: 13.2% 1-2x/wk: 22.8%
Mariko	mid 30s (30-39)	8,224,000 (6.46%)	2,945,000	2982	350/unit	Everyday: 2.7% 3-5x/wk: 9.3% 1-2x/wk: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

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)





Marketing Mix

<u>Product</u> <ul style="list-style-type: none">• Satisfies the desire to occasionally indulge in some quality chocolate snacks as a break away from work• Projects an image of stylish luxuriousness• Variety (shape, colors and taste)• Instantly recognizable packaging	<u>Price</u> <ul style="list-style-type: none">• Above most confectionaries= keep the luxury image of Godiva• Below 510 as it would be beyond the estimated possibilities
<u>Promotion</u> <ul style="list-style-type: none">• Advertising: social media campaigns to raise awareness and generate interest for the product (LINE and Facebook)• In-store advertising• Stands in train stations=> introducing the product• On-pack promotion (i.e. chance to win a million yen)	<u>Place</u> <ul style="list-style-type: none">• Convenience stores (7-Eleven, Lawson, Family mart, Sunkiss)• Godiva stores in train stations• Supermarkets/grocery stores

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

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?