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## INTRODUCTION OF NUTELLA IN CHINA



For David GRIPPER

# Introduction

In this survey, I've decided to launch Nutella from the FERRERO Group in China. The FERRERO figures in the consumer market are very interesting. Indeed, FERRERO is the world's leader on certain products of its range as Nutella. The FERRERO leadership is practically uncontested. The NUTELLA market share on the segment of the chocolate spread approached 89 % in 2004, while their closest competitors have realized market shares less than 5 %.

These encouraging figures allow me to justify the attempt of setting-up NUTELLA in this big market with a great potential that is China.

Indeed, China has about 1.307 billion consumers who begin to open more and more to the occidental products. The entrance of Nutella can thus join to this evolution to allow Ferrero to increase its sales abroad.

In this context, we can wonder what are the perspectives of the market for the chocolate and how to implant it in the best way for China?

To answer this problem, we shall identify at first the mix of NUTELLA in France, and then after, with all the information founded on the environment, the characteristics of the market and the competition in China, we can finally elaborate the mix of the project.

# Part 1: THE FERRERO GROUP

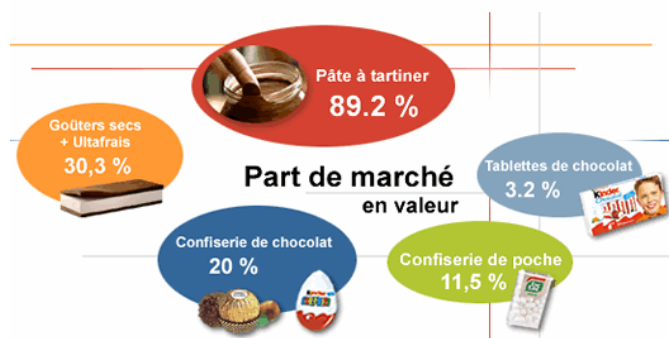
## a- FERRERO in the world

Today the FERRERO Group is on the fourth worldwide place of the area of the chocolate-confectionery, with in Europe, a leader position in Germany, in Italy and in France. For more than 55 years, brands of the FERRERO Group are appreciated by millions of consumers in Europe and all over the world.

- **Some numbers:**

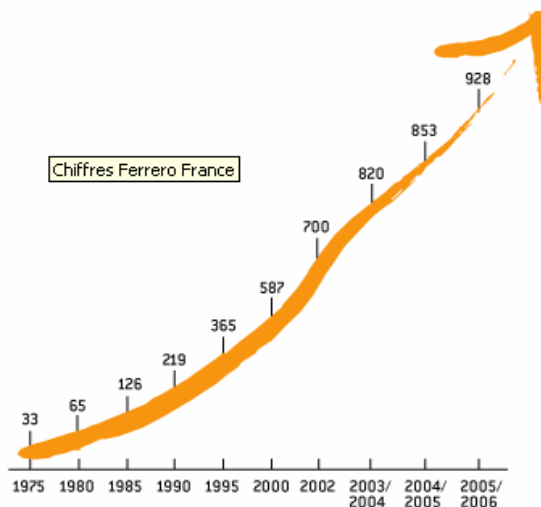
- Turnover 2005-2006: 5,6 billion Euros
- Number of collaborators: 19 000
- Number of industrial establishment: 16
- Number of commercial setting-up: 36
- Number of made and sold products: 50
- Annual Production: 700 000 tons of products
- Main producing countries: Italy, Germany, France, Belgium

## b- FERRERO in France:



In France, FERRERO produces and distributes about fifteen products.

It is present on 5 markets with distinct products: Nutella, Kinder, Ferrero Rocher, My Darling, Trick Tap, Raffaello and Duplo.



Seeing these encouraging figures (turnover, income, market shares...), I decided to choose the FERRERO's "Star product", that is to say, the **NUTELLA** spread.

Given that NUTELLA is already profitable, there are few risks to export its abroad.

*Evolution of French Turnover (in million euros)*

## Part 2 : THE NUTELLA PLAN IN FRANCE

NUTELLA is made by FERRERO France, which is headquartered in Rouen. Other manufacturing plants that produce Nutella are also located worldwide. NUTELLA became unavoidable thanks to his unique taste, his unique unctuousness and his high nutritional qualities.

### a- Segmentation

#### ✖ Socio-demographic criteria

- A presence all over the world
- Product of frequent consumption
- Individual or family consumers

#### > **Every socio-economic status are concerned**

#### ✖ Buying behavior criteria

- Wanted or exceptional purchase
- The price is not an obstacle
- Fidelity to the brand

#### > **Product which live through the generations**

### b- Target

- Affect all the populations without distinction
- Parents = extended consumers
- Cultural Group

### Core target

- Mainly the 10-25 generation
- (please, note that babies and senior citizens often don't consume this product due to its high food values)

### c- Positioning

- Product associated to greediness
- Undivided taste (Secret recipe)
- Upscale quality/Accessible price

#### > **High-up differentiation**

#### > **Monopoly of quality**

- Nutritional and energizing qualities, ingredients are required for the growth
- The NUTELLA breakfast concept

*60 g of bread  
30 g of NUTELLA  
100 ml of orange juice  
250 ml of milk chocolate*

## d- Slogan

“Votre complice au quotidien”

# Part 3 : MARKETING MIX IN FRANCE

## a- Policy of Product



- NUTELLA, the Original Creamy, Chocolatey Hazelnut Spread, is a spread made mainly from cocoa, hazelnuts, skim milk, sugar and plant fats.

- NUTELLA: Always associated with some bread.

- Indeed, in general, French people use to eat NUTELLA on bread, toast or in crepes. But with the globalization some people prefer NUTELLA on a wide variety of breads like bagels, muffins, whole wheat bread, multigrain breads, croissants, waffles, rolls...

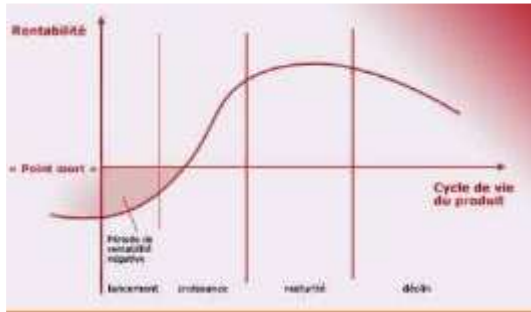
- People enjoy NUTELLA for breakfast, lunch, or as an afternoon snack.

Nutrition Facts		Amount/Serving	% DV*	Amount/Serving	% DV*
Serv size 2 tbsp. (37g)	<b>Total fat</b> 11g	<b>15%</b>	<b>Total carb</b> 23g	<b>8%</b>	
Servings about 10	Sat fat 2g	<b>10%</b>	Fiber 2g	<b>7%</b>	
<b>Calories</b> 200	<b>Cholest</b> 0mg	<b>0%</b>	Sugars 20g		
Fat cal 100	<b>Sodium</b> 15mg	<b>0%</b>	<b>Protein</b> 2g		
*Percent Daily Values (DV) are based on a 2,000 calorie diet.	Vitamin A 0% • Vitamin C 0% • Calcium 4% • Iron 9%				
INGREDIENTS: SUGAR, PEANUT OIL, HAZELNUTS, COCOA, SKIM MILK, REDUCED MINERALS WHEY, PARTIALLY-HYDROGENATED PEANUT OIL, SOY LECITHIN : AN EMULSIFIER, VANILLIN: AN ARTIFICIAL FLAVOR.					

### ✘ NUTELLA product, it's also the:

- Volition to create a top of the range and unique product
- Monopoly of purchase about a kind of hazelnut (Secret recipe)
- Strategy of modernization: not for the product but for the packaging (we can note some differences between 60' and 90's.)

- Punctual actions: figurines, gifts, “Gold NUTELLA” (3kg)
- Life cycle on the long range, in phase of ripeness, high-fidelity



✘ Brand :

- Visual identification Process: black and red colors
- Brand associated to the product

✘ Packaging:

- Glass jar with round-shaped
- Streaked white lid
- Metal film difficult to remove
- Different size of jar: from 125g to 3kg

✘ Invention:

- Since 2003, new product: "Snack & Drink"



**b- Princing Policy**

✘ Top of the range product:

NUTELLA practises prices higher than his competitors.  
 It takes place as up-market on the market of the chocolate spread.  
 It declines numerous products: there are different sizes of jar, of containers.

- 700g Jar: about 3.45 euros (4.6 euros/kg)
- 400g Jar: about 2.23 euros (5.56 euros/kg)
- 220g Jar: about 1.57 euros (7.14 euros/kg)
- Snack and drink: about 1.48 euros (8.13 euros/kg)

**- Impose the price of the product thanks to their leader's position (+ 80 % of market shares)**

### c- Policy of place

- 2 main distribution channels: NUTELLA can be found in most hypermarkets, supermarkets and small individual shops in the “breakfast aisle” beside jams, powdered chocolate, tea and coffee; and beside the checkouts for the NUTELLA Snack and Drink. (Carrefour, Les marches U, Auchan, Intermarché, Leclerc, Champion...)
  - Situated in 16 regions
  - More than 220 commercial agents
  - Brief distribution channel
  - Flagship product available everywhere
- About 300 000 jars consumed by day in France

### d- Policy of promotion



NUTELLA is supported by important advertising investments and by attractive promotions.

- ✘ First, we can recognize easily NUTELLA with its famous :
  - logo: black and red,
  - and its famous song of Andreas Johnson "Glorious"
- ✘ Next, we can find many news and details about NUTELLA on:
  - the FERRERO web site <http://www.ferrero.fr/nutella.htm>
  - the NUTELLA web site: <http://www.nutella.fr>.
- ✘ Furthermore, there is a NUTELLA club where people can have lot of advantages:
  - coupons of reduction,
  - participate to exclusive games
  - ...
- ✘ There is also an album especially for consumers of NUTELLA.
- ✘ NUTELLA use all the promotion ways:
  - Internet (website and blogs),
  - Press,
  - TV (one campaign per year),
  - Radio,
  - Cinema,
  - Partnerships,
  - Sponsoring,
  - ...
- ✘ NUTELLA is associated to:
  - Sportive events (Olympic Games, football world cup...),
  - The pleasure,
  - The fulfilment,
  - ...

**> Today everyone in France know this international Brand!**

>> Now, it's time to introduce this product abroad. For this first launching, I would like to decrease risks. So, it's better to choose a dynamic country: I have chosen **China**.

Indeed the food industry is the 4th rank of the Chinese industrial production. And China represents 20 % of the world market of the luxury goods. It is evident that the potential of the candy and more particularly that of the chocolate are undeniable.

Furthermore, according to the global commercial atlas, the Asian markets imported almost 700 millions in products of candy in 2005. China and Hong-Kong represent 175 million of candy imports and are the fastest increasing markets of candy of the region.

Forecast Retail Sales of Confectionery by Subsector: Volume 2004-2009						
1000 tons	2004	2005	2006	2007	2008	2009
Chocolat candies	5.88	6.01	6.16	6.32	6.49	6.69

Seeing this information, it seems to me judicious of launching NUTELLA in China.

Unfortunately, the problem is that I realized (too late!) that NUTELLA were already present in this country.

Indeed, there is few information about NUTELLA in China. It's only on some blogs, that I could red this news. Like this, I continue my idea of introducing NUTELLA in China as I didn't know! (Thanks for your understanding!)

## Part 4 : THE NUTELLA PLAN IN CHINA

### a- Target:

The rising Chinese generation, born after 1978, located in urban environment: medium socio-professional category and occidental expatriates.

#### ★ Core target:

The rising Chinese generation between 10 and 30, located near littoral Cities of Eastern China.

#### ➡ Reasons:

- ✘ The new generation of Chinese people is more and more under the influence of the Occidental way of life; as we can see for example with the last society phenomenon which are cracking down in China. Indeed, to answer to occidental beauty criteria, Chinese people try to "open the eyes" and extend the nose. So, there is volition from Chinese people to identify themselves to occidental morals.
- ✘ Chinese people born after 1978 have borrowed a way of life centre on the consumption. They are ready to spend money and to try new products. Besides, they comprehend the consumption like a distraction and an intrinsic element of the daily life.



- ✘ Some younger consumers start now their active life and find benefits from a bigger income.
- ✘ The rising Chinese generation tend to try more occidental products instead of choose traditional products.
- ✘ The urban segment of the rising generation is acquainting oneself with Occidental way of life and the worldwide communications network.
- ✘ The biggest consumers are concentrated in the littoral cities of the South and East of the country where they have an income above 1000 euros.
- ✘ About 50% of the households are situated in urban areas.
- ✘ The chocolate market in China increased by 3% in 2005 due to occidental expatriates demand.
- ✘ In the east, according to a survey, people prefer sweet food and consume many imported products.

## b- Positioning

A Modern and Occidental product, a reference product, a top of the range product.

### ➔ Reasons:

- ✘ A sophisticated and unrepeatable recipe which need a gustative involvement.
- ✘ Chinese people are open-mind about the new products and above all the occidental products > young market

# Part 4 : THE MARKETING MIX IN CHINA (the 4-P)

## a- Product:

### ✘ Ingrédients :

Sugar, vegetal oil, hazelnuts (13%), low fat cocoa (7,4%), powdered skim milk (6,6%), powdered whey, emulsifier (lecithin of soy), flavour.

### ✘ Lot of Nutritional ingredients :

Vitamins B12 and E, some phosphorus, some Magnesium, some calcium, some carbohydrates.

Making slices of bread is not a Chinese habit. It's for that reason that we can't immediately launch the traditional NUTELLA under its European classic form. On the other hand, the "Snack system" is more and more popular. Arrived as a variant of the NUTELLA in Europe, I would like setting-up this Snack as it is in China. Indeed, we know that Chinese people are followers of the snack, receptive to small packings. Thus, I bet on an adaptive policy about the selling but I will prefer a standardization of the product: I will keep the unrepeatable recipe which makes the NUTELLA specificity.

This NUTELLA will be sold in a small plastic jar with rod-shaped biscuits situated in an other compartment: The aim is to dip the biscuits in the NUTELLA. These rod-shaped biscuits are adaptable to the Chinese culture by the shape and the small size. However, I would like make much of the Occidental look because it will be a competitive advantage. Chinese people will have to taste and enjoy NUTELLA as an Occidental product. At the same time, with this product, I will sell our Occidental brand image. It's for that reason, I don't want to adapt these biscuits with Chinese cookies or adding Chinese tea in an other compartment.

On the longer view, I will probably launch NUTELLA under its traditional shape. Indeed, after lot of researches, I could understand that the Chinese bread market is opening, with a hopeful growth; the European Bakeries are more and more wanted like Shaber bakery. Others are already implanted. Sabinuo, Son Ange, Donghaitang, Best, Crown). Being a complementary product with the chocolate spread, I will launch the "standard NUTELLA" as soon as this snack will bring popularity; I plan a period between 1 and 2 years later.

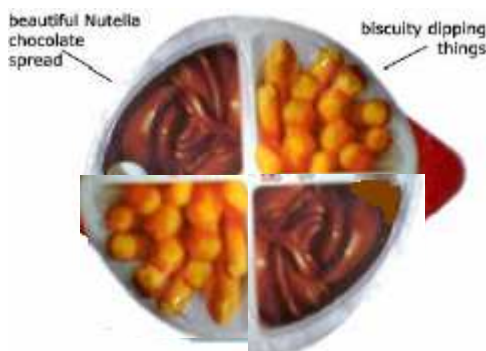
✘ Packaging :

Pack of two snacks

The Chinese consumers prefer small packings even though the price is higher. They enjoy seeing the product and love attractive packaging concerning the colors and design.

It's for that reason, I decided to adapt the packaging of "NUTELLA Snack" to answer to the Chinese customers expectations.

- A clear bottom : people will be able to see the product (the NUTELLA paste, but also the biscuits
- The colours will be unchanged because of its attractiveness: same criard colors: black and red.
- We will add on the packing the Eiffel Tower, famous symbol so much appreciated by Chinese people.



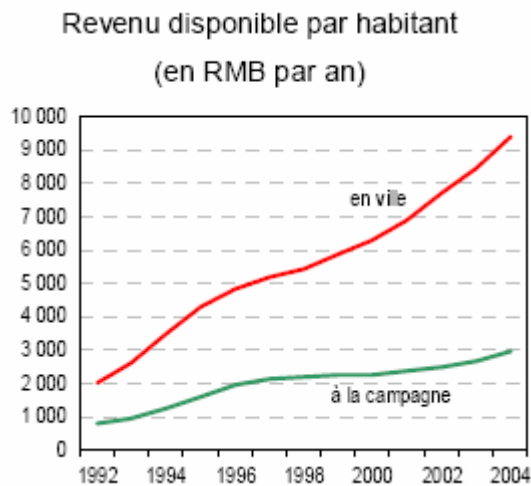
Packaging translated in a minimum of 4 languages (English, Chinese, Japanese, French...)

Be careful: China imposes lot of required procedures on the food industry, and about the labelling and packaging. So we will be careful about that.

## b- Price:

I didn't find any official information about the chocolate snake price in China; just some approximate figures on blogs.

But, seeing the Chinese income in the eastern Littoral (example: more than 2000 euros in Shanghai), I plan to increase the price of my NUTELLA snack.



➔ In the food industry, the well-to-do households have a diversified feeding (more dairy products, fruits, meat delicacies...) and have a superior budget to the norm.

We don't have any direct competitors on the chocolate snack market; we can meet only some indirect competitors like Nestlé China, Cadbury Four Seas HK Ltd or Mars: Effem Foods (Beijing) Co Ltd. It's for that reason that I can choose my price (according to my positioning).

Then, in France, the pack of two « snacks and drink » cost about 2.95 euros.

In China, the prices are about twice more expensive; so I will launch my NUTELLA SNACK at about 5 euros.

## c- Place:

Since its entry in the WTO, on December 11th, 2001, China made a commitment to reform its customs rule. She strongly lowered its customs duties and instituted non-tariff barriers. That is a good thing for our NUTELLA introducing.

But, relating to the procedures of health control and ratification, they remain complex: be watchful about that.

I will distribute the NUTELLA Snack mainly in the super/hypermarkets located on the eastern littoral (the dynamic part of China). NUTELLA will be visible in all the occidental super/hyper markets (Auchan, Carrefour china, Wal-Mart...) and in the main Chinese supermarkets (Shanghai Lianhua supermarkets, Shangai Hualian supermarkets, Zhejiang, Jiangsu...); thus, I could accomplish my goal, reach my targets: the Chinese people and the occidental expatriates.

In summary, NUTELLA Snack will be benchmark in Carrefour, Wal-Mart, Shangai Lianhua and Shangai Hualian (main distributor group in China).

### ➡ Reasons:

The hyper/supermarkets are becoming more numerous in the big cities like Shanghai and Beijing (In the famous Wangfujing district for example, there are already a lot of Chinese shops which will propose many international brands). These supermarkets are practical and their prices are reasonable. They offer a large choice of products and some better hygiene conditions.

Furthermore, we will be represented by the big hotels situated on the whole Chinese territory.

### ➡ Reasons :

Indeed, they propose some European products, as well for breakfast as for their bakeries. Their targets match mine: namely, expatriates and prosperous Chinese people.

## d- Promotion:

The aim of the promotion is to introduce this product in China. We must point up the occidental aspects. These occidental aspects are really important because they justify the price of the product and they represent a kind of guarantee for Chinese people.

### ✖ Advertising média :

- It's important to make a big displaying campaign in the big Chinese cities for 1 month and another one 5 months later. On these advertising, we could see on foreground, two young European people, with brown-haired, dark eyes, eating the NUTELLA Snack...like this, Chinese people will be able to empathise. And on the background, we could see the Eiffel Tower, famous symbol so much appreciated.
- TV advertising on the National channels like CCTV14 (programs for children), Beijing TV, Shanghai TV, and on an international Channel like CCTV9
- A NUTELLA full Web site development: all the different dialects will be represented.
- Some banners on the most popular Chinese web site Sina.com
- Some advertising inserts in the China Today and the China Youth Daily (more than 50% of the readers are between 19 and 25 years old.)



### ✖ Alternative Advertising:

- In-store advertising
- In-store tasting: chance to introduce the product to the public.
- NUTELLA Snack will be the next sponsor during the chocolate show (on January 18-21st of 2008 in Shanghai)/ 2 or 3 stewards of NUTTELA will be present (stand) during this chocolate show
- NUTTELA will be the next sponsor during the Olympic games of 2008 (August)

## Conclusion

China is ready to welcome NUTELLA, with the growing chocolate market.

The competition on these markets increase but the chocolate spread segment doesn't exist already in China.

FERRERO can plan a significant market share. Furthermore, we will have to be attentive about the evolution of the NUTELLA Snack. As soon as, we could see a significant high growth, we could launch the traditional NUTELLA.

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