

GRADO EN ADMINISTRACIÓN Y DIRECCIÓN DE EMPRESAS

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Nestlé

COMPARISON OF MARKETING POLICIES APPLIED BY THE SAME COMPANY IN DIFFERENT COUNTRIES AND ANALYSIS OF THE REASONS FOR THE DIFFERENCES

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1- EXECUTIVE SUMMARY

The focus of this project is going to be, as the title indicates, on the comparison of marketing policies applied by the same company in different countries and analysis of the reasons for the differences. In order to do that, I have selected the company Nestlé to analyze the marketing decisions it makes across national boundaries to market the brand of Kit Kat and keep it as a leader snack worldwide.

After having analyzed the brand in all continents, I can say the execution of the strategy used by Nestlé with Kit Kat really matches the planning of the strategy which is to think globally and act locally. Nestlé uses global brand identity but, from the internal point of view, it uses local ingredients and gives autonomy to its local branches based in different countries to make pricing and distributions decisions and therefore satisfy different consumers' needs and preferences in local environments where changes happen very rapidly.

The "glocal" approach to marketing is an effective way for Nestlé Kit Kat to stay focused on the consumer in worldwide markets.

Key words:

- ❖ International Marketing
- ❖ Kit Kat, Nestlé
- ❖ Cultural adaptation
- ❖ Marketing Mix
- ❖ Japan

2- INTRODUCTION

Managers around the globe are recognizing the increasing necessity for their companies and organizations to develop the skills, aptitudes and knowledge to compete effectively in international markets (Doole & Lowe, 2008).

The emergence of a more open world economy, the globalization of consumer tastes and the intensive expansion of Internet access globally all increase the interdependency and interconnections of nation economies across the globe. The need for managers to develop the skills to respond to these pressures affects companies of all sizes (Dicken, 2007).

Some of the issues that can make international marketing difficult include the varying political, economic, cultural, technological and social situations experienced in different countries. The task of an international marketer is to take the marketing elements he/she has control over (product, price, place and promotion) and adapt them so they work within the target market (Hofstede, 2003).

The main purpose of this project is trying to throw light on the issues related to cultural adaptation of marketing strategies when doing business across cultural borders. I chose this topic because I really think it is interesting to see how a company changes its marketing policies depending on the country selected.

The focus is going to be on Nestlé; the largest food company in the world. Nestlé knows that for consumers around the world, good food has different meanings. Food preferences vary incredibly depending on where they live, their culture, religious beliefs, lifestyle habits and purchasing power. Therefore, Nestlé is a good choice as it adapts its products to fit different lifestyles, cultural considerations, nutrition needs, budgets and taste preferences (Nestlé Research Center Communication Group, 2010).

The project is structured in different sections. First of all, a background of the Nestlé to let the reader know what it is about. This is followed by a study of the current situation of the company which includes both external and internal analysis.

Understanding the external environment Nestlé operates in, is a key part of planning, and allows discerning the threats and opportunities associated with its area of business. In order to do that, three environments are going to be considered. The first one is the general environment which is related with demographic, economic, political/legal, socio-cultural and technological factors in the selected countries. The industry environment takes the second place explained by the Porter Five Forces to create an overview of the food processing industry. And the third one is the competitive environment which shows how intense is the rivalry in the market and which are the competitive advantages Nestlé uses to compete against its rivals.

The internal analysis is also important to understand the strengths and weaknesses of the company. This includes the strategic planning including the mission statement together with

the vision and values of the company; Nestlé’s strategy; the value chain showing the food production process from the understanding of the consumer needs until the product becomes available in the market; the target; product portfolio and positioning showing the links between the overall market and how Nestlé chooses to compete there and which is its strategy for doing it.

On basis of the combination of both external and internal analysis, The SWOT (Strengths, Weaknesses, Opportunities, and Threats) will be carried out providing an overview of the company’s strategic situation.

In order to develop the comparison of the marketing policies applied by Nestlé in different countries, I will focus on Kit Kat, its leader brand in the confectionery category. This analysis is the important part as it reflects the goal of the project. It starts with an overview of Kit Kat and its current market situation reflected in a SWOT analysis and it ends with the brand’s marketing decisions in the selected countries regarding product, price, place (distribution) and promotion. These four controllable categories are known as the 4P’s of the marketing mix and depend on the target market.

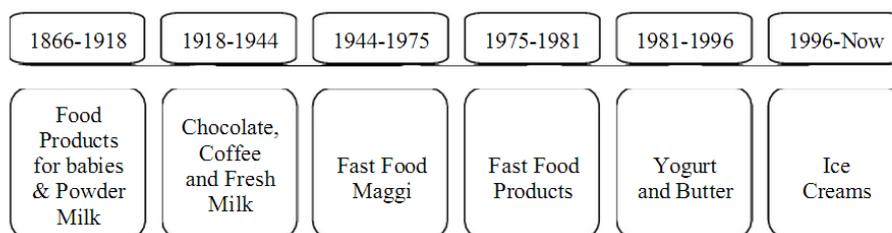
Are Nestlé’s marketing decisions based on Kit Kat different around the world? Here is the point and where the investigation starts. Finally, after all the assessment made, I will write a conclusion in a way of summary of the research together with some recommendations.

2.1- Background

Nestlé is the world’s leading Nutrition, Health and Wellness Company. Its product range includes powdered and liquid beverages, water, milk products, ice cream, nutrition and healthcare, prepared dishes and cooking aids, confectionery and pet care. It has presence in more than 86 countries with 330000 employees and more than 2000 brands (Nestlé global, 2014)

The company was started in 1886 by Henri Nestlé in Switzerland. Nestlé’s success with product innovations and business acquisitions has turned it into the largest Food Company in the world. As it can be seen in the picture below, over the years, the Nestlé family has grown to include all kind of food products. Beginning in the 70s, Nestlé has continued to expand its product portfolio to include pet foods, pharmaceutical products and cosmetics (Nestlé, 2014).

Figure 1: History of Nestlé



Source: Nestlé website, 2014.

Today, Nestlé markets a great number of products, all with one thing in common: the high quality for which Nestlé has become renowned throughout the world. The Company's strategy is guided by several fundamental principles and can be summarized as:

“Thinking globally - acting locally”

2.2- Problem formulation & Delimitation

The purpose of this project is to describe how Nestlé adjust its marketing policies to different target groups around the world and analyze which are the factors that determine those groups.

During the project the focus will be on one of leading brands of Nestlé: Kit Kat. It would have been interesting to develop a much deeper analysis of the company's other brands; however, due to the limitation of pages, it has not been possible.

I have chosen Kit Kat because I think it is interesting regarding the project's topic as it is an internationally recognized brand and it is leading Nestlé's confectionary and chocolate market. Moreover, it is very well known and trusted by consumers all over the world and it really works on marketing for selling its products by using the “think globally, act locally” strategy.

Due to its large presence worldwide, it has been easy to select one country from each continent to see the different marketing strategies of the brand around the world; UK (United Kingdom) from Europe, Japan from Asia, USA (United States of America) from North America, Australia from Oceania and South Africa from Africa.

2.3- Methodology

As mentioned in the introduction, the project is structured in the following sections:

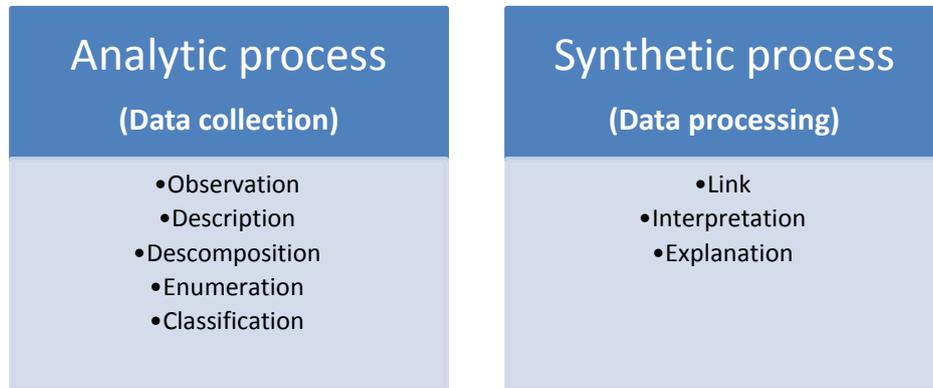
Figure 2: Structure of the project



Source: *Own production*

Regarding methodology, **the synthetic analytical method** has been applied. This method is based on the decomposition of the study in each of its parts to study them individually (analysis), and then, once checked; those parts are integrated to study holistically (synthesis) (Falcon, 2013).

Figure 3: Methodology



Source: Own production

In summary, what I have done is to follow both processes shown in the figure above; first I have collected information by connecting with Nestlé, searching webs, watching videos, reading reports, books, interviews, articles, etc. Next step has been to analyze such information individually to see what is useful and finally I have put the selected information together in order to develop the project and therefore, come up with conclusions.

3- EXTERNAL ANALYSIS OF NESTLÉ

3.1- General environment analysis

The general environments of the selected countries are composed of environmental factors external to the firm. I will start grouping some of them (demographic, economic, politic and technologic ones) in the table below. This will to be followed by two figures: a social media infographic showing how the world uses social networks and a shopping style map which classifies consumers around the world depending on their shopping habits. And afterwards, the rest of the environmental factors will be explained (legal and socio-cultural).

Figure 4: Relevant factors of the selected countries

RELEVANT FACTORS	SELECTED COUNTRIES				
	SOUTH AFRICA	JAPAN	AUSTRALIA	UNITED KINGDOM	UNITED STATES
DEMOGRAPHY: <ul style="list-style-type: none"> Population* Language (In advertisement) 	<ul style="list-style-type: none"> 52.98 English 	<ul style="list-style-type: none"> 127.34 Japanese 	<ul style="list-style-type: none"> 23.21 English 	<ul style="list-style-type: none"> 64.09 English 	<ul style="list-style-type: none"> 316.37 English
ECONOMICS: <ul style="list-style-type: none"> Disposable Personal Income (USD) 	10959.74	31425.49	35668.77	32722.52	45336.00
POLITICS: <ul style="list-style-type: none"> Political stability* 	0.00	0.94	1.00	0.41	0.63
TECHNOLOGY: <ul style="list-style-type: none"> Internet users (%) 	40.00	78.4	80.1	82.5	77.3

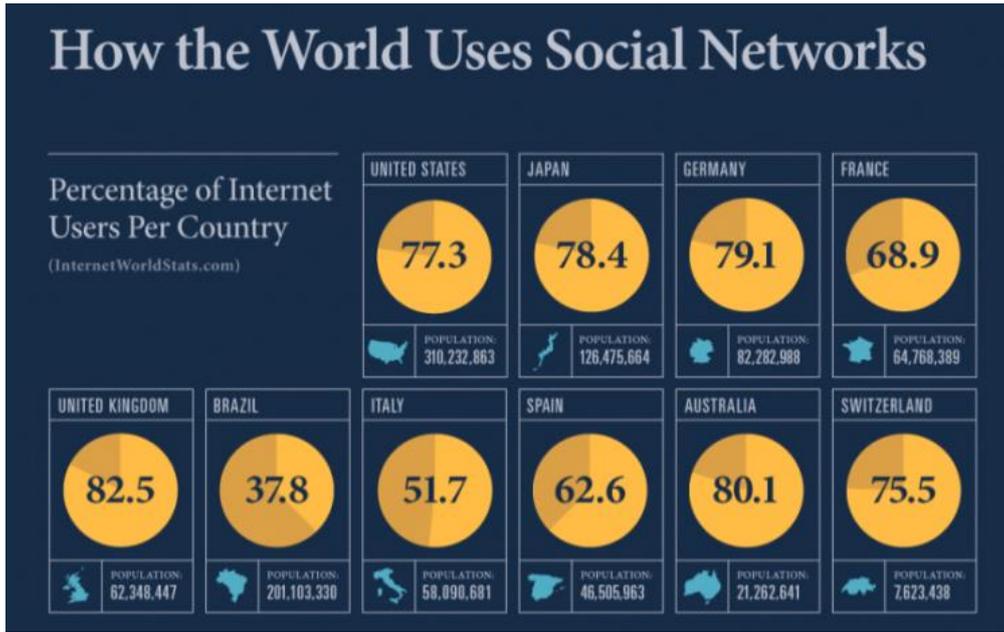
Source: Own production, dataset from Trading Economics, 2014

*Scale: from -2.5 (weak) to 2.5 (strong) governance performance. It reflects the political stability and absence of violence/terrorism of each country being South Africa the less stable politically comparing with the other selected countries. Thus, it has a higher country risk meaning it is more likely that the government will be destabilized or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism (World Bank, 2012).

The five selected countries are **members of the G20**. They comprise a mix of the world's largest advanced and emerging economies, representing about two-thirds of the world's population, 85 per cent of global gross domestic product and over 75 per cent of global trade (The Economist, 2006).

UK leads the use of social networks and the reason for this is shown in the figure below; UK has the higher percentage of internet users comparing with the rest of the countries.

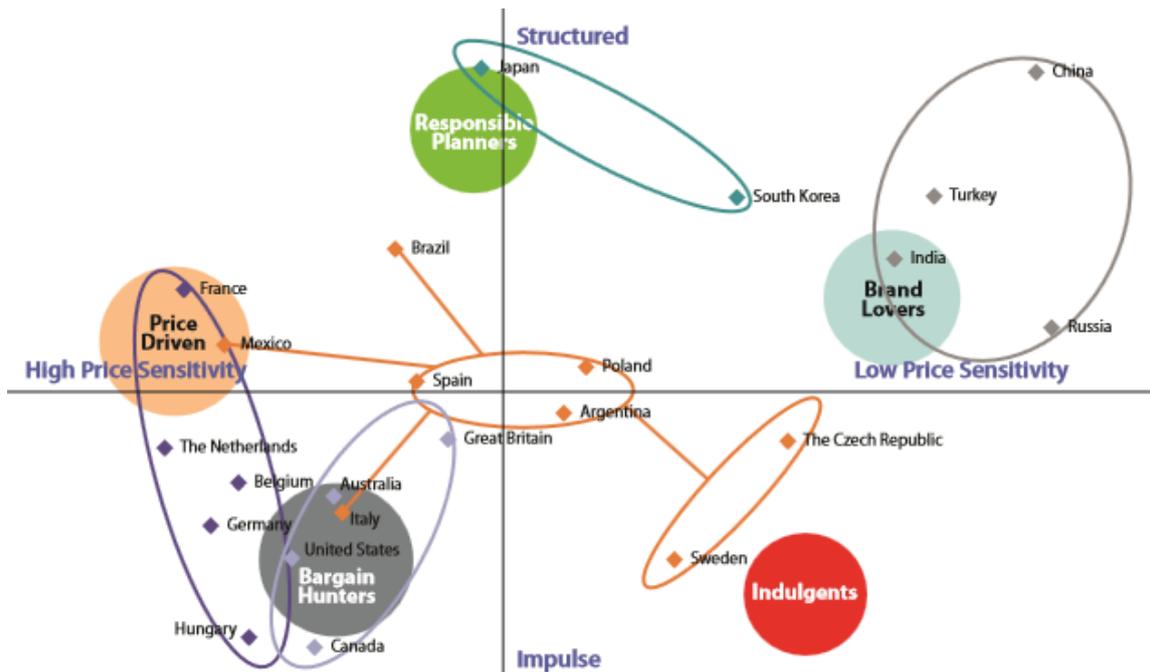
Figure 5: How the world uses social networks



Source: Social Networks infographic taken from the website named Assistant Worldwide, Social Media Manager and Strategist, 2014

As I read in a global segmentation study conducted by Ipsos Marketing named as “Shopper & Retail Research”, shopping strategies should align to shoppers, not to countries. CPG (consumer packaged goods) can be divided in five shopper segments based on their attitudes towards bargain hunting, promotions and price comparisons and the degree to which they stick to their pre-planned purchases versus buying on impulse (Aitchison & Wydra, 2013).

Figure 6: Shopping Style Map



Source: Global segmentation study conducted by Ipsos Marketing, 2013

As the shopping style map above shows, shopping styles transcend geographic boundaries despite the fact that they differ considerably in terms of geographic location and economic development. The more developed markets are more price sensitive and search for the best bargains, fuelled by strong retailer private label brands (Aitchison & Wydra, 2013)

Japanese are classified as Responsible Planners. Shoppers in this group are on a fixed budget and always compare prices. They are the shoppers most likely to buy online and have changed their habits to shop in a more sustainable way. However, shoppers in Australia, UK and the US are categorized as Bargain Hunters. They also hunt for bargains but are less price-constrained and more impulsive. They can afford to buy in bulk and are less interested in shopping online (Aitchison & Wydra, 2013).

As I mentioned before, I am now going to analyze different legal and cultural aspects of the selected countries that can affect their marketing strategies.

3.1.1- South Africa

Legal:

In South Africa, advertising content is self-regulated and is governed according to standards contained in a code of advertising practice established by the ASA (Advertising Standards Authority) of South Africa, whose members are advertisers, advertising agencies, and media sources that carry advertising (International Chamber of Commerce, 2014).

Its Code of Advertising Practice sets out principles to which all advertisements, whether on television, radio, in print, outdoor, on the internet or in any other media, must adhere. In that way, they ensure that advertising content in the country meets the requirements of its Code of Advertising Practice and they control advertising content in the South African public's interest (Thompson, 2014).

The Code recognizes that children are impressionable and therefore susceptible to be misled by irresponsible food and beverage advertising. Likewise, food and beverage products which do not represent healthy dietary choices and a healthy lifestyle may not use promotional activity in television advertisements targeted at children of 12 years and under. They may also not be advertised on or in close proximity to pre-school and primary school premises (Thompson, 2014).

Culture:

Described as “the rainbow nation” because of its cultural diversity, South Africa has a large mass media sector that commonly uses English language. Humor is an often used communication device and can be used in almost all situations.

While South Africa remains the most unequal country in the world in terms of income distribution, its middle class continues to expand, driving robust growth in consumption expenditure as consumers are increasingly turning to commercial centers in the country that don't stop growing and supermarket shoppers begin to pay greater attention to private labels (Euromonitor International, 2014a). Although there is an increase of ecommerce technologies

throughout South Africa, its implementation and security-enabling applications are incredibly limited (Price, 2013).

3.1.2- Japan

Legal:

In the Japanese culture advertising regulation is overseen by the JARO (Japan Advertising Review Organization). JARO is a private self-regulatory body of advertising and labeling. Its purpose is to enhance consumer confidence in businesses and advertisements and to promote fair business activities. According to JARO, advertising and labeling shall be fair and truthful, not be harmful to consumers, be made in consideration of their impact on youth and children, be decent and pursuant to social manners and customs, and be in compliance with relevant laws and regulations, as well as public policy (JARO, 2011).

Food and agricultural products are subject to a number of complex labeling regulations in Japan that all producers, distributors and other operators must follow. False or misleading labels which display the names of countries, regions or flags other than the country of origin, and/or names of manufacturers or designers outside the country of origin are not permissible (Global Trade, 2010).

Cultural:

Online retail is growing quickly and social networking, taken up by almost the entire population, has huge implications for retail. High-technology is part of daily life. Health awareness and healthy eating are a key part of the culture (Euromonitor International, 2014b)

Japan represents the world's second largest advertising market, behind only the USA. The proportions of advertising dollars spent in various media are quite similar to those in the USA, with television leading, although it is very expensive and there is very high competition for time slots. Newspapers are also very popular given long commutes and high literacy rate (Taylor & Raymons, 2000).

Japan has a collectivistic culture which believes to draw upon the 'we' as a group identity. In terms of cultural evolution, most Asian cultures have been obliged to be organized and cooperative. Japan appreciates more indirect, implicit, impersonalized expressions for group harmony. It also has a high-context communication style where much information remains unspoken and dependence on the context is very high. This is, words and word choice become very important, since few words can communicate a complex message very effectively. Decisions are taken on the basis of emotions (Pajupuu, 2013).

Gift giving in Japan is deeply rooted in tradition with gifts given not only for social occasions, but also for social obligations. The most popular type of gift is known as the omiyage, a gift that represents a place the giver came from or travelled to recently (Lewis, 2013). Moreover, the "gotouchi" concept which means "place of origin" is also very popular in Japan. The Japanese are patriotic and proud of what comes from their country, more than anything else. Apart from that, in Japan everyone must get a place into the society and must pass tests

throughout their life. This is why the promotion good luck messages are embedded in Japan (Taylor & Raymons, 2000).

3.1.3- Australia

Legal:

The Code “Food & Beverages Advertising & Marketing Communications Code” has been adopted by the AANA (Australian Association of National Advertisers) as part of advertising and marketing self-regulation. Its goal is to ensure that advertisers and marketers develop and maintain a high sense of social responsibility in advertising and marketing food and beverage products in Australia (AANA Food Code, 2014).

According to this code, advertising or marketing communication for food or beverage products shall be truthful and honest and shall be communicated in an appropriate manner to the level of understanding of the target audience with an accurate presentation of all information including any references to nutritional values or health benefits. Apart from that, it shall not undermine the importance of healthy or active lifestyles or the promotion of healthy balanced diets (AANA Food Code, 2014).

The ABC (Australian Broadcasting Corporation) act regulates the public broadcaster of the country which produces national and local TV, radio and online services. According to this corporation, it is necessary to broadcast programs and advertisements that contribute to the sense of national identity and inform and entertain reflecting cultural diversity.

Cultural:

Australia’s culture can be described as cosmopolitan where Australians are considered as people who live in a ‘lucky country’ who love their leisure, particularly sport, both as spectators and participants. In fact, more than 11 million Australians aged 15 or over take part in sport or other physical activity. Another common perception of Australians is that they are informal, open and direct and say what they mean. Regarding consumer habits, Internet retailing is surging amongst Australian shoppers (Australian Government, 2012).

Australia is one of the world’s most connected countries. Mobile banking information and communications technology is a key driver of Australia’s strong economic growth and innovation. Many Australian firms are now using internet technology to expand into new foreign markets, almost all of the enterprises are increasingly using e-commerce because it only requires low overheads and comparatively less initial outlay of capital but leading to a fast turnover on investment (Osorio, Dutta, & Lanvin, 2013).

3.1.4- United Kingdom

Legal:

The ASA (Advertising Standards Authority) is the self-regulatory organization of the advertising industry in the UK. Its role is to regulate the content of advertisements, sales promotions and direct marketing in the UK by investigating complaints made about them, and deciding

whether such advertising complies with its advertising standards codes. These codes stipulate that no marketing communication should mislead, or be likely to mislead, by inaccuracy, ambiguity, exaggeration, omission or otherwise (ASA, 2014).

Cultural:

British culture is influential and respected across the world. Sport is an important part of British culture. The UK has been described as a "cultural superpower", and London has been described as a world cultural capital. The British are said to be reserved in manners, dress and speech. They are famous for their politeness, self-discipline and especially for their sense of humor. Moreover, UK is one of the European countries taking the lead in consumer products certified by the independent organization of "Fair Trade"; British consumers spend per month an average of 1.61 euros (above the EU average of 1.13 euros) in fair trade products (Elgar, 2005). New technological developments have transformed the UK business environment, especially those operating in the retail sector. Social networking¹ is an increasingly popular activity in the UK.

3.1.5- United States

Legal:

FTC (Federal Trade Commission) and FDA (Food and Drug Administration) are two federal agencies in the US involved in regulating dietary supplements. The FDA’s mandate is to promote safety: its job is to protect the public health by ensuring that conventional foods, dietary supplements, and drugs are safe labeled accurately according to “science- based” standards” (U.S. Department of Health & Human Services, 2014).

The FTC has a different mission: to promote business competition by preventing unfair commercial practices such as false advertising. It has a body of regulations around which most advertising and marketing law is centered. Examples of these laws include prohibitions against unreasonable health claims, violations of others trademarks, or representations about the environmental impact of a product (Hg.org, 2013). The figure below summarizes the peculiar results of this division of responsibility.

Figure 7: FTC vs FDA responsibilities

Policies	FTC	FDA
Regulate	Food advertising	Food labels
Constitute	Policy statements	Regulations
Distinguish claim types	Treats all claims equally, but defers to FDA	Has different rules for health and nutrient-content claims versus structure- function statements

Source: *Own production*

¹ Defined as posting messages to chat sites, social networking sites, blogs, newsgroups, discussion forums and the use of instant messaging.

The US allows comparative advertising. Advertisers can explicitly name or implicitly refer to their competitors and emphasize similarities or differences, positively or negatively. Advertisers may state that their product is superior to the competition by making parity claims. The US is very open to competition and only requires that copyrights and trademarks be respected to prevent trademark infringement (San Diego State University, 2010).

Cultural:

The US has a fast-paced society that is always in constant movement. That is why most Americans believe there is a limited supply; therefore a popular American phrase is “time is money”. This consciousness of time has also created the fast food lifestyle. It is known as the most individualistic nation, which means members identify one’s own interests and opinions first and make decisions accordingly. Americans also love to be entertained and are in constant search of new things to do and new media to consume (Schultz, 2012).

According to Nielsen, American watch over four hours of TV a day, and over 99% of households have at least one television. On a given day, the average American will see 3,000 advertisements (Nielsen company, 2014).

3.2- Nestlé’s environment analysis (Porter 5 Forces)

Named after Michael E. Porter, this model identifies and analyzes 5 competitive forces that shape every industry, and helps determine an industry’s weaknesses and strengths.

The industry environment has a more direct effect on the firm’s strategic competitiveness compared with the general environment. The intensity of industry competition and an industry’s profit potential are functions of five forces of competition such as the threat of new entrants, bargaining power of supplier, bargaining power of buyers, threat of substitute products, and intensity of rivalry among competitors (Porter, 1990). To see Nestlé’s status in the industry, Porter Five Forces Model will be applied to the company.

3.2.1- Threat of new entrants:

The food processing industry is very large and competitive; many companies enter into the market every year in an attempt to gain a portion of the profitable market. Nestlé luckily has been the leader of the market for over a century and boasts a long history of quality products and consumer satisfaction, which has allowed the company to obtain a considerable share of the market. That is why it has become a very big challenge for the new entrants to enter the industry as they must attempt to take a portion of Nestlé’s market share in order to survive. As a result the threat of new entrants is temperate new entrants into the industry (Nestlé, 2013).

3.2.2- Bargaining power of supplier:

Nestlé prides itself on creating and maintaining positive relationship with its suppliers all over the world. Due to the large purchasing power of the company, and because the suppliers of agricultural commodities offer a product that is not unique, Nestlé holds more bargaining power than its suppliers. Nestlé prefers to create and preserve long term relationships with its

suppliers as this helps to ensure the quality of the raw materials being purchased. Moreover, Nestlé also offers useful advice to its suppliers on how to perform more efficiently to minimize unnecessary costs and thus it cares of its suppliers which return paying them off in the form of quality products (Drost, 2010).

3.2.3- Bargaining power of Buyers:

Customers have a big bargaining power regarding their consumption of Nestlé products as there are close substitutes for Nestlé products which allows for the preferences of the customer to be very influential. Nestlé understands the power of the customer and that is why it has taken specific steps to meet the needs of its consumers. Specifically, Nestlé is incorporating health and wellness into the creation of its products as society has started caring more about their health (Nestlé, 2011).

3.2.4- Threat of substitute products:

Due to the nature of the industry, Nestlé is afflicted with the threat of substitute goods. That is why it is vital for Nestlé to continuously find new ways to improve its products and generate new sources of growth for the company's future expansion because competition is so evident. In recent years, Nestlé has focused on the health and wellness aspects of its products to maintain its edge in the market (Fontelles, 2009).

3.2.5- Intensity of rivalry among competitors:

Nestlé is the powerhouse in the processing industry but so are many other companies. All of them are in a constant battle to outperform one another. Rivalry is fierce in food processing industry, and this is a good thing for consumers as they will continue to enjoy new product lines (Drost, 2010).

The Porter Five Forces Model represents a competitive, but profitable market for the food processing industry. Furthermore, the model places Nestlé in a comfortable position within the industry, while recognizing the threats to its market share; the model notes a moderate threat of new entrants into the market and a considerable threat of substitute goods. Moreover, the model shows that Nestlé tends to have more bargaining power over its suppliers as the products the suppliers offer are very easily substitute in the market. And also, customers have a large bargaining power, as Nestlé must take into account consumer wants and needs because there are so many close substitutes. For the final force, the model shows a large amount of rivalry within the food processing industry.

Figure 8: Nestlé Porter 5 Forces



Source: *Own production*

3.3- Competitive environment

As mentioned in the Porter Five Forces model, competition is high in the food processing industry and consequently, the main threat of this company is their competitors, which come out with foods and beverages as well. Nestlé's largest international competitors are PepsiCo, Kraft Foods, Unilever and Mars. It also faces competition in local markets or specific product ranges from numerous companies, including Sara Lee, Cadbury and Danone (KPMG, 2013).

4- INTERNAL ANALYSIS OF NESTLÉ

In this analysis, Nestlé's mission and vision statements will be mentioned; afterwards, Nestlé's international strategy will be described as well as the target group, product portfolio and the positioning of the company.

4.1- Strategic planning

4.1.1- Mission Statement

Its mission of "Good Food, Good Life" is to provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories and eating occasions while managing the business to create value for both the company and the society (Nestlé, 2013).

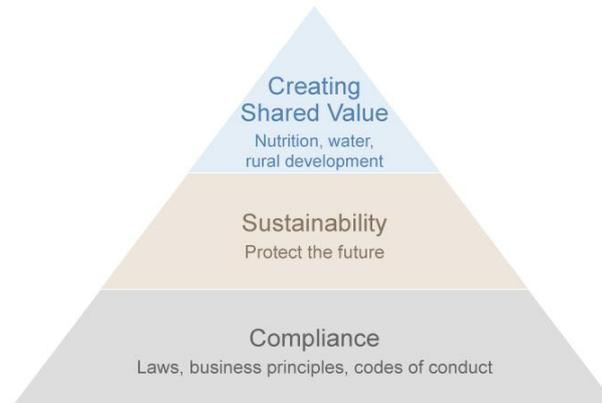
4.1.2- Vision and values

To be recognized as the leader company in Nutrition, Health and Wellness worldwide, and the industry reference for financial performance, trusted by consumers, employees, customers, suppliers and all stakeholders related to the activity of the company (Nestlé, 2013).

4.2- International strategy

As mentioned before, Nestlé is committed to the following Business Principles in all countries. Taking into account local legislation, cultural and religious practices, the company follows the “think global, act local” strategy. (Nestlé , 2014).

Figure 9: Nestlé business principles



Source: *Nestlé corporate website, CSV section, 2014*

Although Nestlé is very global, essentially it's a company made up of smaller local units. Local Nestlé units work within a global framework based on the Nestlé principle: “centralize what you must, but decentralize what you can“. In this way they combine the advantages of a worldwide company with the advantages of smaller, local businesses. Their global sales are simply the result of adding together the sales of each local company (Nestlé , 2006).

The Value Chain of Nestlé: As it is shown in the figure 10, the food production process carried out by all Nestlé local units, starts from the understanding consumer culture, behavior and needs, and then innovating development and launch. Then, after the product becomes available on the market, Nestlé must always test and validate that it satisfies their needs and expectations. Its scientists and research are present at every step of Nestlé’s value chain of innovation, creation and development (Nestlé Research Center, 2014).

Figure 10: Nestlé Value Chain



Source: *Nestlé Research Center, 2014*

4.3- Target

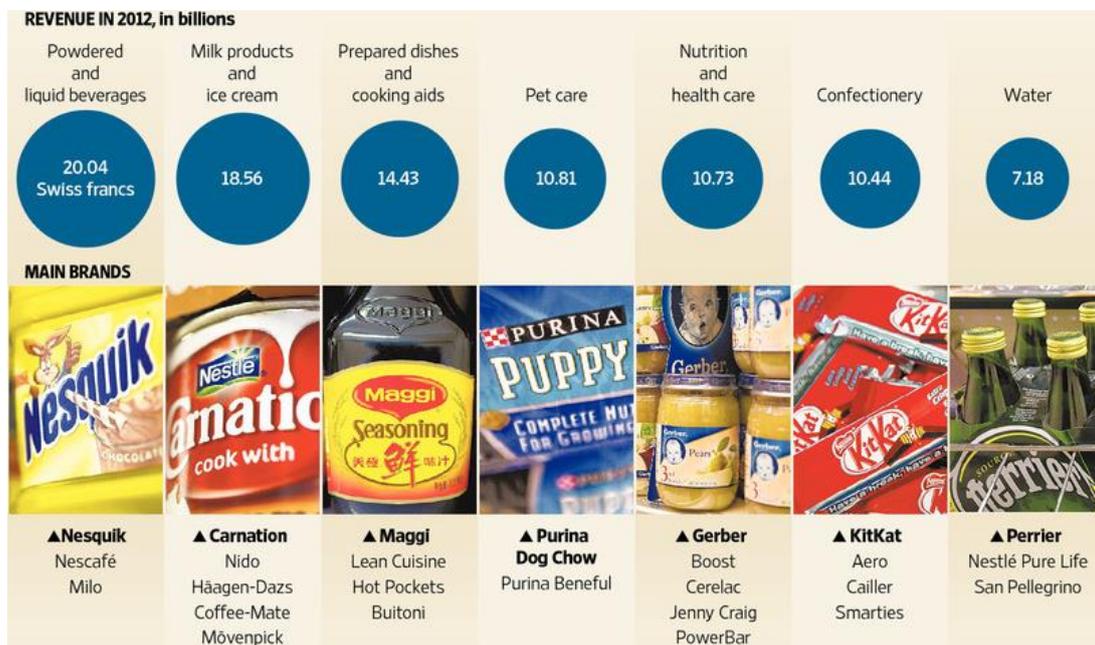
What makes Nestlé the world’s largest food company are the millions of consumers across the globe who trust their products and buy them instead of (or, as well as) their competitor’s. That is why the company is whole-heartedly dedicated to the consumers and focused on meeting their needs (Nestlé, 2011).

Nestlé’s success is based firmly on the concept that **“food is a local matter”**. Although its products are available in virtually every corner of the world, the company doesn’t believe in a standard worldwide taste. On the company, they go to considerable lengths to adapt the products to local consumers’ tastes. To meet local needs, there are more than 10,000 Nestlé products. Different cultures, geographies, needs, tastes, flavors and habits all influence what its consumers eat and drink. So it is vital that the company has local knowledge and experience (Nestlé , 2006).

4.4- Product Portfolio

The Nestlé brand portfolio covers practically all food and beverage categories. Many brands have category leadership, both globally and in local markets. For instance, Kit Kat, the one I will focus on, is the leader of confectionary category.

Figure 11: Nestlé owns some of the world's most important brands



Source: *The Wall Street Journal*, 2013

The company sells its products all over the world at millions of different points of sale. These include big retail superstores, supermarkets and chain stores. But they also include small family-run neighborhood shops, stalls in markets, vending machines and even mobile vendors. People can buy Nestlé products in schools, offices, hotels, airports, ice-cream parlors, fast food

outlets, fitness centers, planes, veterinary practices, trains and boats. Different formats, in all shapes and sizes, meet the needs of consumers **whenever and however** they want to consume a Nestlé product (Nestlé , 2006).

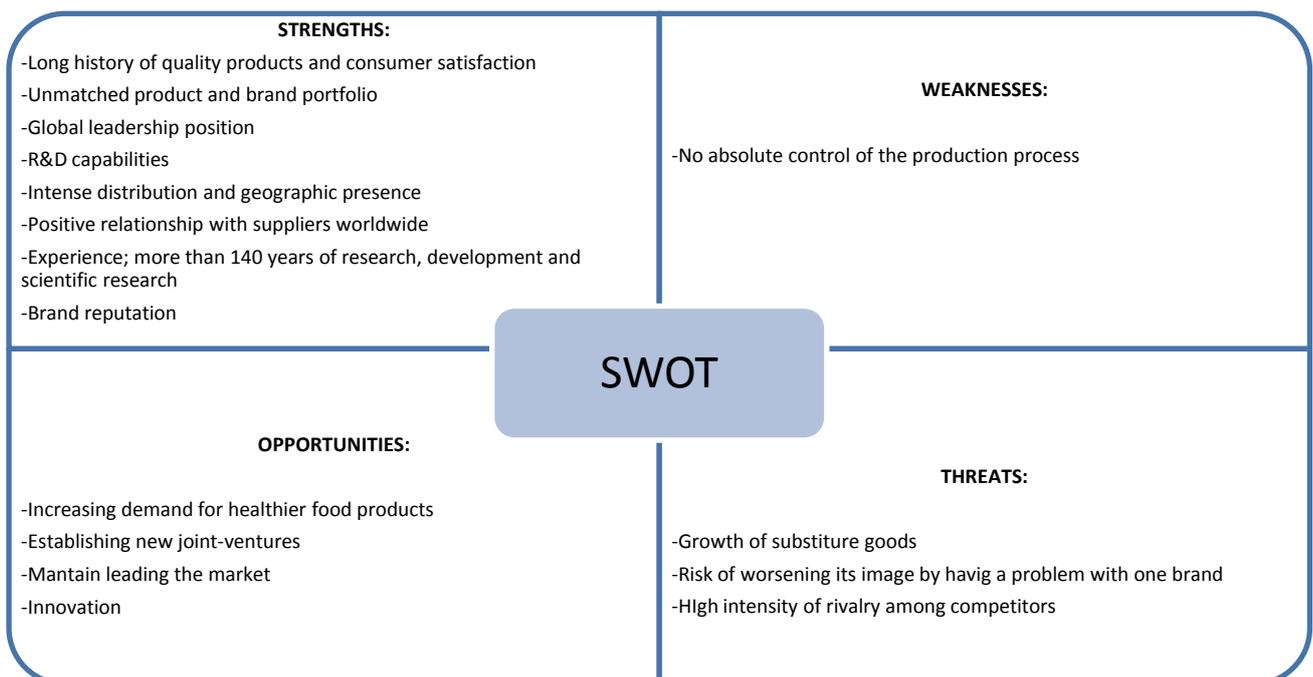
4.5- Positioning

According to KAR (Key Audience Research) carried out in 2012, Nestlé has strategic advantage over its competitors because its quality, overall rating, strong and clear strategy, care of customer satisfaction, business management and environmental sensitivity. The company reported an increase in brand spend supporting its positioning around **“good food, good life”** They placed significant focus around sustainability and improving global wellness, advancing the science behind food and nutrition and working to help families meet nutritional needs through tools and education (Interbrand, 2014).

5- SWOT ANALYSIS

Figure 12 summarizes both internal and external environments of the company.

Figure 12: SWOT Analysis of Nestlé



Source: *Own production*

6 –KIT KAT

As it has been mentioned before, one of Nestlé’s brands will be analyzed to develop this research: Kit Kat. The origin of Kit Kat can be traced back to 1935, when a four-finger wafer was launched in UK as “Rowntree’s Chocolate Crisp”. The name changed to Kit Kat in 1937. Kit Kat has seen many changes during its first 76 years - a temporary move to blue wrapping when the recipe had to be change during the rationing in the Second World War, the international

expansion across Australia, New Zealand, South Africa and Canada in the 1950's, the development of a two finger variant in the 1960's and a further international expansion through Europe, Japan and the USA (Nestlé , 2013).

However, for the last 51 years there has been one constant: the now-classic advertising line "Have a Break, Have a Kit Kat" which appeared in one of the UK's earliest commercial TV advertisements in 1958. In 1988, Nestlé acquired Kit Kat through the purchase of Rowntree's. This gave Nestlé global control of the brand except in North America where it is made under license by the Hershey Company. Today, Kit Kat is one of the most globally recognized chocolate brands and it is delighting consumers all over the world known as the perfect "break" to enjoy as part of a balanced diet (Nestlé , 2013).

6.1 - Current market situation

As I mentioned before, Kit Kat is widely recognized in most countries. A range of Nestle subsidiaries manufacture the product. In Australia it is manufactured and marketed by Nestle Australia. In UK it is produced and marketed by Nestle UK and so on throughout the globe except in the US (explained later). Nestlé considered this was the best way of meeting the diverse needs of its global customers; a global brand but a different marketing mix in each country. Then I will discuss the differences between the selected countries.

Twist by Mars, Hershey's, Galaxy, Kinder Bueno and Time out by Cadbury are some of Kit Kat's main competitors. Despite the heavy competition, Kit Kat remains as one of the UK's best-selling chocolate bars. But recently, in both US and Canada, the Kit Kat is also extremely popular and is one of the top ten candy brands (Nestlé, 2014).

Kit Kat is youthful in nature, and focuses on the consumer **segment** that love chocolate and are willing to indulge themselves with chocolaty snacks; people looking to have a chocolate which is high in quality and moderately priced. The brand's **target** market is men and women of all ages. Its low and constant prices over the past 100 years, allow targeting the mass consumer market; lower, middle and upper class people. And it is **positioned** as a chocolate to be had whenever one takes a break. What draws consumers to this brand is its association with "breaks" due to its tag line "Have a Break, Have a Kit Kat" (Bandalkul, 2014)

Internal analysis:

- Strengths:

The main strength of Kit Kat is being owned by Nestlé, the world's largest nutrition and Food Company. This itself is a huge advantage for Kit Kat that facilitate the market penetration as Nestlé is a highly efficient global supply chain; the businesses is well established and has enough financial strength to keep up with the advertisement and promotions of the product (Nestlé, 2011).

Kit Kat being not only a chocolate but also a wafer gives a different texture of chocolate combination of wafer whereby most people still have it in their favorite list. The brand has creative, simple and visible advertising, where the slogan "Have a Break, Have a Kit Kat"

created a positive impact among customers especially children and youngsters which creates high brand awareness.

Kit Kat products are easily reachable as they can be found in small grocery stores up to hypermarkets all around the world. Furthermore, Kit Kat has been one of Nestlé's best-selling products for its high sales and revenue record (Entrepreneur Magazine, 2009).

In September 2013 it was announced that version 4.4 of Google's Android mobile operating system would be named "KitKat". Google is licensing the name from Nestlé, with no money changing hands. A promotion ran in numerous countries with specially branded Android Kit Kat bars to win Nexus 7 devices and Google Play Store credit (D'Orazio, 2013).

- Weaknesses:

Kit Kat is a food product which must continue to adapt and remarket itself as it has a limited shelf life. Nowadays people are becoming more health conscious; they avoid having chocolates and Kit Kat does not have any health-conscious chocolate bars that attracts health conscious crowd (Nestlé Research Center Communication Group, 2010). In addition, contamination of the product will cost in recalling of the brand. This is caused by irresponsible attitude of the workers and quality check or the weather conditions such as hot temperatures and humidity which can deteriorate the product. For instance, in China, it is sold in plastic bag due to the humid weather in the region (Bandalkul, 2014).

External Analysis:

- Opportunities:

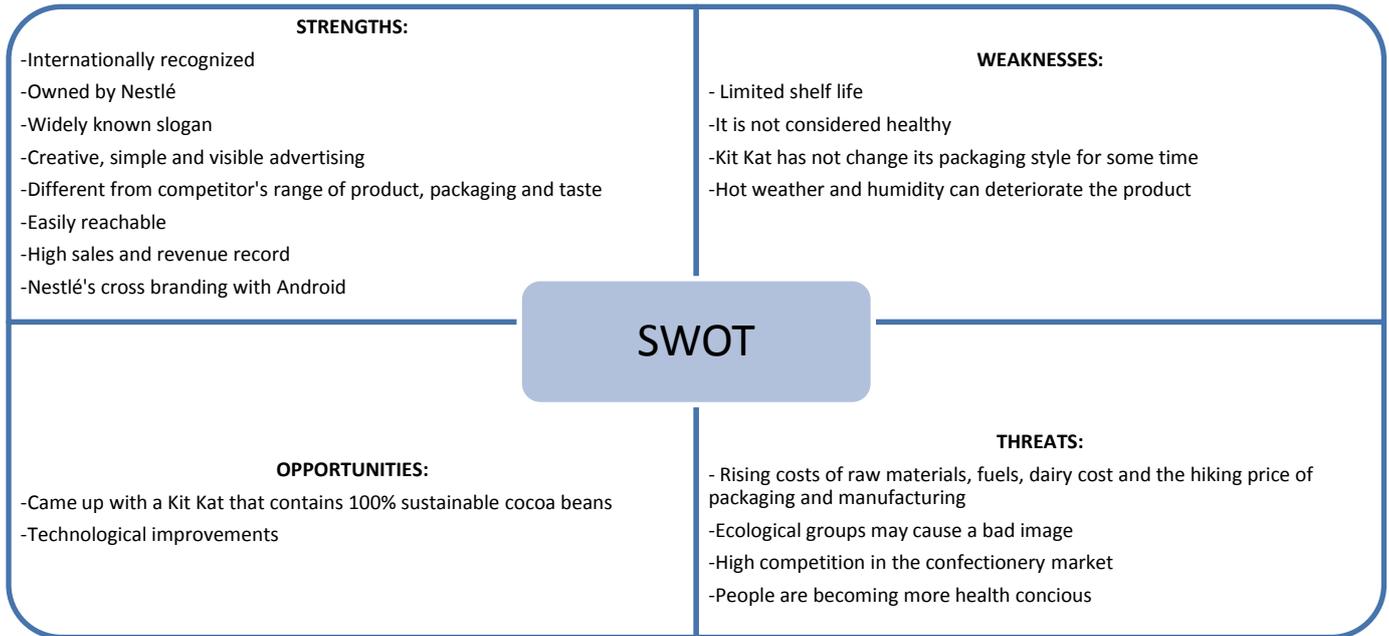
Kit Kat Australia came up with a Kit Kat that contains 100% sustainable cocoa beans. It would be good for the brand to create that product in every market. Moreover, growth in technology helps Kit Kat to continuously improve their product into a quality and environmentally friendly. (Entrepreneur Magazine, 2009).

- Threats:

Due to rising costs of raw materials, fuels, dairy cost and the hiking price of packaging and manufacturing could result in a higher price of Kit Kat product. Additionally, there is huge competition in the confectionery market where Kit Kat has to compete to remain an established brand and favorite chocolate wafer.

In 2010, Kit Kat was targeted for a boycott by Greenpeace to highlight Nestlé's association with Sinar Mas, Indonesia's largest Palm oil company, which the environmental organization claimed is illegally destroying the rainforests where orangutans live. A viral campaign was launched by Greenpeace pressuring Nestlé until it suspended sourcing from Sinar Mas. The company rapidly announced a new partnership with The Forest Trust to establish "responsible sourcing guidelines" and ensure that its products did not have a deforestation footprint (Armstrong, 2010).

Figure 13: SWOT Analysis of Kit Kat



Source: *Own production*

Kit Kat markets its products in two different formats:

1. Two finger format
2. Four finger format

These formats are promoted and marketed differently in order to cover more than one segment where the brand tries to pursuit different types of people in the world based on their culture and eating habits and therefore obtain maximum customer satisfaction. They try to come up with different type of flavors and size just to satisfy customer needs and survive in the business market (Bandalkul, 2014). Examples will be seen later in the marketing strategies of the selected countries.

6.2 – Marketing strategies of Kit Kat in the selected countries (4P's)

6.2.1- South Africa

Kit Kat **products** in South Africa are available in different formats and flavors.

- 4 Finger (Milk, Dark and White)
- 2 Finger (Milk, Dark and White)
- 11 Finger (Milk, Dark and White)
- Fun Bag (Milk and White)
- Chunky (Milk and Mint)

Figure 14: Kit Kat range of products in South Africa



Source: *Kit Kat South Africa, 2009*

Prices for Kit Kat in South Africa depend on the sales and promotion at the various stores as well as the size of the product. Consumers purchase Kit Kats through **distribution** which is disposed to various vendors including large grocery stores like Makro, Big Save and Woolworths.

Nestlé South Africa mainly **promotes** the product through TV commercials and print media such as posters where the powerful colors of the pack and product are used to dramatize the message. Outdoor advertisement played an important role in the country; in 2011 Nestlé South Africa won the overall award as well as the street-furniture category prize for its Kit Kat “bench” advert at the annual OH! Awards held in Johannesburg (Behrens, 2011).

Nestlé proved that its creative execution for outdoor media space was impactful in its message. The Kit Kat campaign satisfied every criteria set by the judges. This campaign was a simple, yet effective creative idea, clearly underlining the message, 'Have a break, Have a Kit Kat', which is the core positioning of the brand (Behrens, 2011). The same year, Nestlé South Africa was the winner of the second category (food and soft drinks) in the POPAI awards for its retail marketing (POPAI South Africa, 2011).

Moreover, Kit Kat has a Facebook page to interact with customers as well as a website which is so peculiar comparing with other Kit Kat websites around the world. It is called “Kit Kat island, your world of all play no work” where customers can play different games, music, watch ads and even download wallpapers and screensavers for their computers. The website also offers information about the range of products and promotions. When a minute passes, there is a timer which warns consumers and gives them the chance to extend their break.

6.2.2- Japan

Japan is known as the paradise of Kit Kat where the brand has been the country’s favorite chocolate since 2012. Its success has been stimulated by the launch of hundreds of unusual and innovative special edition flavors to meet Japanese consumers’ experimental tastes and sense of style (Nestlé, 2014). Kit Kat fans in Japan have been able to choose from varieties of the **product** very different from those anywhere else in the world, such as:

- Roasted Tea
- Strawberry Cheesecake
- Rum Raisin
- Apple
- Green Tea
- Mandarin and Lemon
- Azuki Red Bean Toast
- Wasabi
- Sweet potato

Figure 15: Kit Kat Japan



Source: Website of Nestlé, 2014

Nestlé has developed more than 200 different flavors for Kit Kat being a success as Japanese people are real amateurs of everything related with food and even more if it related with Kit Kat (CNN, 2012). This country, as I mentioned in the external environment, has a big gift giving culture and it has embraced Kit Kats like nowhere else in the world. In fact, a big part of their success is that the name Kit Kat is very similar to the Japanese phrase “kitto katsu”, or “you’ll surely win,” and this has helped it become a great present among students and friends (Purnell, 2012).

That is why on packages of Kit Kat in Japan, there is room to write a personal good luck message, they are considered lucky charms. Even students eat them during exam period to obtain good grades. The Kit Kats in Japan are usually brightly colored according with the flavor and come in boxes of exclusive designs, as there are many people who collect them as a souvenir or even send them to family and friends thanks to the format “KIT-mail” in a way of postcard.

Regional editions:

As I also said in the external environment, the “gotouchi” concept is very popular in Japan. This could be translated as “place of origin”. The Japanese love the new things and also love their country. They are patriotic and proud of what comes from their own country, more than anything else. That is why popular icons in the country like Hello Kitty, have some editions to follow this concept and value local aspects of each region.

In the case of Kit Kat, it is a foreign brand, so it had to pass this cultural barrier to win and definitely become more Japanese than Japanese products. Therefore, these so-called regional products have emerged which contain typical flavors of each place, as a way of promoting the region. Although the idea is to travel and get these regional editions in every place of origin, it is possible to cheat a little; In the Japanese website of Nestlé there is an online shop and people can buy all these products by internet. The goal is to emphasize the rationality of Kit Kat products and create a closer relation with the Japanese, who identify themselves more easily to it (Purnell, 2012).

Figure 16: Map showing the exclusive, regional Kit Kats of Japan



Source: Japonismo Blog, 2014

Limited editions:

Apart from the special editions there also exist plenty of limited editions to force the purchase at a given time being one of the best-selling drivers. Japan is the country where limited editions abound including the St Valentine version, sold only on February 14. This one is very well received by the Japanese due to the euphoria this date generates in the country.

Other successful versions are the one made with pumpkin for Halloween and the one of cherry green tea created for the Hanami which is an important Japanese custom held all over Japan in spring. People have fun viewing cherry blossoms, drinking and eating (Miskima, 2014).

Adult sweetness editions:

Besides the regular chocolate variety of milk chocolate and a huge variety of regional varieties and limited editions, in 2010 Nestlé launched a version of the Kit Kat less sweet, with the slogan オトナの甘さ (Otona no amasa), which can be translated as "adult sweetness." These Kit Kat were made with black chocolate and had a tremendous success among Japanese customers (Rodriguez, 2012).

Collecting Kit Kat:

This huge variety of Kit Kat is what has spurred collecting, not only by Japanese people who are always fond of new discoveries and new sensations, but also by foreigners traveling, as they often do it in the context of a discovery.

For a special cause:

As mentioned before, Kit-Kat offers many unique only-in-Japan flavors. But one of their recent products was for a special cause; the "Kit-Kat World Variety" went on sale in Japan last March and ¥20 from each package sold went toward the rebuilding of the Sanriku train line (in Tohoku, Japan) which was destroyed in the 2011 March 11 earthquake and tsunami (TokyoFive World Press, 2013).

Thanks to the combination of all these factors, the Kit Kat brand in Japan has become essential. What before was just like any other chocolate bar is now a synonym for success, national pride, gift and exoticism.

When it comes to **price**, Kit Kat brand manager at Nestlé Japan could not disclose figures for the total sales of Kit Kat in an interview with Jut-food in 2010. However, he shared the fact that sales in that moment were up by 50% compared to 2002, the year before the regional flavors campaign began. This has had an impact on the price of Kit Kat. In the past the suggested retail price was 126JPY (Japanese Yen) for Kit Kat original, but the price was later fixed at 105JPY (Takeuchi, 2010) meaning that price strategy is flexible and depends on the consumer's demand.

Regarding **distribution**, Japan is one of the most density populated countries in the world, a culturally complex society with an incredibly aggressive retail market. Here the problem is not getting shelf space, it is to keep it. For Kit Kat the solution was not to fight the battle on the

shelf space, it was to create an entirely new way to rediscover and experience the brand (Kanzali, 2013).

In most places around the world Kit Kat means chocolate bar but in Japan Kit Kat means “surely win” and nowhere is the pressure to surely win more than in the schools. Every spring friends and family send good luck messages to students as they embark on their school entrance exams. Nestlé wondered what¹ if they could inspire the entire country to send students Kit Kat bars to say “Kittu Katsu” (you will surely win on your exams). To do that, Nestlé partnered with the largest institution in Japan, a place over 20 thousand locations, a place people visit every week: the post office. They created "Kit Kat Mail," a postcard-like product sold only at the post office that could be mailed to students as an edible good-luck charm, and also as a present for friends and family (Kanzali, 2013).

Besides that, it is possible to find Kit Kats almost everywhere in the country; regional versions are sold as souvenirs for tourists in various places including railway stations, airports, and expressway service area shops throughout Japan. While the rest of the products, are sold at supermarkets and convenience stores throughout Japan intended for routine daily consumption.

Nestlé Japan started offering the Kit Kat local souvenir series with the aim of exploring new sales channels, finding new consumers, and new times and places for consumption because sales at convenience stores and supermarkets had reached saturation point (Takeuchi, 2010). As a result, the world’s first store dedicated to Kit Kat has opened in Tokyo, where the wafer chocolate bar is considered a cult item and lucky charm. The Kit Kat Chocolatory is the name of the boutique and it was opened in Seibu Department Store in Ikebukuro. The objective is to sell gourmet bars directed to an adult audience and develop new seasonal flavors (Nestlé, 2014).

Figure 17: World's first Kit Kat store opens in Tokyo



Source: *Times Live*, 2014

Promotion plays an important role too. The Kit Kat’s postal campaign mentioned before was a great success for the brand. Nestlé pulled off this marketing coup in the toughest retail market in the world and used the meaning of “Kittu Katsu” to its advantage. The brand offered to buy Kit Kat boxes ready to send where it was possible to write a message of “good luck” to the recipient. Those boxes were available in more than 22,000 post offices throughout Japan and it was the first joint venture between a great brand, Japan Post and the Japanese government. The operation was a victory relayed by television. The Japanese bought these Kit Kat boxes to

send to their loved ones in the period of exams, to wish them success in their tests (Madden, 2010).

After this great operation, the Kit Kat brand has become the number one confectionery products in Japan. Even better, this large operation has enabled the brand to be permanently associated with good luck and so ensure a positive image for a long time (Kanzali, 2013).

Furthermore, what differences Kit Kat from its competitors in Japan lies in collaborating with people outside the company and carrying out marketing activities concentrated on PR. An example of this is the use of celebrity endorsement strategy; The Japanese actress and singer Meisa Kuroki is the promotion model for both the regular Kit Kat and the “Sweetness for Adults” Kit Kat (TokyoFive World Press, 2013).

Its success is probably attributable to the fact that the marketing section of Nestlé Japan, the outside advertising and PR agencies that Kit Kat works with, and affiliated companies, are united as a team, which helps promote the creation of fresh, new ideas (Takeuchi, 2010).

The brand has mainly publicized itself through the use of media relations, including articles in newspapers or TV commercials just prior to the school and university entrance exam season known as the Juken.

Due to Nestlé’s branding partnership with Google last year to name the next release of the platform “Android Kit Kat”, Japan was one of the countries where the cross branding promotion was reflected; Android’s website and icon appeared in Kit Kat packs giving consumers the opportunity to win prizes including a limited number of Google Nexus 7 tablets, and credits to spend in Google Play (D’Orazio, 2013). Regarding the social media, Nestlé’s website for Kit Kat in Japan is useful to help consumers keep up to date with the brand’s new releases. The Facebook page is also important to interact with consumers.

6.2.3- Australia

Apart from the classic Kit Kat four finger, there are other forms and flavors belonging to the range of **products** in Australia such as king share and cookies and cream Kit Kat.

Figure 18: Kit Kat products in Australia



Source: Nestlé Australia, 2014

In 2011 Kit Kat Australia released Chunky 3, a world first in Kit Kat, combining three different textures in the one bar. The new chocolate bar is available in three flavors: chocolate, caramel and cookies & cream. (Nestlé Australia, 2014).

Nestlé Australia is the first major chocolate manufacturer in the country to source all the cocoa for its retail confectionery business from certified and sustainable farms working with the Nestlé Cocoa Plan.

Every chocolate they sell is certified to ensure the cocoa is sourced and produced sustainably on farms with safe working conditions. This makes able for the brand to reduce its production cost by investing in its own production and maintain the **price** of the product in the market (Nestlé Cocoa Plan, 2014).

Customers can find Kit Kat in plenty of **places**. They can buy Kit Kats in hypermarkets such as Coles, Woolworths and Aldi, in medium size supermarkets such as IGA and in small supermarkets such as Seven Eleven. Australians prefer going to Aldi due to the good prices in addition to the good quality there. Moreover, a survey has found Australians are shopping online more frequently than people in other developed countries (Parker, 2013).

There is a high competition in the market regarding chocolate industry, with Cadbury's and Mars among the rivals. That is why Kit Kat needs to have outstanding **promotion** strategy to maintain being one of the favorite's snacks among the Australians. Advertising has a great importance in promoting Kit Kat and its new products. An example is what was done to promote Nestlé's latest: Kit Kat Chunky3's launch was supported by an extensive TV, digital and outdoor advertising campaign in 2011. Regarding TV commercials, the ABC makes it necessary to broadcast advertisements recorded in Australian environments to contribute to the sense of national identity and that is why Nestlé Australia makes it that way with Kit Kat's communication.

Social media, such as the website for Kit Kat, Facebook, YouTube and Internet advertising of search engines such as Google, are among the most effective carriers for Nestlé Australia. Due to Nestlé's branding partnership with Google last year to name the next release of the platform "Android Kit Kat", Australia was one of the countries where the cross branding promotion was reflected; Android's website and icon appeared in Kit Kat packs giving consumers the opportunity to win prizes including a limited number of Google Nexus 7 tablets, and credits to spend in Google Play (D'Orazio, 2013).

In 2009 Nestlé created Australia's biggest internet-based social-media advertising campaign known as the "\$1 million campaign" to promote its new Kit Kat Chunky product, targeting teenage boys. This interactive campaign invited young men to play a virtual game. The company spent about \$1 million and more than 70% went to social media websites such as Myspace, Facebook profiles, YouTube, blogs, online and mobile banners to promote the new Kit Kat Chunky. It was such a successful campaign; brand awareness jumped eight percentage points, and customers ate 63% more Chunky bars after the campaign, according to research (Sinclair, 2008).

6.2.4- United Kingdom

Kit Kat was born and rolled out for the first time across the UK in 1935. Nowadays it has become one of the UK's favorite and most well-known chocolate bars. The first flavor variant was launched in the UK with Kit Kat Orange (Kit Kat Nestlé, 2010).

Nestlé increased dramatically the number of new and unique variations of their confections and market them as limited or special editions, whereby they would usually only be available for a few months at a time so as not to impact the sales of the permanent edition. The strategy initially reversed the decline of the Kit Kat in the UK and has been adopted worldwide by Nestlé and Hershey in USA. That is why within the Kit Kat range of **products** in the UK, it is also possible to find the following:

Figure 19: Kit Kat products in the UK



Source: Nestlé UK, 2014

The UK is home to exciting Internet companies and fast growing in which they are trying to apply the technology in the traditional sectors. This fact has influence on the packaging; anyone who buys a multi-pack of two-finger Kit Kat chocolate bars in the UK, which are the favorite ones in the country, will be able to find out more about what they are made of, how they fit into a balanced diet and lifestyle, and how they were produced, just by scanning the packaging with a smartphone (Nestlé Media, 2013).

Figure 20: UK digital labelling



Source: Nestlé Media, 2013

Nestlé UK has taken note of this strong current of responsible consumption and socio-economic awareness in the country. Thereby, in its project to support communities of farmers and cocoa which is called The Cocoa Plan, Nestlé decided to produce one of its most iconic snacks, chocolate bars Kit Kat, under the trade procedures and manufacturing standards established by fair trade (The Guardian, 2013).

The four-fingered Kit Kat went into UK shops with a Fair trade mark in 2010. And three years later, the two-finger Kit Kat became the second most popular Fair Trade product in the UK, providing an income for thousands more farmers in Ivory Coast, where more than 40% of the world's cocoa is produced (The Guardian, 2013).

Consumers in UK then have a way to demonstrate that they care about the welfare of farmers, even if the products carrying the Fair trade logo have a higher **price** as a result, due to the premiums that must be paid to farmers and The Nestle Cocoa Plan. Apart from that, when a new product is launched in the UK promotional offers take place to catch the attention of the consumers (Raynolds, Murray, & Wilkinson, 2007).

Indirect **distribution** is the only better option in the UK as it is possible to reach wider market with the use of retailers and Supermarket than having specialized stores at one location. Therefore, mostly supermarkets like Tesco and Asda, are the main channel of distribution for Kit Kat in the country for covering large market at one time offering a better service and availability of the product.

When a new product is launched, there is a process always followed by Nestlé UK; in the initial set up, there are huge sales and promotional activities. Personal distribution of the template showing introduction of the product are introduced. Later, the company immediately starts advertising its new product mainly through TV media by means of ads which are best known for their humor. It also uses other print media as well big hoardings on the main roads. As customers get familiar with the product, more sales **promotion** activities are done by putting prizes under the wrapper, thereby encouraging the customers to buy more of it (The Institute of Cost Accountants of India, 2013).

There are many marketing campaigns that have been carried out in the UK to create brand awareness and catch the attention of the customers. Among the marketing campaigns in the UK, one of the most recent and prominent one is the “We will find you” campaign in 2012. During the campaign GPS tracking devices were placed inside six candy bars. Once the winning candy bar wrapper was opened, the tracking device went off and a Nestlé prize team then had 24 hours to track down the lucky recipients and award them a £10,000 prize. Nestlé put up 3,000 posters to help promote the contest which goal was to increase sales in short term and create brand awareness (Murphy, 2012).

Celebrity endorsement was used in 2008 with its “Senses” Ad campaign. The pop group “Girls Aloud” fronted a huge campaign for the Senses bar, which included TV, advertising and headline sponsorship of their May tour to launch Kit Kat Senses, a new Kit Kat bar aimed at women (Marie Claire, 2008).

Due to Nestlé’s branding partnership with Google last year to name the next release of the platform “Android Kit Kat”, UK was one of the countries where the cross branding promotion was reflected; Android’s website and icon appeared in Kit Kat packs giving consumers the opportunity to win prizes including a limited number of Google Nexus 7 tablets, and credits to spend in Google Play (D’Orazio, 2013). Furthermore, Nestlé UK has a British website for Kit Kat where is possible for consumers to know what is going on with the brand and its products, see the latest ads, read about The Cocoa Plan and be aware of the promotions. It also has a

Facebook page to keep in touch with potential consumers and show them all the marketing campaigns and exclusive offers; a twitter account to detect trends and a YouTube channel to display content and perform advertising.

6.2.5- United States

Kit Kat bars in the US are commercialized under license by The Hershey Company. Since its introduction in the 1970s, the Hershey's Kit Kat packaging and advertising in the United States differed from the branding used in every other country where it was sold.

The reason for being the US the only place where Kit Kat is not made by Nestlé is due to a commercial issue between both companies based on their strategies. Hershey is the largest chocolate manufacturer and one of the oldest chocolate companies in the US, as well as an American icon for its chocolate bar. Nestlé is one of “The World’s Most Admired Food Companies” in Fortune magazine for sixteen consecutive years (Coan, 2011) and is considered to be One of Hershey’s key competitors.

Figure 21: US Chocolate Market Share

	2012
Hershey	43.3 %
Mars/Wrigley	30.7 %
Nestle	5.9 %
R. Stover	4.3 %
Lindt	4.2 %
All Other	11.6 %

Source: *The Hershey Company, 2012*

As it is reflected in the table above, Nestlé has been stomping in the American Market for years being a big threat for Hershey. Therefore, this license agreement benefits both companies; Hershey maintains its leadership position in the confectionery industry, while Nestlé’s Kit Kat brand is consolidated in the US market being sold by the leader. The Swiss company gets to reduce costs and avoids the strict regulations that the FDA submits all food and beverage imported products to US. Nowadays, Kit Kat is one of the most popular candy bars in US.

Figure 22: Most popular candy bars in US

Position	Image	Brand	Brand Owner
1		Reese's Peanut Butter Cups Chocolate Candy	Hershey
3		M&M's Milk Chocolate Candy	Mars
2		M&M's Peanut Chocolate Candy	Mars
4		Hershey's Kisses Chocolate Candy	Hershey
5		Hershey's Milk Chocolate Candy Bars	Hershey
6		Snickers Chocolate Candy	Mars
7		Kit Kat Chocolate Candy	Nestlé (made under license in US by Hershey)
8		Reese's Pieces Chocolate Candy	Hershey

Source: *Confectionary News, 2014*

Regarding the visual characteristics, Hershey Kit Kats adopted the slanted ellipse logo used worldwide by Nestlé, though the ellipse was red and the text white. The international slogan “Have a break, have a Kit Kat” is not written in the American version; instead it says “Crisp wafers”.

Figure 23: International Kit Kat vs American Kit Kat



Source: *World of Snacks, 2013*

After removing the packaging is possible to see the very difference in the color as Nestlé’s “fingers” have a darker chocolate. The only other noticeable difference is the logo treatment stamped into the bar because it is bigger in the American version.

As I previously stated, this product is under license. There has been no formula change to the product. However, the basic ingredients are agricultural products and therefore, sometimes subtle changes may be detected by consumers (Protozoa, 2000).

According to the opinion of some consumers who have tried both versions, the American one tastes sweeter and it is crunchier while the Nestlé’s version has darker chocolate and of higher quality. Apart from the classical milk chocolate Kit Kat, there are other versions of the brand to satisfy consumer preferences, including Kit Kat miniatures, King size, white, dark and extra crispy.

Figure 24: US Kit Kat products



Source: *Hershey website, 2014*

Major manufacturers in the US launched miniature versions of their major brands in 2013, to help drive sales amongst the steadily growing snacking audience. Snacking in-between meals has steadily become much more common amongst many consumers as a simple way to stay satiated all day.

Chocolate producers as Nestlé therefore started to introduce smaller bite-sized portions (Kit Kat miniatures) which help to fill this snacking desire (Euromonitor International, 2014). King Share is also available for those preferring bigger sizes.

There are also limited editions available during some seasons of the year. These include the Kit Kat Fall miniatures for the fall season or autumn months, Halloween bars in October and other versions such as Mint, Triple chocolate and Inside Out Kit Kat.

Hershey's pricing strategy for Kit Kat consists on maintaining the price level at a consistently hiked rate to create a high quality product image (Bist, 2011). And concerning **distribution**, Kit Kat is one Hershey's main brands and it is sold through retail including wholesaler distributors, chain grocery stores, mass merchandisers, vending companies, supermarkets, and convenience stores, wholesaler clubs, department stores and dollar stores. The Company believes that its products are sold in more than 2 million points of retail in North America (Hershey's, 2014).

The most striking **promotion** of Kit Kat in the US was the deal between Google and Hershey in 2013; the tech giant has for the first time chosen a brand-name candy for its 4.4 version: Kit Kat. The new version shared a name with the chocolate candy bar with the well-known "Gimme a Break" jingle. Kit Kat packaging showed Android's green robot mascot breaking a Kit Kat bar (Anderson, 2013).

Those packs also leaded consumers to the website where they had the opportunity to win prizes including a limited number of Google Nexus 7 tablets, and credits to spend in Google Play, Google's online store for apps, games, music, movies, books and more (Hershey's, 2014).

Figure 25: Kit Kat label for the Hershey Company featuring



Source: *The Hershey Company | PR News Photo*

According to Jennifer Podhajsky, vice president of U.S. chocolate at Hershey, in the interview published in The Associated Press, Kit Kat's jingle was a good fit for people taking a break to look at their smartphones or tablets. She added that the deal appeals to Hershey because Android hits the sweet spot of Kit Kat eaters, who are typically between the ages of 18 and 34. "Kit Kat consumers are young, vibrant consumers of candy and chocolate bars, and that's a nice match with Android," Podhajsky said. Marc Vanlerberghe, director of Android Marketing, said the name was chosen because Kit Kat bars have been a "favorite go-to snack among the team since the early days of Android" (The Associated Press, 2013).

The Android 4.4 Kit Kat system was running in 2013 on more than 750 million smartphones and tablets throughout the world, making it the world's most widely used mobile operating system at that stage (Anderson, 2013).

An important reason of the creation of this campaign is that US is one of the most technologically sophisticated societies of the world and also the most entrepreneur where the greatest hits of the web take place and is perfect to create success on the internet.

In addition to this sweet deal, there are another ways of promoting the American Kit Kat. Advertisement plays an important role with creative TV commercials as well as Social Media, including plenty of videos in the YouTube channel, interaction with consumers along the Facebook page and the website of the brand where consumers can look for information, watch all the ads and videos as well as learn new recipes.

7- CONCLUSION & RECOMMENDATIONS

7.1- Conclusion

Kit Kat's success can be attributed to consistency in its marketing strategy all over the years which has been adapted to the culture of each country. Its trademark- red and white colors and the distinct "Kit Kat" logo together with the slogan "Have a break, Have a Kit Kat", make it one of the most recognized brands ever worldwide. This strategy is developed by Nestlé in all countries but United States where Kit Kat candy bars are made by Hershey's under a licensing agreement and therefore, they use a different strategy.

Apart from the original Kit Kat four finger, there is a range of different versions of the **product** in all the selected countries. These different variants reflect the cultural differences between countries as customer habits and taste preferences generate their demand. Regarding flavor, Japan is the country with more varieties as Japanese love to experiment new tastes. They are real fans of everything related with food and even more if it is related with Kit Kat.

In terms of package, Australia and the US are the only markets where king share is available. Both countries are known for the "big things"; big stores, big houses, big cars and massive buildings. Everything has a bigger size and the same happens with food. Therefore, this has influence on the marketing of Kit Kat in both countries, where it is available in the king share and many other forms.

It is also important to mention the digital labeling in the British packages of Kit Kat in which consumers can look for nutritional information through their smartphones. This unique feature responds to the high level of technological dependence society has nowadays, especially in the UK.

Nestlé dramatically increased the number of new and unique variations of the Kit Kat and market them as limited editions to attract consumers when demand for chocolate decreased in the 2000s. This strategy began in the UK, the brand's country of origin, and expanded worldwide by Nestlé and also in the North America by Hershey.

These new editions and unique flavors became widely popular especially in Japan, the most vibrant culture of the brand. The country is known as the paradise of Kit Kat and the reason for its success is mostly related with the brand's name which is very similar to "Kitto Katsu", or "you will surely win". This has helped a lot as Kit Kat has become a great present among

students and friends and that is why it is sold in a box way where consumers can write a message. Popular flavors include wasabi, green tea, sweet potato and soy sauce created to attract Japanese customers who are always fond of new discoveries and new sensations.

Regionalism in Japan also had influence on Nestlé which created a range of Kit Kat regional versions aiming to embed the brand in every parts of Japan and create a Japanese image around this foreign product. Moreover, Japan is the only place where Nestlé created a Kit Kat edition for a special cause as decisions in the country are taken on the basis of emotions.

Looking at Kit Kat's **price**, global pricing is a difficult concept as every product sold in a particular country is sold in that country's currency: AUD (Australian Dollar) is used in Australia, USD (United States Dollar) in the USA, ZAR (South African Rand) in South Africa, GBP (Pound Sterling) in the UK and JPY (Japanese Yen) in Japan.

Therefore, Nestlé uses a flexible pricing strategy worldwide according to the economic situation of the country is targeting. It depends on the consumer's demand. For instance, when new flavor Kit Kats were launched, the demand for the regular version fell down and therefore Nestlé Japan made it cheaper making it more affordable and encourage sales. It also depends on the retailer being Aldi the supermarket with better prices according to consumers in Australia. In the UK, Kit Kat is sold under Fair Trade making it more expensive but not less attractive as British consumers are really conscious about the decent working conditions and social welfare and a significant part of each chocolate bar goes directly to the farmers that produce the cocoa.

Conversely, in the US the price strategy for Kit Kat is one used by Hershey Company for all of its range of products and it consists on maintaining the price level aiming to create an image of high quality among Americans.

In addition, Kit Kat uses a penetration pricing strategy in all the countries for its upcoming flavors introducing them with a low price and developing a niche for them. It also applies promotional pricing during some seasons with special editions and it also offers discounts pricing in certain time of the year to attract customers.

Regarding the **distribution** strategy, Nestlé has developed distribution channels which ensure the availability of Kit Kat to buy wherever and whenever the consumer wishes to purchase it. Indirect distribution is considered as the best option to reach wider markets with the use of retailers and supermarkets than having specialized stores at one location for covering large market at one time.

It is common to all the selected countries that sales of confectionery depend heavily on its availability, with market research showing that well over 60% of all purchases are made on impulse (Nestlé, 2012). Consequently, Nestlé tries to supply as many outlets as possible, both wholesaler and retailer channels. Consumers of the selected countries purchase Kit Kat through distribution which is dispersed to various vendors including large grocery stores and smaller stores.

Japan is where most intensive distribution is made; Nestlé uses many outlets as possible such as supermarkets, convenience stores, service stations and even vending machines to ensure Kit Kat is able to intensively distribute its products. This intense distribution could be due to the fact that Kit Kat is not just a snack in Japan; it has become a culinary obsession for different reasons. In order to avoid the saturation created in the country, new sales channels have been created such as the world's first Kit Kat store in Tokyo named as "Kit Kat Chocolatory".

Concerning to the **promotion** strategy, continuous reinforcement of the brand message through advertising and promotions has enabled Kit Kat to sustain its popularity over a long period of time in the face of rapidly changing consumer attitudes, tastes and consumption patterns all over the world.

After having analyzed different promotion strategies in the selected countries, I can say advertising plays an extremely important part in the confectionary industry.

Nestlé advertises Kit Kat with creative and innovative advertisements such as television commercials especially in the US where Americans watch over four hours of TV a day (Nielsen company, 2014), making it a good way to target more consumers. In Australia spots are recorded in national environments, giving rise to a local communication and respecting the ABC act. Newspapers are very common in Japan due to the high literacy rate of the Japanese.

E-marketing is used by Nestlé in all selected countries due to its low cost and possibility to obtain consumer's preferences. The social networks used by the brand are Facebook (used in all the countries analyzed), to keep in touch with potential customers by sharing comments, videos and pictures as well as showing them all the marketing campaigns and exclusive offers; YouTube (used in Australia, USA and UK) to display content and perform advertising; and Twitter (used just in the UK) to detect tendencies in the society thanks to the "trending topics".

UK leads the use of social networks to promote Kit Kat and the reason for this is that UK has the higher percentage of internet users compared to the rest of the countries.

There are Kit Kat websites in every country where the brand is commercialized to inform potential consumers about its products and promotions. Nestlé South Africa has developed the most peculiar site being not only a way to inform consumers but also a place to spend their break playing with their games. This strategy is called "advergame", a game made at request of the company, a form of advertising to promote the product, idea, or the company itself (Cateora & Graham, 2007). In the case of Nestlé is a way of positioning the brand as an enjoyable snack.

Another promotion strategy used is celebrity endorsement by using a famous person's image to promote some products and light up an interest in Kit Kat. Examples of this are a Japanese actress and singer as the promotion model for both the regular Kit Kat and the sweetness for adult Kit Kat; and the pop group "Girls Aloud" promoting the Sense bar in the UK.

Furthermore, Kit Kat also adopts 360 degree marketing campaigns in all the countries. These are marketing activities which take into consideration the brand identity and take an inclusive

approach so that Kit Kat is presented at all the points of consumer contact. Examples of this are the mail campaign about in Japan, the Australia's biggest internet-based social media advertisement campaign known as the "\$1million campaign" and the GPS campaign "We will find you" in the UK. All of them were innovative, aiming to reinvent themselves and reach new customers while creating a strong image.

An important cross branding also took part in the promotion of Kit Kat. The deal was made between Google and Hersey in the USA and between Google and Nestlé for the rest of the selected countries except South Africa, where the technology is quite limited. Android's website and icon appeared in Kit Kat packs giving consumers the opportunity to win prizes including a limited number of Google Nexus 7 tablets, and credits to spend in Google Play. This campaign significantly raised the profile and boost sales of Kit Kat in the short term with tons of coverage in newspapers and TV.

Figure 26: Marketing policies applied by Nestlé in the selected countries



Source: Own production

7.2- Recommendations

The marketing strategy of Kit Kat chocolate is very good, but I would like to give them some recommendations to improve its competitive advantage and sales.

In today's world, creativity, innovation and the emotional affinity with the brand are some keys to success. Therefore, I have some suggestions regarding the product, distribution and promotion strategies of Kit Kat which can be applied globally by Nestlé and in the USA by Hershey.

Product strategy:

In terms of appearance, different editions for distinct holidays and festivals can be released, with some customized words related to the holiday or festival like it is already done for Valentine's Day, Halloween and the cherry blossom trees festival in Japan; the country that attaches great importance to traditional celebrations.

Four fingered Kit Kat special editions can be introduced during different dates in various countries. For instance, in the USA, the sweetest day is perfect to do this. It is on the third Saturday in October and is considered as a day for spreading joy and happiness to those who are in need.

Another important date for the Americans is the fourth of July (the Independence Day) when Americans celebrate the day they became an independent nation. Nestlé can introduce the product during this day, with customized words such as "July Four fingers", to replace the name "Kit Kat" in the bars.

Easter and Christmas are options to introduce special editions in all the selected countries as they are both common traditional holidays. The bars can be named as "Easter Fingers" in Easter and "New Year's Break" in Christmas. This idea would increase sales in short term for Kit Kat as well as create brand awareness.

In terms of quality, Nestlé can create better and healthier chocolate crisp which is low fat, low calories or low sugar. Since nowadays people have become increasingly health-conscious, Nestlé can reduce the sugar level in the ingredients of Kit Kat or come up with new recipe such as high fiber Kit Kat.

In terms of flavor, variations that reflect the local origin and palate of each region can be carried out, like Japanese "regional editions". For example, Kwazulu Natal in South Africa is well known with its coffee plantations, so freshly roasted coffee-flavored Kit Kats could be introduced. Boiled peanuts-flavored Kit Kats can also be created which would be well received in the American South Region as boiled peanuts are very typical there.

In terms of packaging, some unique features of the country or local culture could be added to the packaging of Kit Kat. For example, kangaroo picture on Australia package, whereas lion pictures in South Africa, the typical British phone booth in the UK where tourism is really

important, the statue of the liberty in the USA and the maneki-neko or lucky cat in Japan. As the result, these limited editions Kit Kat will turn into coveted souvenirs for domestic travelers.

Many of the special flavors can only be introduced for a limited time to attract consumers to try them while they can, then Nestlé has to quickly take them off from the market. That is why the unsold ones could be collected and used to create mixed bags of consumer favorites and exciting new flavors as high-valued bags, and sell them during the major gift-giving periods, such as New Year, Father's Day, Mother's Day and Christmas in order to avoid stock of the product.

Distribution strategy:

For Kit Kat to be successful in distribution of its product and marketing in the future it has to come up with new plan and ideas which will penetrate and be stable in the change of business environment and survive in a huge business market where there are a lot of competitors. For example, they can offer the inventory of its products through both online and in-store means, satisfying customers of different needs and shopping styles.

Taken into account the information provided by the study "Shopper & Retail Research", online is the perfect way to show the inventory of its products in Japan as Japanese are classified as responsible planners meaning they are shoppers on a fixed budget who always compare prices and are most likely to buy online.

However, shoppers in Australia, UK and the US are categorized as bargain hunters. They also hunt for bargains but are less price-constrained and more impulsive. They can afford to buy in bulk and are less interested in shopping online. Therefore, it would be appropriate to offer the inventory in store means and make a good use of retail advertisement to catch the attention of consumers.

Promotion strategy:

To maintain Kit Kat as one of the selected countries' best-selling chocolate bars, they need to have an outstanding promotion strategy. One of the best ways they can do that is by advertising.

Kit Kat should continue advertising with creative and innovative advertisements such as television commercials, magazines and newspapers, posters, outdoor advertisement and of course advertisements through the internet like social networks to capture hearts of consumers once more. By doing so, Kit Kat may boost sales and generate remarkable success from net advertisement.

Another good idea for Kit Kat would be to sponsor sport events with the new health-conscious Kit Kat to show that they care about consumer preferences and are willing to change. This idea would be very welcomed in Australia as it has a very sportive culture.

Furthermore, Kit Kat can adopt sales promotion as part of their strategies such as discounts to stimulate sales. Deals like “buy one get one free” is another option. Moreover, sampling offers potential customers the opportunity to try a product before they make a buying decision. This is one of the most costly sales promotion but also one of the most effective (Grewal and Levy, 2008).

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