

# Building a brand

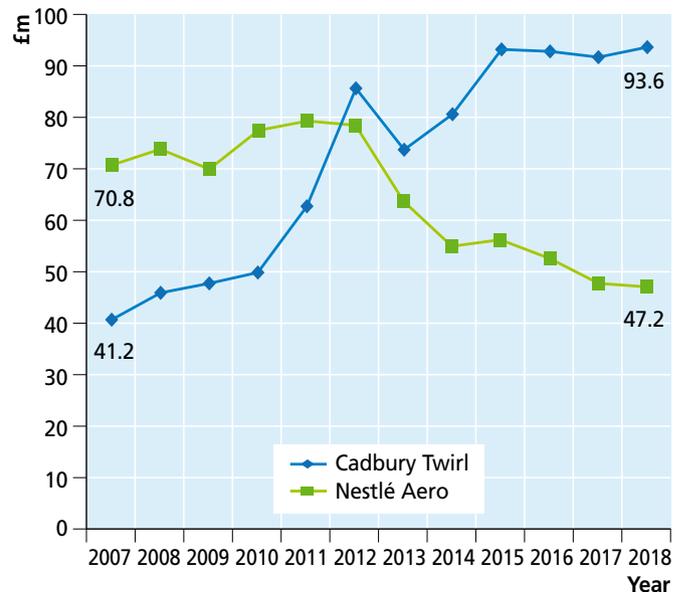
Ian Marcousé looks at the prospects for Cadbury's Twirl Orange bar

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This might possibly be the best news you'll hear all day: Cadbury is about to launch an orange chocolate version of the Twirl. Or you might not care: one third of Brits love orange chocolate, the remainder think nothing of it. But for Cadbury, it's an interesting decision in a tough current market.

The volume of chocolate purchased in the UK has fallen in each of the past 5 years. One bright spot has been orange chocolate: Terry's Chocolate Orange 2018 sales were £53 million.

Figure 1 gives an idea of Twirl's current situation. Between 2010 and 2012 its sales rocketed thanks to the success of Twirl Bites, the 'sharing' bags. Since then sales have matured at a more than satisfactory £90+ million a year of sales, placing Twirl as the UK's sixth-biggest seller. But the graph also shows how maturity can be followed by decline, as in the case of Nestlé's Aero. So



SOURCE: THE GROCER

Figure 1 UK chocolate market sales

## Box 1 Top chocolate

The UK's top chocolate brands 2016–18:

- 1 Cadbury Dairy Milk
- 2 Mars Galaxy
- 3 Mars Maltesers
- 4 Ferrero Kinder
- 5 Lindt Lindor
- 6 Cadbury Twirl

SOURCE: THE GROCER

Cadbury wants to inject some new life into Twirl, using an extension strategy.

Cadbury has described the Orange Twirl as a limited edition bar, but if it sells well, it'll stay around. The company will be hoping that the Twirl brand beats £100 million of sales in 2020. Cadbury management knows that most sales for Twirl Orange will come from Twirl regulars, so unless the brand finds new customers, sales will be split between two brands — increasing costs and hitting profits. In case that happens, Cadbury has an insurance policy. Whereas the weight of a Twirl is 43 g, an Orange Twirl is 39 g. This 10% reduction in size means a 10% cut in variable costs — and therefore a boost to profit margins.

### Practice exam questions

30 marks, 35 minutes

- 1 Explain the advantages Twirl gains from being a mass-market chocolate brand. (4 marks)
- 2 Between 2007 and 2018 sales of Maltesers rose from £129.3 million to £163.7 million. Calculate the difference between the percentage rise in sales for Maltesers with that of Twirl. (4 marks)
- 3 The UK's biggest-selling orange chocolate brand is Terry's Chocolate Orange. Assess how the new competition from Twirl might affect the market for Terry's Chocolate Orange. (10 marks)
- 4 Assess the factors that are likely to determine whether Twirl Orange proves a sales success for Cadbury. (12 marks)



One third of UK customers love orange-flavoured chocolate, and Aero sales have dropped by around one third since 2007

### Answers

- 1 Being in the mass market means high volume sales, enabling the producer to automate the high-flowing production line, to get costs per unit down. This should mean higher profit margins per unit, giving scope to spend more on advertising and marketing. Twirl has nearly £100 million of sales a year. Although its sales are only twice that of Aero or Terry's Chocolate Orange, higher profit margins would mean actual profit is a higher multiple than that.
- 2 Maltesers sales increase was  $£163.7 - £129.3m = £34.4m$ 
  - $£34.4m/£129.3m \times 100 = +26.6\%$
  - Twirl sales increase from £41.2m to £93.6m, i.e. £52.4m
  - $£52.4m/£41.2m \times 100 = +127.2\%$

So Twirl's sales increase is  $127.2 - 26.6 = +100.6\%$  greater.
- 3 It may dent demand for Terry's Orange temporarily, if orange chocolate eaters opt to try the new bar — attracted, no doubt, by brand recognition: for Cadbury and again for Twirl. If this proves temporary, sales of Terry's Orange dip for a few weeks/months, but with no long-term effect on the brand.



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The risk is that the brand switch proves permanent, with some fans of orange chocolate preferring the Twirl (everyday) format to the specialness of Chocolate Orange. If Twirl could gain £10 million of annual sales from Terry's Orange, that would hit the latter's sales by  $\frac{£10m}{£53m} \times 100 = 18.9\%$ , cutting its market share and making a big dent in its profitability.

On the other hand the effect of Orange Twirl may be to revitalise the market for orange-flavoured chocolate. This might have the unexpected effect of boosting sales of Terry's Orange, especially as Twirl is everyday eating whereas Terry's Orange is more for special occasions, i.e. they may be complimentary rather than competitive.

It would take an extreme optimist to believe that Orange Twirl could actually boost sales of Terry's Orange. The best bet is that it will hit sales of the Terry's product. Then Terry's will have to hope that Orange Twirl really is a limited edition product.

- 4 One factor is whether Cadbury carried out a lot of market research prior to launch. If so (and probably so) Cadbury would be clear on the right target audience for Orange Twirl, and can adjust marketing accordingly. If the prime audience is women over 40, suitable magazines can be selected for advertising, such as *Good Housekeeping*. Whereas if it's young adults, social media would be more appropriate

A second factor is how much advertising and promotional support is put behind the new brand variant. A strong advertising campaign might give people confidence that Cadbury believes in its new product, making them more likely to try and perhaps stay with the brand. But this may be hard for Cadbury to justify, given that most of the sales of Twirl Orange will surely come from Twirl regulars. Someone needs to do a very careful calculation of the costs and benefits of, say, a £3 million launch budget. And the calculations must allow for sales lost to regular Twirl as customers switch to the new orange version.

In conclusion, the success or failure probably lies in the hands of Cadbury management. If they have been professional in their work on market research and cost/benefit calculations, it should be possible for the product to be a sales success. Whether that translates into a profit success is another matter.

*Taken from 'Topical Cases' at [www.a-zbusinessstraining.com](http://www.a-zbusinessstraining.com), Ian Marcouse's site for CPD, topical cases and business worksheets.*

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