

LILY O'BRIEN MARKETING PLAN

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## LILY O'BRIEN MARKETING PLAN

### Executive Summary

Lilly O'Brien produces luxury chocolate products for ideal for gifting, sharing personalized messages, and for special occasions like weddings (Lilly O'Brien's, 2015 p. 2). The gifting chocolate category offers gift options for different occasions like birthdays, anniversaries, engagements, and thanksgiving (Lilyobriens.ie, 2016). The personalized category enables the customer to choose the chocolate box and decorates it with desired pictures (Lilyobriens.ie, 2016). The weddings category allows the customer to create the perfect wedding chocolates by choosing the chocolate box, message, and the chocolate flavors (Lilyobriens.ie, 2016).

Lily O'Brien is targeting to expand its products to the UK, USA, and Australian markets by taking advantage of its innovative product portfolio and high-quality products. The objectives of this plan are to grow sales and market share in Ireland and the UK as well as raise customer awareness in the US. The marketing mix elements are essential in meeting the objectives and they are the action plan towards attainment of the identified objectives.

### Situation Analysis

#### *Market Analysis*

Lily O'Brien's main markets are in Ireland and the U.K. The company also has international markets like USA, Canada, Australia, and New Zealand where exports to these countries contribute to the 75% of the company's sales (Irishjobs.ie, 2016). The key customers for Lily O'Brien's chocolates in the UK and Ireland are the major retail stores and merchandising stores. They include Tesco Ireland and the UK, Supervalu, Waitrose, Asda, Sainsbury's, and Dunnes Stores (Lilly O'Brien's, 2015 p. 2). Also, the company supports online purchases through its online site and offers free delivery of the chocolate for orders over 35 euros.

Chocolate is eaten by almost everybody; children, teens, adults, and the old and a key consumer trend is that most of the purchasers of premium chocolate buy chocolate as a gift for someone else and to treat oneself. The target market for Lily O'Brien can be described as the middle class in Ireland, the UK, the US, and in Australia because they have the disposable income to purchase chocolate either as gifts or to treat oneself and the middle class in Europe is ever increasing as well as in the emerging markets.

### *Market Demographics*

In Ireland, the company has a market share of 13.4% within the premium confectionery product category (Lily O'Brien's, 2015 p. 1) and it has a loyal Irish customer base making it have a 30% market share in the Irish chocolate market (Retailtimes.co.uk, 2016). Ireland is the third largest consumer of chocolate after Switzerland and statistics show that the Irish people consume an average of 12kgs of chocolate per year translating to 3.8 bars of chocolate each week (Independent.ie, 2016). The average Irish chocolate consumer is aged between 25-54 years (Boxed Chocolates Study RoI and UK 2015 p.10) with one out of every five boxes sold bought for self-indulgence and treatment (Boxed Chocolates Study RoI and UK 2015 p.14) while every four out of five boxes bought is for the purpose of gifting ((Boxed Chocolates Study RoI and UK 2015 p.29). This is an indication that the chocolate market in Ireland is still strong and the demand for Lily O'Brien's gifting category is expected to increase. Also, the company offers different chocolate bars flavors like sticky toffee bar, milk chocolate, salted caramel milk bar (Lily O'Brien, 2016) and are ideal for self-indulgence.

The United Kingdom confectionery market is estimated to grow by 8.6% and be valued at 6.64 billion pounds by the year 2019 with the chocolate confectionary sector to account for most of that growth (FoodManufacture.co.uk, 2016). The UK is the fifth world's largest chocolate consumer with the average person consuming 9.8 kilograms of chocolate per year (Mapsofworld.com, 2016) showing that the UK market is still stable. Lily O'Brien has made significant progress in the U.K and its market share grew in the inlaid boxed chocolates by 30% in year 2015 pushing it to position three. Research

carried out has shown that British consumers are willing to pay for Irish chocolate (Boxed Chocolates Study RoI and UK 2015 p.48) and this is growing market for Lily O'Brien. The company introduced its new chocolate bar ranges to appeal to the adventurous customers and has overseen the success of its chocolate tablets and this is an indication that it can broaden its market in the UK (Yu, 2016).

Lily O'Brien also operates in the United States and it had opened the Lily O'Brien's chocolate café in Bryant Park, Manhattan though it had to close down. The company also launched its new U.S website which allows customers to order their chocolate treats and collections (IrishCentral.com, 2011). The U.S chocolate market is expected to grow to \$25 billion by 2019 and statistics show that 85% of U.S adults buy chocolate (Candyindustry.com, 2016). This is a huge growth opportunity for Lily O'Brien in the U.S market. The food gifting industry in the US is expected to rise by 3.5% and chocolate gifts are predicted to lead the trend and 28% of consumers who had given food gifts reported that they had bought chocolate for someone else (Menayang, 2016). Quality of the chocolate is the top most sought after attribute by USA consumers and this is an opportunity for Lily O'Brien to exploit through by ensuring consumers can access the various chocolate bar flavors like dark bergamot to appeal to the US market.

#### *Market Needs*

A survey in the U.K and Ireland on consumer habits and the key findings were that approximately 28.6% of people in these countries eat chocolate every day and 67.3% of the people bought chocolate as a gift (Visual.ly, 2016). The UK consumer is, however, more value conscious and most of them spend much less in comparison to their Irish counterparts and there is a need to ensure that the UK consumers can get value from the company's chocolate. The company has to build a reputation through the provision of high quality premium chocolate to motivate the consumers pay a premium for the additional value they are getting.

59.9% of the respondents were for the idea of sharing chocolate and treating oneself and this is an opportunity for Lily O'Brien to expand on its hampers and treats categories and put increased

emphasis on eating small amounts of more premium chocolates daily to treat oneself (Store.mintel.com, 2016). In Ireland, the main drivers for purchase were gifting and the quality while in the UK, the important drivers were gifting and the value for money. Therefore, Lily O'Brien should maintain the high quality and taste, diversify the gifting category, and offer customers value for their money.

In the US, there is a group of consumers who are variety seekers. Such consumers seek information from social media on factors like the origin of the chocolate and the distance from which it has been shipped (A taste of the future -The trends that could transform the chocolate industry, 2014 p.10). The variety seekers account for almost 30% of the US consumers and a small company like Lily O'Brien is in a much better position to serve them. Lily O'Brien has a fascinating story on how it was formed and it can highlight its distinctive Irish flavors.

#### *Market Trends*

A key trend in the chocolate industry is the seasonal consumer purchases due to the occurrence of seasonal events. For instance, in the UK, more chocolate is sold at Christmas than at any other time, in the US, the Easter season causes a huge surge in sales (A taste of the future -The trends that could transform the chocolate industry, 2014 p.9), while it is estimated in Ireland that consumers will spend 40 million euros and purchase over 17 million Easter eggs (The Irish Times, 2016). Most of the chocolate is eaten during events Lily O'Brien has customized chocolate for each ranging from engagements, new baby gifts, birthday gifts, anniversary gifts, wedding gifts, mothers' day, valentines' day and fathers' day.

In the US, the Easter season generates the most sales while events like Halloween and the Superbowl are ideal to encourage customers to share chocolate sales (A taste of the future -The trends that could transform the chocolate industry, 2014 p.9) and this is an opportunity for Lily O'Brien to promote its chocolate as ideal for sharing amongst friends and family.

Consumers are getting more health conscious and are choosing healthier chocolate brands like dark chocolate. Dark chocolate is believed to have health benefit (A taste of the future -The trends that

could transform the chocolate industry, 2014 p.8) like it is nutritious, a source of antioxidants, and improves blood flow lowering blood pressure.

### *Competition*

The industry of luxury and premium chocolates has many companies and Lily O'Brien faces stiff competition from these competitors. The main competitors are Lindt, Butler's Chocolate, and Hotel Chocolat. Lindt is a Swiss chocolate producer has been in existence since 1845 and generates sales of 3.386 billion Swiss francs. The company is much larger than Lily O'Brien and it sells its chocolate in over 120 countries including the UK worldwide and its products are in most of the retail outlets worldwide (Lindt-spruengli.com, 2016). Lindt is highly innovative enabling it to build many different chocolate brands that attract consumers and has successfully used the strategy of smaller portions for less price to attract customers try the higher priced premium products (FoodNavigator-USA.com, 2016

Hotel Chocolat was formed in 1993 and it has over 80 shops in the UK and it is unique because it is one of the few world's chocolate makers who grow their own cocoa and the company has entered into markets like Amsterdam and Copenhagen (Hotelchocolat.com, 2016). Its major strengths are it is highly innovative enabling it to have produced different flavors, its chocolates are handmade, and it has successfully incorporated the use of digital marketing and it has a strong online presence (Boxed Chocolates Study RoI and UK 2015 p.61).

Butlers Chocolates is an Irish luxury chocolate manufacturer and it was formed in 1932 and it produces a wide range of chocolate products such as toffee, fudges, and bars. The company has opened several cafes in countries like Pakistan, Dubai, and New Zealand. Its main strengths are that it is the top Irish maker of luxury chocolate products, is highly innovative enabling it launch a range of different products, and has leveraged on the internet to expand its reach and penetrate the market. Its main weakness is that it does not carry out effective advertising and product promotions.

## SWOT Analysis

### *Strengths*

- ✓ Innovative new product development team which has led to the creation of over 80 flavors.

Innovation is key for a company to succeed in the luxury chocolate segment.

- ✓ Exceptional customer service offered to customers ensuring all complaints are solved on time enabling it to build strong customer loyalty in Ireland making it one of the most preferred luxury chocolate companies

- ✓ Commitment to high-quality standards and adherence to the Food safety and quality Policy ensuring excellent product quality enabling all the customer requirements to be met (Lily O'Brien's Chocolates, 2016)

### *Weaknesses*

- ✓ Inadequate financial resources due to the small size of the business.
- ✓ Inadequate investment in research and development. This led to the opening of the cafe in the

USA because proper research on anticipation of customer needs had not been carried out.

### *Opportunities*

- ✓ Growing markets for its products in Australia and the US.
- ✓ The growth of the premium chocolate market in UK and Ireland is expected to increase

demand for Lily O'Brien Chocolates.

### *Threats*

- ✓ Competition from other established companies like Lindt, Hotel Chocolat, and Butler's

Chocolate. Lily O'Brien faces stiff competition from these companies both in the UK and Ireland and they have the resources to eat into its market share.

✓ Downward pressure on pricing as a result of the increased competition since the larger competitors can offer the same products at a lower price and consumer's demand for value for their money.

### Marketing Objectives

1. Grow sales in the UK by 50% by the end of 2016.
2. Increase our market share in the premium chocolate category to 40% in Ireland and 15% in the UK.
3. Build brand awareness by 20% in the USA and Australia and build establish a well-known brand name in regards to premium chocolates.

### Marketing Strategy

Lily O'Brien marketing strategy will be based on the positioning of their differentiated products. The primary consumer target is the middle class who want to buy chocolate either as gifts or to treat oneself or their friends and family. The strategy will seek to create a position in the consumer's minds that their products are of the highest quality, great taste with fantastic flavors, and offer value to the consumer (ConfectioneryNews.com, 2016).

The positioning of the brands as the ones that satisfies the customer needs is crucial for Lily O'Brien to build awareness and grow its market share in its markets.

### Marketing Mix Elements

The four marketing mix elements discussed show the action plan and specify the marketing programs to be carried out to ensure Lily O'Brien meets its objectives.

### *Product Strategy*

Lily O'Brien should put greater emphasis on its chocolate gifting category because the majority of the consumers in all its markets are usually buying chocolate as a gift for someone. They should maintain the high quality and fantastic taste which has made them build loyalty because consumers



consider quality as the first attribute. The packaging of the product should be attractive and protect the chocolate from melting when exposed to heat. Packaging is the second attribute customers consider and therefore, more the packaging should be colorful to appeal to the customer.

An emerging trend among consumers is that they prefer smaller and flexible packs because they give a sense of control over snacking, portion sizes, and awareness of sugar intake (Eagle, 2016). The 0-50g is the most popular pack and Lily O'Brien should consider packing their chocolate in smaller packs because shifting to smaller packs will be a sure winner in packaging volume growth (Eagle, 2016).

More consumers are getting more concerned about the health effects and benefits as a result of eating chocolate. Concerns on whether chocolate consumption increases health diseases like obesity are increasing and consumers are now looking for healthier options. Lily O'Brien should put more emphasis on their orange, peppermint, and chili flavors and concentrate on introducing the dark chocolate collection to its markets because consumers perceive dark chocolate is healthier and they are adopting it as a lifestyle choice.

Flavors such as caramel and hazelnut are gaining in popularity worldwide and it appeals to customers who desire a luxurious taste in tough economic times because it has an added value over other flavors (A taste of the future -The trends that could transform the chocolate industry, 2014 p.8). Lily O'Brien should also put greater emphasis on its caramel milk chocolate in the UK because it will offer additional value to the value seeking UK customers.

Innovation is becoming crucial to the survival of a company in the chocolate industry. Customers are expecting higher quality products and are getting more open to new flavors. Therefore, Lily O'Brien should step up its product development to come up with new flavors, new product styles and branding, and make its chocolate tool by launch of chocolate filled paint tubes (A taste of the future -The trends that could transform the chocolate industry, 2014 p.11) to appeal to more customers.

### *Distribution Strategy*

Lily O'Brien current channel strategy is to have its chocolate sold through well-known discount stores and supermarkets. Lily O'Brien should continue using the main retailers in UK and Ireland like Tesco because the opening of their own store is not feasible for the business is still growing. The company should also continue offering free distribution to consumers who make orders of over 35 euros because free distribution will entice more consumers to purchase more.

For the US, Lily O'Brien should ensure that their products are in the main supermarkets like Walmart. The company should consider using online retailers because the culture of online shopping is strong in the US. This necessitates the company to avail showcase more products online and utilize their website to inform customers on how to access their products.

### *Pricing Strategy*

Lily O'Brien chocolate is available at different prices; less than 10 euros, between 10 to 25 euros, and over 50 euros and these prices are competitive in comparison to the competition. Lily O'Brien should not compete on price because consumers of premium chocolate are more interested in the quality than price. The quality, range of flavors, and fantastic taste of Lily O'Brien's chocolate making them ideal for gifting are the most important factors in positioning the company against the competition.

However, Lily O'Brien should consider giving price discounts to its customers. For instance, it can give a price discount on certain events and selected products like a 25% discount on Easter chocolate eggs during the Easter season.

### *Promotion Strategy*

The main aim of the promotion strategies is to build brand awareness amongst the consumers. First, Lily O'Brien should invest in online media to engage with customers better and at a personal level. The objective in the US markets is to build brand awareness and online media is a platform where the company can create awareness and get customer feedback. Lily O'Brien should use social media sites

such as Instagram and Facebook to connect with customers. Social media enables the company to have a community of interested individuals who share stories and experiences on the benefits derived from the use of a certain brand. Therefore, social media is a useful tool for Lily O'Brien to inform consumers of their products, build awareness levels, and encourage loyalty.

Lily O'Brien should use consumer marketing campaigns in Ireland and the UK. Such campaigns would involve the installation of giant-sized chocolate boxes modeled on its best-selling chocolate collections in key retail hubs and shopping installations (Retailtimes.co.uk, 2016). Such an activity would raise brand awareness in the UK and communicate their key message of the best quality premium chocolate does not disappoint and gives the consumer value.

The company should put further emphasis on the use of merchandising displays like point-of-purchase displays. Such displays will allow the company to display its various chocolate collections and act as an effective branding mechanism. Research has already revealed that 75% of buying decisions are made on the supermarket and store shelves and using point-of-purchase displays is an effective way to encourage impulse purchases.

The company should carry out a public relations campaign in the UK where it will communicate its key message through the media in the form of newsletters, blogs, social media, events like Easter, and speaking opportunities. Public relations will build goodwill, create brand awareness among the customers, and effectively communicate to the needs of the customer. Therefore, Lily O'Brien through the use of public relations will communicate its key message that its chocolates are of the highest quality and offer great value to the customers.

### Financial Projections

Through the marketing mix decisions above, Lily O'Brien should experience a sales growth of 50% in the UK. Such a sales growth for the next five years would see Lily O'Brien meet its revenue forecast of 50 million euros (Kelpie, 2016). Increased brand awareness in the USA and Australia by 20%

would increase their US business and exports to 30% from 20% currently and to 15% from 10% currently in Australia. The US and Australia markets are expected to continue growing and with the implementation of our promotion plan in these markets will ensure that the objective of increasing brand awareness will be met.

#### Controls and implementation

The success of this plan solely depends on how it will be implemented and it is worth nothing if poorly executed and implemented. Specific marketing programs include the public relations campaign and the emphasis on the online media. Control measures are budgets and dates which are established to inform the staff on the goals to be met. Implementation will involve reviewing and tracking the plan against the actual results and take corrective action on the marketing meetings.

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