

CREATING A COMPETITIVE MARKETING STRATEGY FOR B2C BUSINESSES THROUGH MARKET RESEARCH: ANALYSIS OF THE CHOCOLATE MARKET IN MACEDONIA, FYR

Tamara Jovanov Marjanova

Assistant, Faculty of Economics, University "Goce Delcev" – Shtip, 2000 Shtip, Republic of Macedonia

Abstract

The consumer market in Macedonia and the chocolate market in particular, is overtaken from many foreign brands. The domestic companies are losing market share to the competitors with stronger strategies. This paper shows the weaknesses in the current strategies of the domestic companies through case study of the 2 largest confectionery producers in Macedonia and discovers the consumer behavior and preferences toward FMCG and chocolate, analyzing a purposive statistical sample of 300 consumers (October 2009). The applied research technique was questionnaires. The analysis indicates that with the adequate market research a competitive and successful marketing strategy can be created.

Key words: market research, market structure, market performance, marketing strategy.

JEL Classification: M3, L1, D4.

INTRODUCTION

“The object of business is to create a customer.” – Peter Drucker

Economic development is a complex and multidimensional process that involves changes in the social culture, value system and national public and private institutions, but is primarily determined by economic growth and efficient allocation of resources. For years now, the common denominator of the ten most competitive economies in the world are good institutions, sound macroeconomic policies, accompanied by superb educational system, and focus on technology development and spur innovation through the development of the business sector. Republic of Macedonia is not isolated from the globalization changes and despite the fact that as a small economy it cannot have a huge impact on their total flow, at the same time it doesn't mean that it should occupy the role of a passive observer. The so-called Information era justifiably considers that the greatest success in development will have those with the best strategy, strategy built on quality information, that creates the path for active involvement and monitoring of the current flows of globalization. The recession, although it seems that way, is not the time for deceleration and reduction of marketing activities, on the contrary, it is the time to increase and accelerate them. Those who are prepared to quickly and effectively carry out the plans, are those that will win on the long run. If we look upon the basics of the marketing concept, which requires the organization to be set in a way that will insure the satisfaction of the consumer, rather than it will increase the profits, then we can assume that the best way to discover the real desires, preferences and needs of the consumer is to simply ask, i.e. explore. Marketing as a business philosophy is actually a process which is presumed to be found to satisfy and retain customers, and in another parallel to make profits from the operations, in which the central focus is on the consumer and his relationship with the product, i.e. his opinion whether the product / service can meet the need or desire. Market research is an imperative for any company that wants to find out more about its current and potential customers, their desires, needs and wants and where, how and when do they express them. Well-conducted market research can show the current problems with the product or service, find areas for expansion of current products, the trends that can affect the level of sales and profits, and allows the firm to create a detailed marketing plan or to measure the performance of an existing one. Confectionery companies are constantly struggling to catch the attention of consumers, with improvements of the quality of products, making the package more attractive, promoting it in a more interesting way etc. Many companies in Macedonia identify their competitors from industrial point of view, but instead of this narrow view, the company should identify its competitors from a market perspective, where the focus is shifted from companies that offer products that are near each other on companies that strive to meet the same consumer group. It is often the case that companies have a false idea about current market conditions, such as believing that they are producing the best quality in the industry, supporting the general opinion that customers prefer companies with full product lines, that sale force is the only worthy marketing tool or that price is the key factor for purchase and building a strong brand is not an imperative. Such understanding of the market must be revised, because only through meeting the real needs and desires of the consumer the company can eventually become the market leader. The experience of the countries with a long market tradition guarantees the significance of market research, especially in fast moving consumer goods such as food products, or chocolate in particular, as a key element for achieving business success.

METHODOLOGY

This paper is designed to assist chocolate sales and marketing staff of companies in tailoring a marketing strategy for repositioning or entering the Macedonian chocolate market. The information contained in this report was obtained from both primary and secondary research. Primary research entailed research and follow up consultation with 40 both domestic and foreign companies from the industry¹ through telephone interview and electronic questionnaires sent via e-mail and on-site examination of the retail milieu. The consumer research with the technique of personally distributed structured questionnaires. Regarding consumer, the statistical sample used in the research was intentional sample of 300 units. The questionnaire was designed in a way to provide both quantitative and qualitative information about consumer preferences, needs, attitudes and feelings toward chocolate as a product and the chocolate market and industry in general. Secondary research entailed data gathering from relevant trade, business, and government sources, including company literature and corporate annual reports. The analysis of the data was executed with the help of Microsoft Office Excel.

IDENTIFYING THE NEED FOR MARKET RESEARCH

QUALITY INFORMATION GATHERED WITH MARKET RESEARCH

Knowledge is the new battlefield for countries, companies and individuals. We are a society of cheap labor, which dreams of becoming a society based on capabilities. Companies everywhere are transformed from manufacturing companies with minimal service providers in companies with minimal production. According to the director of Data Warehouse Network "loyal customers are a war prey in the war of information

and one that possesses the information about them, is the one that owns the market" (Riderstrale, 2002). Having the information about consumer wants and needs today, means profit tomorrow. The way to get to the future profits can't be through superficial look at what happens in the market, but only through designed research and a plan for achieving goals, because the first impressions of observation may be wrong, and the researcher's job is to discover the real reason and provide an answer. The role of market research can be seen through several consecutive steps.

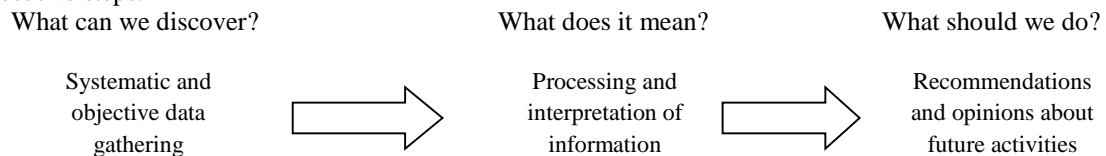


Figure 1. The role of market research

Source: (Hague, 2006, p. 6)

Information from market research to helps in establishing databases of past, potential and existing customers. Marketers need to develop databases for four reasonsⁱⁱ: To personalize marketing communications; To improve services for consumer; To understand consumer behavior; To make more effective marketing and social activities of the organization. Decisions that use market research as navigation come down to expansion of the operations of an enterprise. Market research can contribute to the expansion of operations in several different ways: increase of market share of the company through a new way of selling existing products in the portfolio of existing consumer markets, through examination of satisfaction/dissatisfaction of consumers, researching of adequate alternative means of promotion, testing of conditions and the likelihood to purchase products from potential customers, examining the probability of creating new use of existing products and so on. Market research through market analysis should include the following areas: market, customers, customer needs, competition and trends and to answer a number of questionsⁱⁱⁱ (Table 1).

Table 1. Questions that are answered with market research

1. About the market:	What is the size, potential and rate of growth of the market (usually divided into segments);
	What actions should the company take on the target market (Porters value chain);
	What are the conditions and legal provisions for the operation on a particular market;
	What are the technological, economic and social trends in the market;
2. About the competitors:	Who are the direct and indirect competitors in the market, their number and size of their market shares, their strategy, and how they meet the needs of consumers;
	What is the volume of their sales, how many similar firms exist and what attracts customers to them, and their promotional activities;
	What channels of sale do they use, what are they doing to support their brands;
3. About the customers:	It should provide answers for their age, income, occupation, family size, marital status, place of residence, interests and hobbies, the number, types of groups of potential customers and their geographic dispersion (divided by segments);
	In terms of customer needs it helps to consider whether the product is only used for some time or has a permanent place in their consumption basket, if customers demand faster service and warranty, whether coming permanently and in which intervals, if they are asking for broader and more appropriate distribution locations, or frequency of purchase, purchase quantities and location where they usually buy;
	If the target group is large enough (is it worth investing in that business);
	Who are the customers of our competitors;
	How to attract the majority of consumers;
	Where is most likely to have effective sale of the product;
	What part of the real market potential can be conquered;
	What is the best location for our business.
4. About the market trends	Changes in the population;
	Changes in the pattern of consumption;
	Changes in the law regulations;
	Changes in the local economic situation etc.

Source: (Hague, 2006, pp. 22-24)

Considering that the basic objective of market research is to obtain information that will assist and facilitate the process of decision making, investment in this activity should improve the quality of decisions and thus to cover funds that are invested in market research. In relation to the specific field to which marketing and business decisions refer, market research may take different forms (Table 2).

Table 2. Types of market research in respect with the specific area of decisions

Marketing decisions	Types of market research
Selecting a target	Sales, market size, product demand, consumers characteristics, consumer behavior, consumer

market	satisfaction, frequency of web-page visits etc..
Products	Product development, packaging, product awareness, name selection, brand recognition, brand preference, product positioning.
Price	Price elasticity, price optimization, optional price discounts.
Place	Number and interest of existing distributors, ways of transportation, on – line selling, location choice.
Promotion	The influence of the ad, rate of response on sales promotion, media choice, sales force.
External factors	Competition analysis, law regulations, social and cultural trends.
Others	Companies image, test – marketing

Source: www.knowthis.com/tutorials/principles-of-marketing/marketing-research/, (visited at 29.06.2009)

The need to save time and money in terms of research and still obtain both quantitative and qualitative data on consumers, their preferences, needs and wants, detection of the prospects for success of new products of the company, choosing the optimal price, packaging etc. it is necessary for the company to make a choice between many different kinds of methods for collecting primary data. In fact, particular for business to consumer businesses for obtaining quantitative data the method of structured questionnaires can be applied, for qualitative data - method of focus groups, while for experiments with new products and their chances of success once placed on the market - test – marketing, i.e. test - market^{iv}.

ANALYSIS OF THE CHOCOLATE MARKET AND INDUSTRY IN MACEDONIA

MARKET HISTORY

Food production is of strategic interest for every country. Therefore the organization of food producers and advocacy of their interests for the purpose of providing and promoting food production and increasing competitiveness is of particular importance. Confectionery industry (production of chocolate, candy, cookies, waffles, cream and chewing gum) is an important part of the food industry with its quantum of production (industry that finalizes materials such as flour, sugar, vegetable oil, milk, cocoa, and others) employs a significant number of workers. It is a large consumer of packaging from domestic manufacturers; it uses the domestic transport services, and plays a significant part in the trade of food products. This industry has a positive impact on the foreign trade balance of the state, because the value of exports of finished confectionery products is nearly 10% of the total export of food products^v. The available capacity in ex - Yugoslavia amounted to 33,000 tons and were designed and built for the highly protected market of 24 million consumers of the Former Yugoslavia. With the production of over 24,000 - 28,000 tons annually in 1991, the available capacities were used on average of 70% annually, and in certain periods of the year to 90% (Christmas and other holidays). In the period after the ex - Yugoslavia, the unfavorable socio - political events, economic blockades from the north and south have narrowed the Macedonian market and a permanent decline in production from year to year was inevitable. In the period from 1992 to 1998 production fell and remained 14,000 -16 000 tones or 45-50% less compared to 1991, with capacity used maximum to 30-36%. From 1996 the process of liberalization through free trade agreements began, at first among the countries of Former Yugoslavia, i.e. the region. The new market relations and the further liberalization took place much faster than the process of advancement and modernization of the domestic production, which led to a situation where domestic confectionery industry faced strong competition from foreign companies. The total annual production dropped to 12,500 tons in 2002 despite the 30 new micro entities in confectionery industry, about 50% less compared to 1991 when it was 24,000 tons per year. Within the strategy of the EU integration processes in the past ten years, foreign trade moved and still moves within the creation of a free trade zone in the region and the EU, thus the problem of small markets was exceeded, and conditions for permanent growth of production in this area were created.

MARKET CHARACTERISTICS

The market is defined in different ways. One of the most commonly cited definitions explains the market as "Full respect of the supply and demand that at a certain place and at a certain time affect sales of certain products (goods) and the sum of all institutions, areas and devices that provide an organized and permanent contact between buyers and vendors (Dragičević, 1965). The chocolate market can be analyzed through its basic characteristics: market size, market structure (products/production, players, financial dimension), market division. The chocolate market is a mature, differentiated and exacting market, which makes distinguishing yourself a challenge to marketers of chocolate products.

Regarding the market size, the chocolate market is primarily divided according to the geographical place where the companies perform to domestic (small) and foreign (large) market, and within the domestic market they choose only the larger urban areas for the sale of their products. The most significant foreign markets for the domestic producers are the regional countries (Serbia, Montenegro, Bosnia and Herzegovina), and in last few years the EU market (Austria, Slovenia, Slovakia, etc.) and the U.S. and Australia^{vi}. From the financial aspect,

the export of confectionary products in 2009 made \$ 27.4 million, which is 21% more than the financial exchange inflow in 2008^{vii}. On the side of imports, in 2010 about 17,000 tons of confectionary products were imported, worth around U.S. \$ 25.2 million. Market size is also determined by the upper limit of the annual market demand, which is shown through the size of the imports of approximately 17,000 tons of confectionary products and the domestic production of 8000 tons destined for the domestic market. In total, the annual consumption of confectionary products in the Macedonian market is about 25,000 tons. With the open markets through free trade agreements and over 500 million people, there is a high potential for market development and promotion, or for new investments in this business in Macedonia.

In relation with the market structure, on the side of the supply there are 50 business entities, from which 85% are micro and small companies. There is also a significant production from entities registered as craftsmen that produce mostly bakery products and homemade sweets. The demand is constructed from the total population in the country on one side, as well as the wholesalers and retailers on the other. The production capacity of the domestic confectionery industry is around 45,000 (within the projected time to work on capacity) tons annually, 16 000 tons of which are accounted for the largest domestic manufacturers - JSC "Europe" - Skopje and JSC "Vitaminska" - Prilep, which are considered to be the strongest direct domestic competitors. Lately, under the pressure from foreign competition that enters the market with well-known and established brands, the placement of domestic products on the domestic chocolate market is visibly reduced. The increase in export is seen as a way out, of course with constantly decreasing profitability per unit. Namely, the export in 2007 was higher for 33% than in 2006, but in 2008, only 11,5% higher than in 2008. The production in 2009 reached 22,000 tons, (the level of 1991), with available capacity used on the level of over 55%. In addition, the total production in 2009 compared to 2008 was higher by 32%, where separately by products the highest growth was in products containing cocoa (6.5 times), sweet biscuits 119% waffles 126% etc. As compared to 1998, when the enhanced liberalization of the market started, production in 2009 was higher by 73%.

Table 3. Export - Import of Confectionery products (in tons)

Year	Product				
	Export				
	Candies, biscuits, waffles, cookies	Chewing gums	Other products made from sugar	Products made from cocoa	Total
2000	1.181	551	1.556	1.441	4.729
2002	846	515	1.777	1.275	4.413
2005	2.048	508	2.000	1.412	5.968
2008	2.389	522	2.816	2.773	8.500
2009	2.699	516	2.688	2.353	8.256
2010	4.033	563	2.853	2.657	10.106
	Import				
2000	7.927	131	1.190	2.142	11.390
2002	8.170	120	1.560	2.430	12.280
2005	9.047	334	1.942	2.445	13.768
2008	8.789	301	1.909	6.272	17.271
2009	7.864	207	1.741	7.818	17.630
2010	6.710	141	1.789	7.648	16.288

Source: <http://www.mchamber.org.mk/%28S%28tdxvop55ig1bkr551hz2py45%29%29/default.aspx?mId=130&Id=1&smId=6> (visited at 15.09.2011)

Due to the global recession and decline in consumer spending, most ranges in chocolate confectionery experienced negative growth. However, due to the stable performance of tablets, which is also the largest range within chocolate confectionery, the entire sector was able to achieve positive growth in retail value and volume terms. Apart from tablets, other ranges able to achieve positive growth in 2010 were bagged selflines/softlines and seasonal chocolate. Kraft Foods, and its staple brand Milka, led sales in Macedonia with a market share of 16% in 2009. Nestlé assumed second position with 15%, while Kraskomerc, with its tablet chocolate brand Dorina, held third place on 14%^{viii}. These companies have a rich tradition on the Macedonian market, especially Kraskomerc, which had been the leading chocolate retailer in Macedonia during the Yugoslavia era. Milka has the widest product and brand presence in Macedonia, the largest brand portfolio and benefits from the most aggressive promotional campaigns. As a result of the global recession, also the impulse and indulgence products sector experienced another year of relatively low growth. However, compared to 2009, when the sector and consumer spending were particularly badly affected by the recession, the growth rate in 2010 was still higher. Kraskomerc Ltd led sales in 2009 with a market share of 10%, Kraft Foods followed in second place on 7%, with Vitaminska in third with a 6% share^{ix}. Kraskomerc and Vitaminska were able to secure sufficient market share due to their longstanding and traditional presence on the Macedonian market, while Kraft gained ground based on its commitment towards brand development and aggressive marketing activities. As Macedonia recovers from the global recession and consumer spending increases, demand for chocolate confectionery and the impulse and indulgence products is expected to rise again and the sectors growth rates will improve. The chocolate confectionery sector is expected to increase by a constant value CAGR^x of 5%, reaching MKD^{xi}3,477

million by 2015, while the impulse and indulgence products sector will increase by a CAGR of 3% in constant value terms, reaching MKD9 billion by 2015^{xii}.

The chocolate market in Macedonia has certain drawbacks which hamper the operations of the domestic companies. Low prices on chocolate that can be found on the market usually come from the offer which is actually a chocolate substitute which is placed as chocolate. The composition of these products are based on cheaper raw materials. Another deception of consumers is fueled by a similar names of chocolates from different manufacturers, so instead of "Nestle", the consumer can buy "Neste" instead of "Milka" – "Mila", and besides changes in the taste of the chocolate that come from the poor quality, the improper storage of the products also causes organoleptic changes in the product. The chocolate that can be found in Macedonian market, due to the free trade agreements are placed in lower prices than the domestic products, because the raw materials used by the domestic production, especially sugar, imported from the those countries is entering with a great customs burden. That means in certain contexts unfair competition, because of the unequal conditions for production and import of the same products.

With respect to the financial dimension, the most commonly used type of finances by the domestic companies, besides their own funds, are the credits from the commercial banks, with annual interest rates from 6%-16%. During the recession the interest rates were elevated up to 13%. The companies, especially the small and medium – sized companies, have a financial aid from the Government through the Macedonian Bank for Development Promotion, with a main objective to promote export, through providing credits and other forms of support: export and investment credits, insurance of claims based on performed export against short term commercial risk^{xiii}. The greatest weakness of the method of financing is the minimal usage of self -financing, due to the undeveloped capital market and the lack of foreign capital in the domestic companies.

The chocolate market in Macedonia can be divided by types of products and types of customers. Buyers of chocolate products can be divided into three categories: Wholesalers, Retailers and Individual consumers. By type of products, the chocolate market is fragmented as any other market of fast moving consumer goods (FMCG), such as: ice cream, soft drinks, cosmetics etc. On the market exists strong competition between manufacturers of confectionary products. Based on the conducted research on entrepreneurs and consumers, Macedonian chocolate market can be divided into six parts: Market of 'boxed' chocolate; Market of 'Molded bars'; Market of 'Seasonal' chocolate; Market of 'Countlines'; Market of 'Straightlines'; Market of 'other' chocolate confectionery.

MARKET TRENDS

Following the trends that lead to changes in demand for products and services is the base of market research, and refers to detailed introduction to all of the factors that influence consumer behavior and their decision to purchase. Chocolate marketers today are drawing inspiration from other segments of the food and beverage industry in an effort to boost sales - witness chocolates that feature super fruits, functional ingredients, savory touches and ethnic flavors. And chocolate product trends that worked in the past - single-source cocoa, high cocoa content, for example - may not be effective techniques for driving sales in the future.

The chocolate market displayed its recession resiliency, as retail sales increased 3 percent from 2008 to reach a record \$17 billion in 2009, according to "Chocolate Market in the U.S.: Trends and Opportunities in Premium, Gourmet and Mass Chocolate Products" by MarketResearch.com publisher Packaged facts. Chocolate's recession-resilience may be due to its "lipstick factor." Economists have noted that lipstick sales tend to rise during economic recessions, as the relatively inexpensive purchase goes a long way to cheer women up. Eating chocolate might have the same affect. When times get tough and household budgets turn frugal, spending a few dollars on a good bar of chocolate becomes a terrific way to leverage a piece of indulgence. Global demand for chocolate is expected to rise over the next several years, as the market capitalizes on chocolate's incredible ability to "shapeshift" into an array of products suitable for the confectionery, beverage, restaurant, hospitality and personal care industries. Current chocolate market trends are (O'Bornick, 2002):

- Despite the positive growth of the market of FMCG, market share of the companies is with a downward trend, because of the maturity of the industry, driven by pricing competition and growth in the number of competitors;
- Innovation of products, offering better value for the price, building and maintaining strong brand of products are the keys which boost the growth in the industry, therefore the development of new products will need to be supported by new technology, intense distribution, interactive and new packages that will attract attention;
- It is expected shifting in the demand from larger to smaller individual packages of conventional products, as a direct result of increased consumer awareness of the need for practical packaging that allow a sense of control of the size of the individual serving as part of the daily diet - a result of greater concern for the individual health care status;

- Within the European confectionery market, chocolate industry is the largest segment by value and quantity, and the fastest growing market is one of the molded bar - chocolate.

Market analysis^{xiv} shows that the demand for milk and bakery products and cereals is decreasing as a result of the increased demand for soft drinks and confectionery products. Some of the main factors of change in the near future are considered to be: ethical packaging (green packaging is a primary concern for the food and drinks industry and using less packaging will become a key focus over the next five years which is especially important for convenience products that rely heavily on packaging benefits such as multi-packs, compartment packaging and portioning); health concerns (health is an increasingly important driver of convenient products, and marketing is becoming multi-faceted with the evolution of food and drink offering more advanced health benefits such as weight control and other specific health concerns); emerging markets (growth in regions such as Asia-Pacific and Latin America is acting to boost overall sales of dried, instant and wet ambient convenient products, which have shown increasing signs of maturity in Western markets where demand has tended to move into fresher convenient products). Convenience continues to be a key trend in food and drinks, with consumers increasingly looking for products that suit their lifestyle requirements. The extent of the development of convenient products is signaled by the notion that consumers are coming to view various convenience benefits as the norm. Adding value in terms of convenience is increasingly linked to providing further benefits, combining saving time and effort with additional aspects of food and drink marketing. These include providing health, freshness, taste, versatility and ethical benefits, and marketing products that suit particular consumer needs such as on-the-go convenience and products for children. The demand for premium chocolate, gourmet boxed chocolates, dark chocolates, organic and functional chocolates (focusing on adult issues of health concerns and the environment) that fulfill the comfort factor and concerns of the graying population will persist as a leading growth trend, especially when the economy recovers. The healthy chocolate trend, featuring "better-for-you" ingredients such as lavender and blueberry, is likewise expected to fuel the market as a subset of the product premium trend^{xv}. Since teens between the ages of 15-19 consume more candy than any other age group, targeting the teenage market has challenged chocolate marketers to produce more products and reposition classic items^{xvi}. Companies that fail to innovate, look ahead or anticipate customers' needs will not be successful in the current, competitive and highly saturated chocolate marketplace. (Curtis Vreeland, 2010) identified more active trends in the premium chocolate market:

- Craft chocolate making: This segment has several names: craft, bean-to-bar or micro-batch chocolate. In a sense, this trend follows precedents established elsewhere in the gourmet food world, where craft beers and specialty coffees helped jolt a commoditized product into another dimension of exciting differentiation;
- Savory-inspired flavors: Savory flavors, a cross-over from the culinary scene, started appearing in chocolate several years ago. Now, chocolatiers are experimenting with adding such kitchen cabinet ingredients as olive oil, bacon, cheese, curry and chipotle into their bonbons and truffles;
- Exotic flavors: Premium chocolatiers are setting off on culinary adventures, discovering new layers of flavor and textures. Some are experimenting with umami flavors; others are developing products to match consumers' moods.

Macedonia can and should be competitive in the production of chocolate, but it isn't. The current situation of the domestic producers of chocolate is unenviable, thus the work of the two largest domestic producers^{xvii} is characterized with the following: the companies act as market followers - imitators, without a clear marketing strategy, are operating on intuition and experience, with commercial, rather than market orientation. They don't have clearly defined mission and goals of future development. They have no marketing department, and in terms of marketing mix - no innovation in the range of chocolate products. Their products are positioned as cheap products, with medium quality, with unoriginal packaging, and are not available everywhere. The prices of chocolate products are low, and designed by the method of "costs plus", with the concept of gross margin. Promotional activities are minimal and consist of occasionally providing better positions on shelves in retail stores and reporting about opening of new stores, while other types of promotion are not or are minimally used. The distribution is very selective - only in the largest supermarkets, making the products insufficiently available for the end users. The managers believe that the most important thing is to be able to offer cheap products and not the marketing activities as such, which makes it obvious that they don't understand the marketing concept.

INDUSTRY ANALYSIS (PORTER'S FIVE – FORCES MODEL)

Various industries realize different levels of profitability which can partly be explained by the structure of the industry, defined as a market for identical or similar products and services offered to consumers. For the analysis of the industry, qualitative analysis of the competitive position and business strategy development there are many models that can be applied, including Porter's 5 forces model. This model places the industry in the context of the impact of 5 forces from company's environment that affect its ability to satisfy customers and

make a profit and that determine the degree of competitive intensity and therefore attractiveness of the market, which in this case refers to the general profitability of the industry. Unattractive market/industry is one where the combination of the impact of the 5 forces reduces profitability, and totally unattractive industry is one that is close to the model of perfect competition. The five forces (1.rivalry among existing competitors; 2.threat of substitutes; 3.the possibility of entry of new competitors; 4.bargaining power of suppliers; 5.bargaining power of customers) whose influence determines market attractiveness are divided into two levels, i.e. three of them are at the level of horizontal competition, and other two on the level of vertical competition, respectively (Michael, 1985).

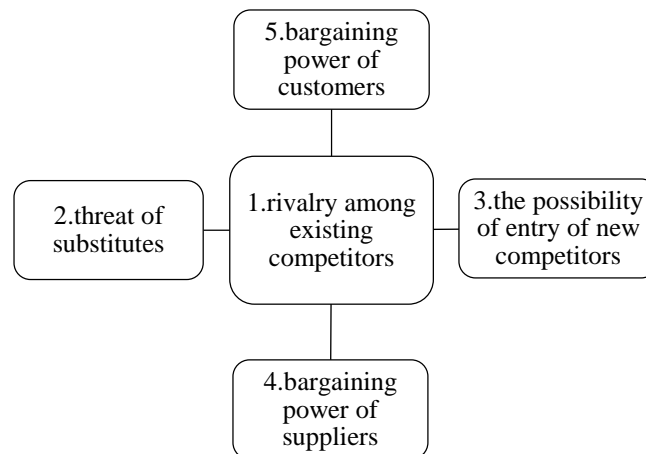


Figure 2. Porter's 5 forces

For the analysis of problems in business, there are several models that have been successfully used in determining the extent of the impact of the factors analyzed for a certain phenomenon. One of the frequently used in cases of high degree of uncertainty in the analysis, is the rule of thumb^{xviii}. In order to make a successful analysis based on Porter's 5 forces model, it is necessary previously to determine the factors that contribute to the end result - whether and to what extent they affect the profitability of the industry. These factors are actually five previously mentioned forces, which are further divided into their sub factors of influence, and these are the element of analysis in order to obtain information that will formulate a strategy for the business plan. One way to determine the weight of each of the factors provided that each of the sub factors have more or less the same degree of influence and if each of the sub factors are assessed with "high" (3), "medium" (2) or "small" (1) impact on increasing rivalry and decrease of the attractiveness, then subsequently the conclusion for the impact of each factor can be assessed as "high", "medium" or "small" according to the average of the estimates of the sub factors. With the same algorithm can be determined which sub factors can be involved in assessing the impact of each of the factors (Jellema M., 1997). The evaluation of the current impact of the 5 forces on the Macedonian chocolate industry profitability is based on the average of managers' opinion about the degree of current influence of each sub-factor of the 5 forces on a interval scale from 1 - 3 (1-lowest, 3-highest)^{xix}.

1. Rivalry among existing competitors – 2,38 (High number of competitors - 3, Low market growth rate - 3, Barriers for exit the market - 1, Fixed costs - 2, Highly differentiated products - 2, Low costs for crossing over - 3, High promotional costs - 2, Brand identity -3);
2. Threat of substitutes – 3 (High number of product substitutes – 3, Low costs for crossing over – 3)
3. The possibility of entry of new competitors - barriers to enter and exit the market – 2,15 (Need for investment – 2, Availability of materials - 2, Politics and law regulations – 1, High transaction costs – 3, High promotional costs – 3, The direction of prices movement – 2, Brand power – 2, Customer loyalty and elasticity of demand - 2, Economy of scale is needed – 3, Vertical integration is present – 2, Absolute advantage in costs is present – 3, Network effect and globalization is present - 3);
4. Bargaining power of suppliers – 2,5 (Low concentration of suppliers – 3, High quantity of purchase per supplier – 3, High importance of raw materials - 3, Cost of change – 2, Little number of substitutes for raw materials -3, Power of labor organizations -1);
5. Bargaining power of customers – 2,67 (High concentration of byers as opposed to sellers – 3; Degree of dependence on existing channels of distribution - 2, Great number of substitutes - 3; Consumer price elasticity – 2, Great product differentiation - 3, Great informational power of consumers - 3).

After the analysis it can be concluded that the degree of competitive intensity on the chocolate market is high (2,6), which inevitably, from the point of profitability reduces the attractiveness of the market. Chocolate market is mature and fragmented market, where more profit can be achieved by increasing market share, which means that companies must lead in the fight for the end consumer. To overcome the gap that occurs in rivalry with existing competitors, it is necessary to establish a concrete strategy for market positioning of the products

that will strengthen the position of the company, whilst avoiding the practice of price competition and instead, apply the product differentiation and establishing cooperation with competitors or enter into partnerships with some of the competitors. Due to the threat of substitutes the products must be differentiated from competing offers and greater value through a unique product should be offered, which will reduce the possibility of replacing the product of the company with a substitute. The possibility of entry of new competitors can be limited primarily by creating a strong domestic brand of product that will generate loyal customers. Great bargaining power of buyers and consumers can also be reduced through differentiation of products, promotion of the best value for the price to increase loyalty to the products, better customer servicing and make products more affordable through intensive distribution or increasing the number of own specialized stores. Power of suppliers should be controlled by grouping orders to receive quantity discounts, reviewing the possibilities for cooperation with producers of sugar beets in the state to avoid higher prices of imported sugar. For the analysis of the industry and market to be complete, a comparative overview of the range of competitors in terms of key success factors in a particular industry needs to be done, which shows the progress of the company vs. competitors through two-dimensional matrix (Table 5).

Table 4. Analysis of the key success factors in the chocolate industry^{xx}

Key factors/ Rating by importance		JSC "Evropa" - Skopje		JSC "Vitaminka" - Prilep		"Kraskomerc"		"Benchmark"	
Key success factors	Rating	Score	Relative business strength	Score	Relative business strength	Score	Relative business strength	Score	Relative business strength
Intensive and extensive distribution	20	2	40	3	60	4	80	5	100
Promotion	15	1	15	3	45	4	60	5	75
Quality product	10	3	30	3	30	4	40	5	50
Price	10	4	40	4	40	4	40	5	50
Management	05	3	15	3	15	4	20	5	25
Finances	15	2	30	4	60	4	60	5	75
Customer loyalty	10	2	20	3	30	4	40	5	50
Expansion on foreign markets	10	3	30	3	30	4	40	5	50
Market share	05	1	05	2	10	3	15	5	25
Total	100		225		320		395		500

In this example, the best ranked on all factors is the competitor "Kraskomerc", followed by JSC "Vitaminka" and JSC "Evropa", but in terms of ideal standards or best practice, i.e. benchmark, all three companies should work harder to improve their performance on the market.

ANALYSIS OF THE CUSTOMER PREFERENCES FOR CHOCOLATE PRODUCTS

In order to create an effective marketing strategy, it is necessary to hear the voice of the consumer, through systematic market research. Examination of the preferences of consumers will provide insight into their tastes and buying habits, which is necessary for the successful formulation of the marketing strategy. The main objectives of the survey of consumer preferences and their relation to chocolate products, carried out by questionnaire are: To learn the current patterns of consumption of chocolate products; To get consumer feedback for the perception in terms of favorable flavors and brands of chocolates; To detect the degree of sensitivity on prices; To detect the degree of loyalty to branded products; To show the preferences for the type of distribution channels; To find out the level of awareness of products; To discover opportunities to improve existing products.

The research was conducted in October 2009, in the following cities: Shtip, Kochani, Strumica, Gevgelija, Kumanovo and Skopje. The size of the sample was 300 respondents, from which 140 (47%) – male and 160 (53%) - female. The age groups were 15 (17%), 16-22 (25%), 23-29 (28%), 30-36 (13%), 37-43 (12%) and over 44 years of age (5%).

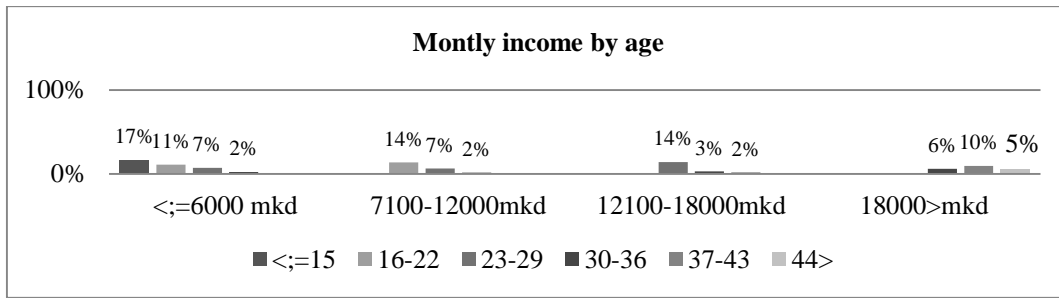


Figure 3. Respondents monthly income by age group

Regarding the personal monthly income, as expected, the group with the largest income were from 30 – over 44 years of age. Most of the customers (85%) live in an urban area, i.e. the cities in a family of four (56%).

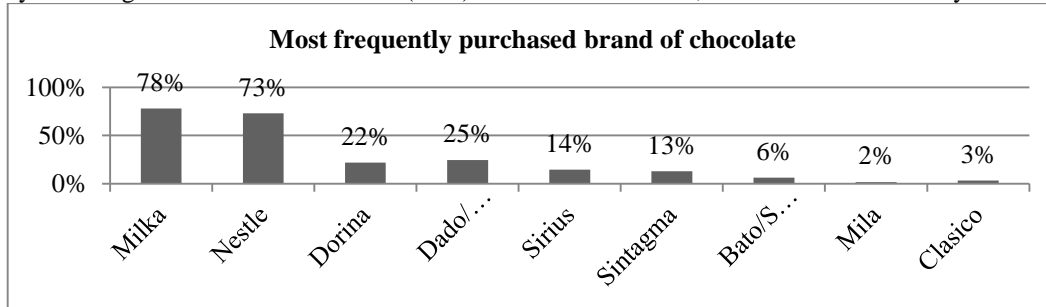


Figure 4. Most frequently purchased brand of chocolate

Most often bought brand of chocolate is Milka (Kraft Foods), Then Nestle (Nestle S.A.), Dorina (Kras), and the domestic products like Sirius and Sintagma (Vitaminska) and Mila and Clasico (Evropa) are purchased only by a small percentage of the respondents. The respondents also prefer brands with a foreign origin (62%), rather than the ones with a domestic origin (38%) for several reasons (see Figure 5), but if some factors were met, they would change the foreign with a domestic brand of chocolate (see Figure 6).

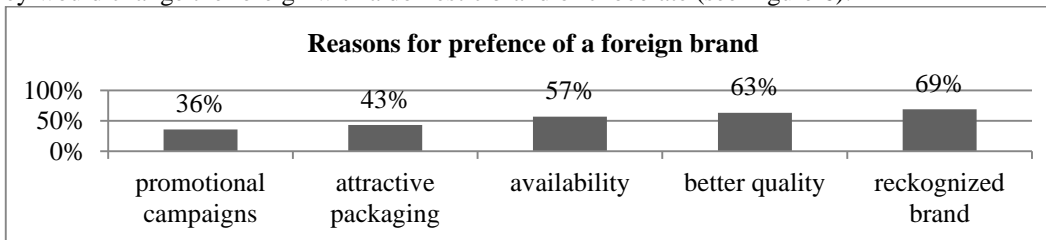


Figure 5. Reasons for preference of a foreign brand of chocolate

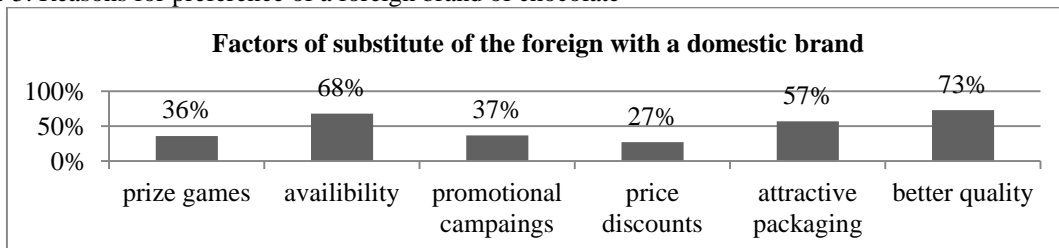


Figure 6. Factors of substitute of the foreign with a domestic brand

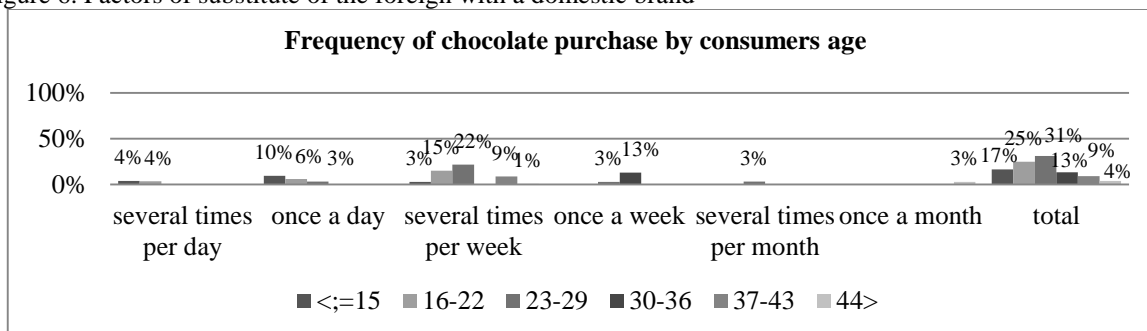


Figure 7. Frequency of chocolate purchase by consumers' age group

Most of the chocolate purchases are done by the age group from 15 -36 years, several times per week. The consumers buy mostly 1 peace of chocolate per purchase (88%), 9% - 2 pieces, 3% - 3 pieces and nobody

buys more than 3 pieces per purchase. When they buy chocolate, they usually buy the size of 100gr. (78%) and 30gr. (71%) (see Figure 8) and then consume it most frequently in the afternoon (43%), than in the evening (31%) and morning (26%).

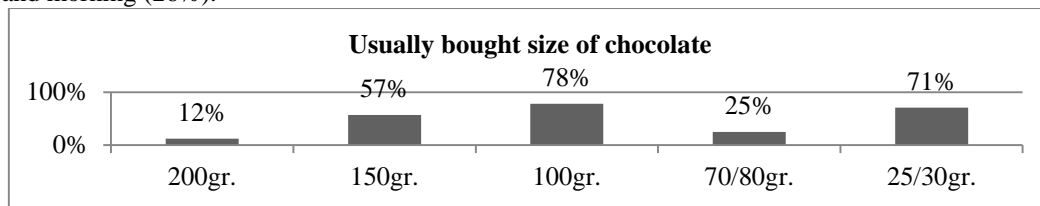


Figure 8. Most usually bought size of chocolate

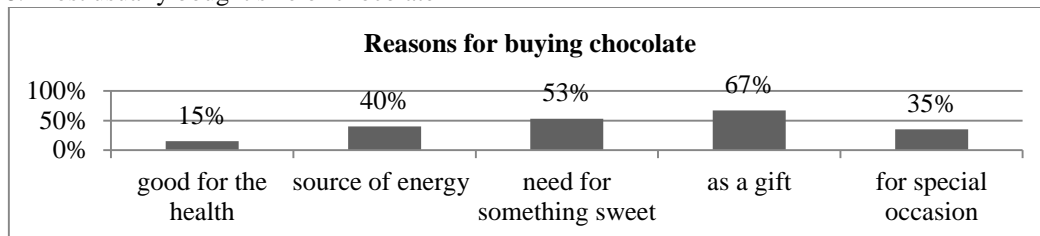


Figure 9. Main reasons that make customers buy chocolate products

The main reasons that make customers buy chocolate are as presented in Figure 9. - giving it away as a gift, the need for something sweet, as a source of energy, other special occasions – birthday, holiday etc., and because it is good for the health, and most of them prefer the taste of a milk chocolate (67%), waffles and biscuits filling (56%), caramel (54%), nuts and almonds filling (54%) (see Figure 10).

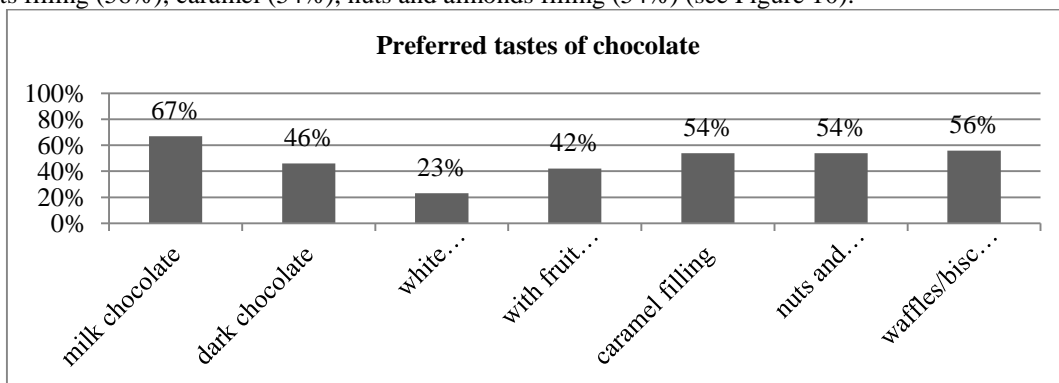


Figure 10. Preferred tastes of chocolate

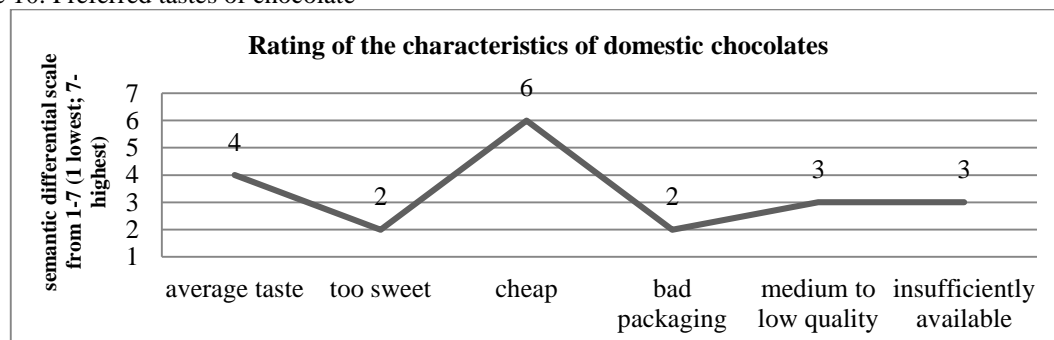


Figure 11. Rating of the characteristics of the domestic chocolates

The domestic chocolates are characterized with an average taste, low prices but also medium to low quality, too sweet on taste, with a bad and unattractive packaging and insufficiently available in stores. The average rate on semantic differential scale from 1 – 7 (1 – lowest rate; 7 – highest rate) is 3,3^{xxi}.

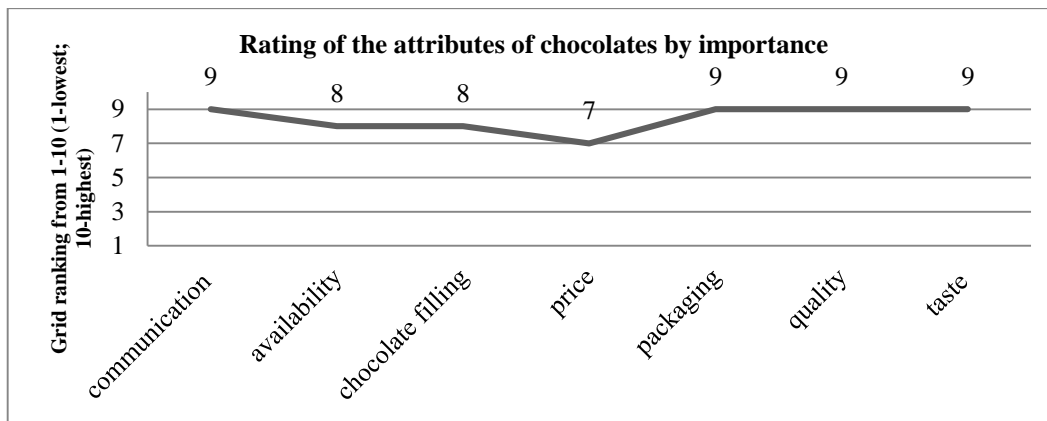


Figure 12. Most important attributes of chocolate products

According to the respondents' opinion, the most important attributes for chocolate products are the taste, the quality and the communication with the end consumer, as well as the chocolate filling, the availability in stores and the packaging. The price is not among the top ranked attributes. When asked about the appropriate price for chocolate products, in some cases the consumers would pay more for the product than the current market price (see Figure 13/Table 5).

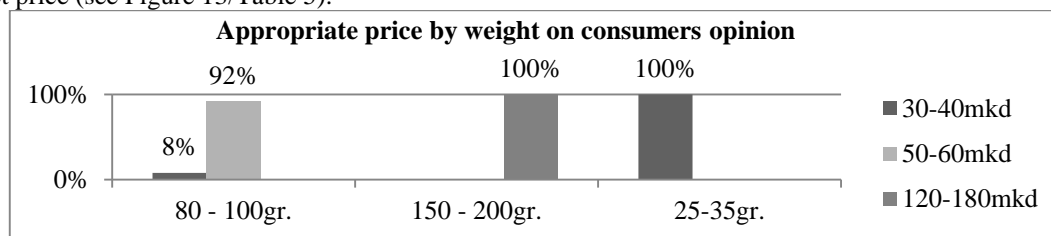


Figure 13. Appropriate price of chocolate by weight/size

Table 5. Price differences among brands and among market price and suggested price by customers

Brand of chocolate	Weight	Average market price	Price differences among brands	Price differences among brands (%)	Price differences among market price and suggested price by customers (50/60mkd)	Price differences among market price and suggested price by customers (50/60mkd) (%)
Clasico	100gr.	35 mkd	-	-	15/25 mkd	43/71
Milka	100gr.	55 mkd	20 mkd	57	5 mkd	9
Nestle	100gr.	55 mkd	20 mkd	57	5 mkd	9
Dorina	100gr.	50 mkd	15 mkd	43	10 mkd	20
Gorenjka	100gr.	45 mkd	10 mkd	29	5/15 mkd	11/33
Najljepše Želje	100gr.	35 mkd	-	-	15/25 mkd	43/71
dado/goga	100gr.	35 mkd	-	-	15/25 mkd	43/71
Bato/Seka	100gr.	35 mkd	-	-	15/25 mkd	43/71

When formulating the market price, the opinion of the consumers should be taken into consideration. The price elasticity of demand for chocolate products is less than 1^{xxii}, which under the rule of thumb is considered as inelastic demand. If the price of the favorite brand of chocolate is increased by 10-15%, 91% of 300 consumers will continue to buy it, and only 9% of respondents would buy another brand of chocolate (see Figure 14).

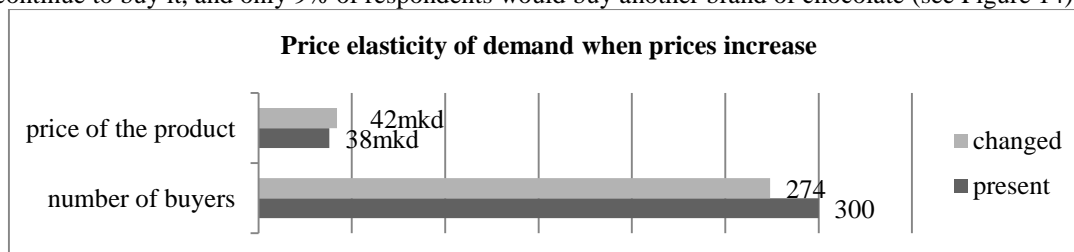


Figure 14. Price elasticity of demand when prices of chocolate increase

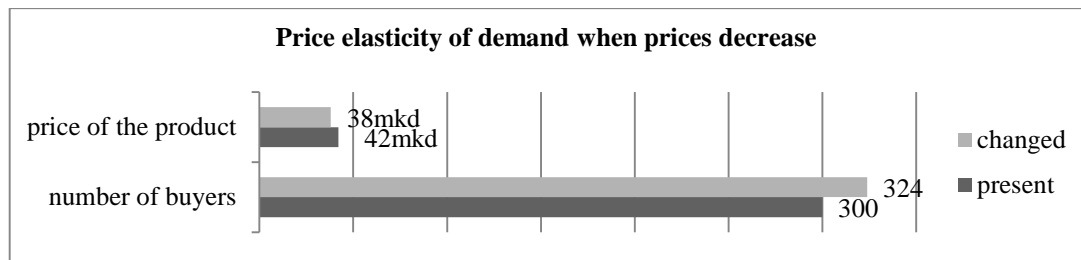


Figure 15. Price elasticity of demand when prices decrease

In case the price of the favorite brand of chocolate to be reduced by 10%, only 8% of 300 consumers would buy at least twice, and the others wouldn't be affected by it, which also indicates on the price inelasticity of these products (see Figure16)^{xxiii}. The respondents prefer fashionable (74%) or retro (72%) design of the product and packaging, the most attractive color for the packaging is black (56%), purple (45%), red (43%) or combination of those (64%), while green and blue are not considered to be very attractive. Consumers often, in descending order, buy chocolate at the nearest local store (100%), discounts (67%), super and hypermarkets (48%), and less in kiosks (44%) and in specialized stores (35%). In case of insufficiently availability of a brand in stores, most of the consumers (88%) will buy another brand of the same product or a substitute product. Respondents have also shown interest in new possible places for chocolate purchase, rating them on a scale from 1-5 (1 – lowest; 5 - highest) by preference (see Figure 18).

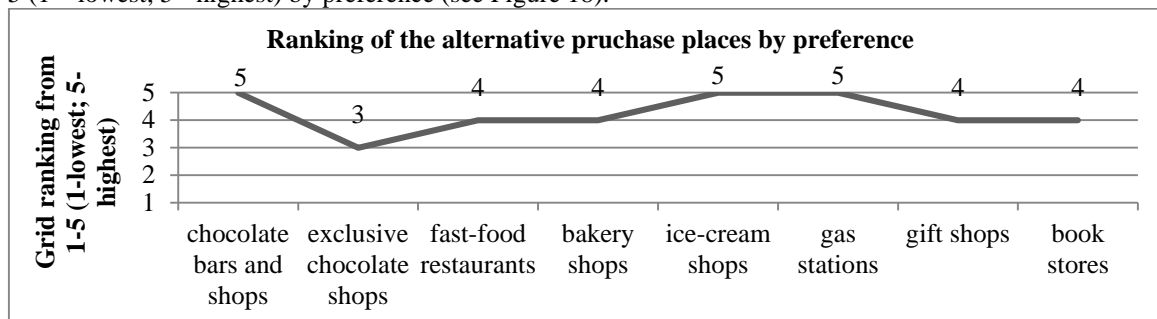


Figure 16. Alternative locations for the placement of chocolate products in consumer preference

A great deal of the respondents (47%) buy more chocolate as a result of sale promotion, and the most recallable ads are the ones of Milka chocolates – “Tender pleasure” (78%), Dorina – “Dorina – full cull” (45%), Snickers – “Don't stop, grab Snickers”(43%), Kinder chocolate – “Ideal combination of milk and chocolate” (38%). Consumers like the ads for more reasons that affect the degree to which the ad is been noticed and remembered – connection with reality (86%), interesting topic, actors and music (67%), innovative design (54%) and elements of humor (35%). The consumers are not satisfied with the current market situation regarding the offered poor choice of domestic brands (88%), the limited choice of branded products (34%) and the narrow choice of chocolate tastes (24%). General conclusions from the conducted survey of the consumers of chocolate, which can be used in formulating the marketing strategy, are:

- Chocolate consume all respondents, regardless of age, gender, economic power and place of residence; Chocolate is a product with impulsive and inelastic demand and is considered as a good gift item, which is usually given to children and friends;
- Preferences regarding the product are - availability - in the nearest shops, size of 100gr and smaller packages of 35gr, original modern or retro design of the packing, with a combination of colors, a certain level of quality and good taste, mostly milk chocolate;
- Chocolate is purchased multiple times during the week, one product per purchase, and is usually consumed in the afternoon or evening;
- Most consumers have a high rate of remembrance for the ads of Milka chocolates - linked to real life, with elements of emotion;
- The category of these products doesn't enjoy very high level of brand loyalty and consumers are willing to try something new;
- The idea to make chocolate available at gas stations, ice cream shops, bakery shops, bars and restaurants and cafes, etc.is evaluated positively;
- Scarce domestic brands.

DESIGN OF A MARKETING STRATEGY FOR CHOCOLATE PRODUCTS

The beauty and the basic purpose of market research is that it allows the determination of a strategy for operation of the enterprise on the market, and establishes the needed specific actions which are to be taken for

the strategy implementation, thus designs a marketing model at a level where it creates an organization fully committed to the consumer. The marketing strategy of an enterprise is a complete and unbeatable plan or instrument specifically designed to achieve the set of marketing objectives. Strategic planning is a managerial process of developing and maintaining the strategic relationship between the company and changing market opportunities, and is based on development of a mission or strategic direction, goals, strategy, and business portfolio of markets and products (Paley, 2007). Marketing strategy predetermines the choice of target market segments, positioning, marketing mix and allocation of resources. The formulation of marketing strategy according to information obtained from surveys may be done in two consecutive steps: first - market segmentation and selection of target group of consumers and second – creation of a marketing mix.

MARKET SEGMENTATION, TARGETING AND POSITIONING

Persistent attempts to sell what is easiest for the company to produce, should be replaced with attempts to discover what consumers want to buy or even better – to tell customers what they need even before they know it. To understand a particular market, it is necessary to have prior knowledge about the type of the market^{xxiv}. In most cases, the company can't serve all customers, and it is necessary to identify market segments and select those that the company will be able to serve most effectively. Market segmentation and selection of target group of consumers within a segment are procedures that are closely related to the formulation of marketing strategy of an enterprise. Segmentation would mean separation of heterogeneous markets of homogeneous groups of consumers who have similar characteristics, requirements and needs. There are many factors that influence the segment selection process, and in the case of chocolate market the following should be taken into consideration: geographic factors (where do customers live?), demographic factors (who are the customers?) and psychographic factors (how do the customers behave?).

Geographically, Macedonia can be divided in two segments – rural and urban areas. Macedonia is characterized as migration area with intensive internal population shifts, and a continuous process of migration of population in other states. Regarding the marketing strategy, the recommendation is in favor of the urban areas for several reasons^{xxv}: Internal migration flows have different intensity in different periods and mostly in relation from smaller cities or villages to the city of Skopje; Although a total of 1762 populated settlements only 36 towns have urban character, 63.85% of the total population or 1,308,464 people are concentrated there, and only in the capital city – Skopje live 24.7% of the total population; Lack of investment to build the necessary infrastructure, especially in rural areas; The transport costs participate with 30% in the price formation and they automatically increase when the product is placed in distant rural areas; Relatively low disposable income of families in rural areas dominated by agriculture, which still belongs to branches with low profitability; Different lifestyles and buying behavior of the population which do not fit the attributes of the product as in urban areas. Within urban areas, towns with over 10,000 inhabitants should be included - in total of 23 in Macedonia: Skopje, Kumanovo, Bitola, Tetovo, Gostivar, Kicevo, Debar, Ohrid, Prilep, Strumica, Stip, Kocani, Veles etc. The total number of population in them is 1,252,953 inhabitants. Before placing the products on these markets, test – marketing should be the previous step, on the territory of Skopje because it is considered the largest consumer market of confectionery products. According to age groups, there is a negative trend - the natural growth of population reduces and the number of elderly population and its share in total population increases. Specifically, in 1994 the share of population from 0 to 14 years of age decreased from 33.2% to 19.2% in 2006, with forecasts that it will continue to decrease to 17.4 (2010), 15.4 (2020) and 14.4% (2030). In contrast, the share of older population is increasing from 8.5% (1994) to 11.2% (2006). On the other hand, there is an opportunity to use the so-called demographic bonus (there is still greater participation of the active population in opposite of young and old people), i.e. the rate of active population is 56.5. The total workforce is 919,424 people of whom 609,015 are employed, 310,409 unemployed, and 40,8% are with high school and 14,2% with higher level of education^{xxvi}. The average net salary in December 2010 amounted to 21,454 mkd. The total cost for food and beverages totaled 12,342 mkd, i.e. 42.5%^{xxvii}. In terms of age, it is recommended a segment of population older than 10 years to be selected, primarily due to the nature of children's perceptions regarding the benefits of the products, and also because for this group of consumers a specific line of products is needed, where the presentation of the products should be completely different from all others which requires hiring additional funds for the promotion of chocolate. Within this market segment a strong domestic and foreign competition exists in terms of a large supply of cheap chewing gum, lollipops, caramels, cookies and chocolate desserts, and it becomes harder to extract the limited pocket money primarily for chocolate without specifically focusing on that group of consumers. Regarding the life cycle of the family the following segments may be included: Teenagers and students; Youth - singles / couples / bachelor / unmarried or divorced (with or without children); Young couples with or without children; Married couples with children older than 18 years; Couples without children; Older married couples; Older singles and divorced. In terms of revenue, the segment can be determined in individuals with personal monthly income of minimum 6000mkd, or households that have a minimum total monthly income of the average net salary for 2-3 members and opportunities to purchase at least one TV and access to cable

television or Internet. The results of the questionnaire for consumer preferences show that all respondents, regardless of education, gender, occupation, race and ethnicity consume chocolate products, which means that the segment should include young people - school age (primary and secondary education) and adult individuals (secondary and higher education), male and female, from all kinds of occupations, races and ethnic groups that belong to existing or potential customers. Universal consumption of chocolate is changing and moving from consumption on occasion to every day, normal consumption. Also, consumer preferences in terms of pack size are changing - bigger to smaller, individual packaging, in terms of value - a better value for the price, housewives and employees have less time to prepare home sweet snacks etc. When buying chocolate consumers don't invest much effort and time, procurement is often impulsive and unplanned, from the nearest store. In Macedonia people pay particular attention to family, friends, children, and in recent years to personal achievements and success, individualism, material comfort and health. In terms of social class the following segments may be selected: Upper middle layer which account for almost 12% of the population, (pusher, successful business people and professionals, with a status based on occupation and earnings, beautiful clothes and attractive home, not price-sensitive); Lower middle layer with about 30% of the population (conservative, respectable, conscientious, require highest value for the price, higher education for their children); Higher low layer comprising about 35% of the population (workers with limited education, seeking safety in the workplace, impulsive when buying, loyal to national brands of products). In terms of personal characteristics of consumers and their values and lifestyle, selected segment may include: Consumers "believers"(middle-class people whose lifestyles are driven by external criteria, are conventional and are quickly adapting to circumstances, their life revolves around family, church and wider community, are careful buyers of mostly conventional products and are primarily driven by the popularity of products, are loyal to the brand); Consumers - "achievers"(are motivated by the desire for success - work oriented, with a sense of responsibility, good education, live a normal life, respect the authority buy known products and products that can save them time); Consumers - "experiencers"(young, enthusiastic, impulsive consumers open to novelty and risk taking, and mostly driven by self - expression, looking for excitement and risk, socially active, give away money on products that are in trend and serve to socialize - clothes, fast food, music, movies, and are impulsive shoppers); Consumers - "pushers" (are motivated by success, seek approval and admiration from those around, are impulsive buyers). Common thing for these groups of consumers are: the benefits expected from the product - satisfying the desire for something sweet, the preferred attributes - all appreciate the quality, taste, packaging and product availability, and are not immune to communication that would have the greatest effect if taken as a base connection with real life and elements of emotion or involvement of good models, music and modern design. They all are not extremely sensitive to price and in case of better quality, would pay a higher price for the product. They all buy branded products, as much as the revenues allow, and are family and success oriented.

The target group for chocolate products should include consumers over the age of 10 - young people in primary and secondary school, students and employees with secondary or higher education that live and work in urban centers with over 10,000 inhabitants, from different professions, with an active life, socially mobile, devoted to family and the wider community, form middle and higher low social layers, impulsive buyers, with a desire to succeed, loyal to the national/domestic brands, who are not too price sensitive, appreciate the quality of products, and are willing to try new products.

The positioning of the product and the company can be done through a new solution for old problems, on the base of consumers' behavior (the rising awareness of the advantage when using domestic products), products characteristics (quality and taste, communication, availability, packaging) and the usefulness of the product. For competitive positioning of chocolate products, all selected qualities for positioning can be summarized in a message: "For vigorous and healthy people – chocolate lovers, quality homemade chocolate for whenever and wherever the desire for the sweet "sin" is stronger than you - at school, at work, with family at home, as a gift for the beloved, at a walk with friends ...".

MARKETING MIX FOR CHOCOLATE PRODUCTS

The purpose of the marketing mix should be to create a product that offers the greatest value for the price, according to the taste and eating habits of the target consumers, which will be easily accessible, attractive and desirable for consumers. In the struggle for a better market position, based on the results from the survey, the following competitive steps can be implemented: Differentiation of products - through technical, informative or distribution differentiation of products; Change in prices - price increases according to consumer opinion for appropriate price and adjustment to competitors prices, for gaining a temporary advantage; Creative use of distribution channels - using vertical integration forward or backwards, or use channels that are new and unconventional for the industry, such as chocolate bars, bakery shops, fast food restaurants, etc.; Creating an effective and efficient communication with customers that will build an unbreakable connection with the community, affiliation and love for the brand product and the company.

The product

Domestic products are in the stage of maturity of the life cycle, most consumers are not familiar with them, and are seen as cheap products, with medium to low quality, too sweet, not enough available and without a recognizable name or brand of the product. The proposal regarding the policy of chocolate products is towards change from commercially oriented into proactive market-oriented politics and products, which can be achieved in two ways: Through innovation of products or their differentiation in order to adapt to the needs and wants of consumers and separate them from competing products on the market; Through elimination or removal of products that do not suit the needs and demands of the market.

According to the above, especially from the influence of the life cycle of products, a strategy of modification of products can be applied by increasing the forms in which it appears, by improving quality, adding new features and upgrade the aesthetic features. In the assortment of chocolate products a combination of the corporate brand and individual product brand should be applied, i.e. a multi brand strategy which reduces the risk of concentrating only on one brand of product, and also in long term it is important a complete portfolio of chocolates to be offered. The focus of the company should be on few key product lines: milk chocolate (100gr), boxed chocolate (150-250gr) and molded bars (30-35gr), as they are expected to be the markets with the largest future growth. The packaging of the products can be a mixture of modern and retro design, a combination of three colors - black and white with red detail, both to attract consumers who prefer modern and those who would like the retro design and build a connection between the present and the past. The packaging must protect the product from moisture, keep it fresh, be attractive and appealing, and make it easier to recognize the product and also be appropriate if the product is bought as a gift. The success of the product or brand, according to survey results will depend mostly on: distribution network; standards for quality; continuity of research; development of new products and communicational support.

Figure 18. Proposal for packaging design for milk chocolate, boxed chocolate and molded bars



The price

The great importance and impact of price and price increase on gross profit in a company was proved in 1992 (McKinsey & Company, 2003) when the results of a research of 2400 companies, have shown that increases in the price by 1% leads to increase in profits by 8%, while reduction in fixed and variable costs by 1% leads to two times smaller increase in profits, while increasing the sold amounts by 1% leads to three times smaller increase in profits. Considering that the price determines the scope and structure of sales and size of the financial result in the determination of the price policy several factors should be taken into account: cost, corporate objectives, strategy, marketing mix, product life cycle of products demand, competition, positioning, etc. The procedure used in determining the prices of chocolate may involve several stages, including: main objectives of the price formation, cost analysis, price analysis and competitors pricing policies. When introducing a new or improved product to market, the company can use four alternative strategies of price/quality (Kotler P., 2001, p. 604): 1.Strategy of high prices - high quality (premium strategy) 2.Strategy of low cost - high quality (good value strategy), 3.Strategy of high prices - low quality (strategy of over - charge) and 4.Strategy of low prices - low quality (strategy of economy). When the product is in the stage of maturity in the life cycle, the main objective of the price should be - matching to the one of the competitors or beating the competitors' prices (Kotler P., 2001, p. 538). Analysis of demand show that the demand for chocolate is not price elastic, i.e. that consumers' are willing to pay a higher price for quality product. In terms of competition, the company should not attack the market leaders, but fight at the level of enterprises of its size and smaller, and in terms of pricing - determine lower prices than the ones of the market leaders, and higher prices compared to competitors that are being attacked. Thus, as a method of pricing a combination of the value for the buyer that can be detected through conjoint analysis and experimentation^{xxviii} and adaptation to the competitive prices should be applied. Simultaneously, the quality and taste of the modified products will have to justify the higher prices. This price will occasionally have to suffer corrections, or adaptations for special events - holidays and promotional prices for cleaning of supplies. For wholesale sales price the system of discounts can be taken into consideration – cash discount for immediate payment, in order to maintain liquidity, and quantitative rebate for buying larger quantities of products at once or over a period of time. The selling price to retailers can include functional/trade discount – participation in the promotional activities of the company.

The place

The success of consumer products largely depends on the distribution. Distribution as an element of the marketing mix brings the products to market, intensifies the demand for existing products, and provides better position of the company on the market and others. In the design of marketing channels a great role play the resources of the enterprise, the objectives, the nature of the product and positioning strategy. If the goal is increasing the market share, then it is better for the company to develop direct sales to the end consumer, because in that case the costs for the sale force are lower than in case where intermediaries are engaged. On the other hand, if resources do not allow the company to significantly expand its retail network as an alternative option is inclusion of intermediaries in the process, whereby instead of selective distribution, the company needs to use intensive distribution, involving as much as possible mediators at every level of the channel. Chocolate is a category of the product that is essentially a subject of pull - strategy, but the members of the channel allow greater product visibility, which is of great importance because it is a conventional product and a subject of impulse purchase. This means that the best strategy would be combination of the pull - and push - strategy. The product should be made available in most supermarkets and discounters, and in as much as possible conventional stores, i.e. the product should be placed in at least all those retail outlets where products of the direct competitors are placed. For example, the product should be placed in stores at busy locations - near schools, city's downtown, near green markets, near fast-food restaurants, gas - stations, as well as kiosks, in order to expand and deepen its distribution network, in order to maintain intensive instead of selective market presence. According to the preferences and habits of consumers, they are willing to buy competitive brands when a company's brand is insufficiently available, which is the most expensive price that can be paid - loss of existing and potential customers. In the retail stores, chocolate products should be placed on a visible position, in the same category of competitive products, but separated from them in specially designed and branded shelves which will increase the visibility of products, and allow storing multiple types of the brand products together in order to create consumer awareness for them and look more attractive than competing products. Due to the impulse purchase of chocolate, molded bar chocolates can be placed near the pay -toll. The company should consider placing the products in innovative channels, for example: most visited local cafes in the cities, in ice-cream shops, in restaurants, fast food chains, at bookstores and gift - shops, where the products can be offered as a dessert after eating or increase enjoyment while reading a favorite book.

The promotion

The promotion of the product should support the primary objective of positioning of the brand, which largely depends on the correct mix of elements of promotion. This means convincing communication with the consumer, in particular for creating a high level of awareness about the products, information regarding changes to products, creating an interest and connection with the consumer with the ultimate goal of leading him to action, i.e. to buy the product. When there is great "fuss" in the air, the message presented to consumers should be clear and simple message that is consistent with consumer beliefs and perception, rather than the reality of the product. In a case when the company is not first on the market, it can find an unoccupied position, and in circumstances where on the market the most popular brands of chocolate are the foreign ones, for successful positioning can be used the fact that there is a lack of a domestic brand of chocolates, or/and in terms of eventual replacement of the existing foreign with other imported brands - better quality, better/new taste, attractive packaging and availability of the product. These few elements can be effectively used in creation of promotional messages to consumers. Methods of promotion of the products may include economic propaganda, publicity and sales promotion, and public relations. The objectives of the economic propaganda, according to the results of the survey of consumer preferences, should be both communication and sales goals: positioning of the product as a quality (homemade) chocolate, with the highest value for the price for everyone, on every occasion, any place, any time of day; create awareness of new flavors and sizes, in new packaging; encourage product trial; aggressive and competitive campaign; enhancing the corporate image/identity. The budget for promotion can be created with a combination of the method of competition and method of percentage of sales. Promotional costs in the market are dominated by the main players - Milka, Nestle, Dorina and others, which set out the rules of the game to a higher level, and make it necessary to take aggressive competitive campaign. At present, most of the domestic producers of chocolate have no, or a budget of at most 3% of annual turnover, where marketing activities and promotion are not seen as an investment, but as a cost^{xxix}. The design of the content of the message should include a certain appeal to consumers, that may be based on the fact that chocolate is a fun and healthy product that quickly creates a feeling of satiety, so it can be shown as an enhancer of mood, and as a gift. Elements of emotion can be used - a feeling of love, friendship, pleasant surprise - and joy etc., and also the product can be presented as a source of energy, concentration and inspiration in the intense moments during the day - sports, games, strenuous working hours, learning and so on. The message should have a conclusion - because action is expected soon, and the strongest parts should be placed at the beginning of the message. The

form of the message may be displayed through interesting scenes such as: a picnic, faculty activities, working in the office, at home in front of the TV, before /after training - fun activities of daily living of the population that will contribute to association of chocolate as a fun product that is used in every moment of the day. The source of the message for printed media and outdoor advertising (billboards, posters, etc.) can be a striking slogan that will also be used in advertising and TV, along with pictures of the products on a simple background or image of faces of people from different nationalities, ages, gender etc., that bite a piece of the chocolate. Source for electronic media can be entire families, young couples, friends who spend time together, enjoy and take joy in chocolate, followed by music from a famous artist and impressive slogan, such as: "Yesterday you have tasted all the other chocolates that WERE most popular, today, taste the (homemade) chocolate that WILL BE most popular!" or "Any time is a good time for something homemade - know me better - Clasico!" or "Whenever you wish to share with someone - share happiness – Choco Mix!" The media through which the message should be presented are from the group of impersonal media including: print and audiovisual (radio and national television^{xxx}) media, social media and display media for outdoor advertising. The period of broadcast of the ads, or investment in the economic propaganda may be continuous with fluctuations depending on the volume of invested funds. The success of the economic propaganda may be controlled with the help of pre - testing (focus groups) and post - testing (percentage of consumers who know the product after the campaign and percentage who changed their attitude after the campaign). Economic propaganda contributes mostly in increasing the sales in the growth stage of product life cycle and maintains the current sales volume in the phase of maturity of the products. The main goal of sales promotion is to encourage the sale immediately, and to change the attitudes of the consumers, but the effects are on short term and therefore should be used sparingly, in a short period of time. The decision to buy chocolate is not pre-planned and because of that, the techniques of sales promotion (combination of sales promotion activities aimed at end customers and to intermediaries) can effectively be used. Promotion of sales should be directed towards two target segments: The end consumer (trade stamps and savings cards - given at the first purchase, contests and lotteries, which may occasionally be organized to encourage demand for holidays and in the season of lower demand – spring – summer, i.e. May to August); The intermediaries (such as cash discounts, giving an additional quantity of product for free when larger quantities are ordered, placing mini - coolers and other types of displays for sale or point of purchase (POP) designed by the manufacturer and shipped to retailers for a particular brand of product or group of products. The forms of POP are different and vary from one industry to another, but most often encounter the following: special shelves, exhibition cards, pennants, signs and various mechanical mounts of the product). Publicity and public relations can be effectively used for creating brand awareness for new products, and creating positive attitudes among the public for the enterprise as a whole. The company has to promote new products, to notify about new technology, received certificates for implemented standards for quality, received awards, possible partnership with other companies or organizations, participation in humanitarian actions of individuals or the community at large etc. This can be done through press releases sent to various media and organized events that are closely related to sponsorship and also certain popular series or movies that are shown on television can also be sponsored. The marketing strategy should also have a plan for implementation of control activities. Key points that should be controlled are the satisfaction and approval of buyers and consumers (through proposals and questionnaires), monitoring of sales (through reports on sales and financial indicators - per month), competition (through examination and monitoring of dealers reactions of competitors), development and progress of the sales force (through training and research - mystery shopping).

CONCLUSION

The strategy of the company refers to providing solutions on how the company can transfer the operations from the current position into the desired future position, and achieve the desired end results. The need for strategy formulation is motivated by the need to set the strategy direction, to enable the company to maneuver through turbulent business environment. It is necessary to rationally use resources and to promote coordinated development of the ongoing activities, i.e. to trace the development and the way of its accomplishment. The necessity of market research is also confirmed as a function of the strategy that provides an efficient and effective decision making for marketing on a particular market. Market research, according to the value of market research industry worldwide, is one of the key instruments of marketing - management used to find, collect and analyze basic data that lead to valid information for decision making and increase competitive advantage. The significance of market research essentially stems from changes in business conditions that lead to technological change, increasing complexity of managerial work, increasing complexity of the external environment, increasing the spread between decisions and outcomes. The need of enriching the knowledge and enabling managers to possess the right information at the right time, which helps in creation of a business unit strategy or corporate strategy in general calls for devoted action of changes in the managerial way of thinking and therefore the way of doing business. Food industry is one of the industries that intensively and in large amounts invests in market research. In the Macedonian chocolate industry and market, the domestic companies

feel a lack of market information featuring: customer needs, requirements and preferences; market size; market potential; market growth; the available and suitable types of research techniques; etc. This situation results in a vague business strategies and weak market position in relation to foreign competitors with a market orientation in the work. Changes in the work of the domestic companies can be made with the proper use of market research for obtaining all the necessary information about the chocolate market (size, potential growth, profitability of a particular market/industry, consumer preferences). The companies can choose from a variety of techniques for analysis of technological, economic, political, legal, sociological, cultural factors outside the company environment (PEST/EL, SLEPT, Porter's 5 – forces model) and internal company factors - strengths and weaknesses (SWOT, Six Sigma Marketing, etc.). The competitive marketing strategy for chocolate products should be a strategy of differentiation of the products, with prices higher than the ones of the competitors that are attacked, but lower than the ones of the leaders on the market. The product should be placed on the market through intensive distribution and supported with integrated marketing communications consisted of economic propaganda, sale promotion, PR and publicity. On the end, a system of control should be implemented in order to insure the proper execution of the marketing activities.

ⁱ Kraskomerc Ltd, JSC Evropa – Skopje, JSC Vitaminka – Prilep, SwissLion Ltd. – Skopje, Evropa Ltd. – Shtip, Makpromet Ltd. – Shtip, Multikrem Ltd. – Shtip, Stel Impeks Ltd. – Shtip, Lion Ltd. – St. Nikole, Zito Leb – Tetovo, Via Cok ltd. – Tetovo etc.

ⁱⁱ J. Williams.(2004). CIM REVISION CARDS. *Marketing research and Information*. Elsevier Ltd. p.20

ⁱⁱⁱ Paul Hague. (2006). *A Practical Guide To Market Research*. B2B International. Grosvenor House Publishing Ltd. UK. p.22-24

^{iv} The choice of methods has been made due to the conducted research and comparison of different research methods, having in mind the various questions that had to be answered in order to create a marketing strategy for the B2C businesses from the confectionery industry.

^v <http://www.mchamber.org.mk/%28S%28tdxvop55ig1bkr551hz2py45%29%29/default.aspx?mId=130&IId=1&smId=6> (visited at 15.09.2011)

^{vi} The information was acquired through a personal telephone interview from the managers of several domestic confectionery companies with different company size.

^{vii} <http://www.mchamber.org.mk/%28S%28tdxvop55ig1bkr551hz2py45%29%29/default.aspx?mId=130&IId=1&smId=6> (visited at 15.09.2011)

^{viii} <http://www.euromonitor.com/chocolate-confectionery-in-macedonia/report> (visited at 16.06.2011)

^{ix} Ibid

^x Compound Annual Growth Rate - CAGR

^{xi} Macedonian currency – Macedonian denars – MKD/mkd

^{xii} <http://www.euromonitor.com/chocolate-confectionery-in-macedonia/report> (visited at 16.06.2011)

^{xiii} <http://www.mbdp.com.mk/en/index.php> (visited at 10.05.2011)

^{xiv} Business Insights. (2008). *Future Convenience Food and Drinks – New opportunities in a developed market*. www.scribd.com (visited at 8.08.2009)

^{xv} Packaged facts. (2010). *Chocolate Market in the U.S.: Trends and Opportunities in Premium, Gourmet and Mass Chocolate Products*. MarketResearch.com - Packaged facts. <http://www.marketresearch.com/Packaged-Facts-v768/Chocolate-Trends-Opportunities-Premium-Gourmet-2505082/> (visited at 05.07.2011)

^{xvi} Packaged facts. (2002). *The Chocolate Market*. Packaged facts – a division of MarketResearch.com <http://www.marketresearch.com/Packaged-Facts-v768/Chocolate-186930/> (visited at 05.07.2011).

^{xvii} The two largest domestic producers of chocolate are JSC “Evropa” – Skopje and JSC “Vitaminka” – Prilep.

^{xviii} Business rules typically have the following form: If <a number of conditions are met> then <a number of activities can be performed >.

^{xix} Example of the calculation of the influence of the 5 forces on industry attractiveness: $\sum \text{rates of sub-factors} \div \text{number of sub-factors} = \text{rate of the force}$, i.e. Rivalry among existing competitors = $19 \div 8 = 2,38$; etc.

^{xx} The matrix is constructed in a way where at first several key factors for success are determined from the managers point of view, those are ranked in importance by allocating a total of 1 or 100 points on each, then for

each of the selected competitors these factors are judged by the achieved results on a scale of 1-5 (1 lowest, 5 highest), and on the end points of each factor are multiplied with the score of each competitor and the result indicates competitors relative strength in business compared to others.

^{xxi} Semantic differential scale is composed form more bipolar scales with certain terms related to a product ranked from 1 – 7 (1 - lowest, 7 - highest), which measure the behavior and feelings of consumers towards a particular subject, and allows comparison of the attitudes scale for several different items of the same species, to identify differences between them. The data are analyzed by calculating the arithmetic mean for each group of opposite adjectives, after which the aggregate results are applied to the scale and the comparison is made.

^{xxii} Price Elasticity of Demand (PEOD) = (% Change in the required amount) / (% change in price) = (0,09)/(0,11) = - 0,81 = 0,8 < 1; %Change in the required amount = (amount of new claims - amount of old claims) / amount of old claims = (274 – 300)/300 = -0,087 = -9%; %Change in price = (new price - old price) / old price = (42 - 38)/38 = 0,105 = 11%. When calculating the price elasticity of demand the negative values are ignored and the positive value is taken into consideration.

^{xxiii} PEoD = (% Change in the required amount) / (% change in price) = (0,08)/(0,11) = 0,7 < 1

^{xxiv} Basically there are several types of markets, depending on the buyer: market of producers, market of consumers, market of resellers, government as a market and international market.

^{xxv} State Statistical Office of Macedonia.(2008).*Publication - Macedonia in numbers 2008*. Skopje. pp.8-21

^{xxvi} State Statistical Office of Macedonia. (2009). *Publication - Macedonia in numbers 2009*.Skopje. pp. 263-264

^{xxvii} <http://www.stat.gov.mk/PrikaziSooptenie.aspx?rbtxt=42> (visited at 13.19.2011)

^{xxviii} Conjoint analysis is a statistical technique used in market research to determine how people value different features that make up an individual product or service, and experimentation fits into the test - marketing where the product is offered at different stores, on a different price, in areas where consumers have similar characteristics, with the same promotional campaigns, ceteris paribus, and afterword the sales are monitored in order to determinate how consumer behave.

^{xxix} The information is obtained from the managers of the companies, through telephone interview.

^{xxx} In the structure of free time activities of persons aged from 20 to 74, by groups of activities, the activity with the highest rate is watching television 37% men and 39% women. For more see: Republic of Macedonia State Statistical Office. (2011). *Time use survey, 2009. Statistical review: population and social statistics*. Skopje. <http://www.stat.gov.mk/Publikacii/2.4.11.01.pdf> (visited at 27.09.2011)

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