

Analysis of Chocolate Paste Market Demand from the Perspective of Navoi, Uzbekistan

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Annotation: Due to the fast-paced global urbanization, lifestyle of people is becoming more hectic which have resulted in lack of spare time for cooking and thus people nowadays are choosing ready-to-eat and ready-to-cook food-products. This in fact is promoting the usage as well as manufacturing readymade spreads, including chocolate and hazelnut pastes for breakfasts in the global food market. Being the most popular food product worldwide, chocolate is not only the consumed as a dessert after a meal, but it is demanded to produce chocolaty products like spreads. Researcher's assumption of Market Data Forecast on the global chocolate based spread market size gives a clarity to the future increase to 2 % throughout the period 2020-2025 and this includes the Uzbekistan's chocolate spread market, which led us to conduct more research regionally by addressing the influence of existing local brands to the country's chocolate spread market.

The purpose of this study was to assess the impact of organizational sales promotion of local Choco-spread producers and how it influenced on the market demand of analyzed certain brands. The study used descriptive research approach and the data was purely quantitative. In order to achieve this objective, 9 local entities were selected using purposive sampling techniques.

Keywords: chocolate hazelnut spread, market demand, sales promotions.

INTRODUCTION

Indeed, one of the most consumed and popular products worldwide is chocolate. While, the chocolate hazelnut spread is a sweet chocolaty flavored paste which is mostly spread on toasts, bread, doughnuts, pancakes and other similar grain products. The chocolate spread mostly contains the basic ingredient - cocoa, hazelnut, sugar, palm or vegetable oil and sometimes also they include the butter, milk, and additional flavors. The chocolate hazelnut spread is becoming an integral part of every breakfast and is being preferred not only children and young people as the key consumers but old age groups are also into eating these kinds of spreads.

It is interesting to note that the fluctuating prices of raw materials such as cocoa and sugar and the instability of its supply is one of the reasons to slow down the chocolate hazelnut spread market growth in the near future. In addition, the decline in the sales of bakery products like bread, toast in some countries, where people tend to follow healthy eating habits as well as growing popularity of cereals are the influencing to the restraint of the growth of global chocolate hazelnut spread market.

However, the global Chocolate based spread market size is expected to increase with a record CAGR of about 2% throughout the period 2020-2025 according to the researcher's assumption of Market Data Forecast. (Transparency Market Research, 2017) According to some studies one of the factors towards the growth of chocolate spread market is the availability of organic, low fat, low sugar and gluten free hazelnut spread products in the market for more and more health-conscious consumers. Thus, some manufacturers are also offering low calorie, gluten free and reduced fat chocolate hazelnut spread to cater increasing demand from health consciousness people especially in the developed markets. Moreover, new brands are providing stiff competition to already established brands by applying key driving factors such as continuous product innovation. Apart from using it as spreads, chocolate hazelnut spread can also be used as ice cream topping,

to spread over croissants, to make instant hot chocolate, added to any dessert for a gourmet touch and much more.

The chocolate hazelnut spread market can be segmented by

- *source,*
- *packaging type,*
- *distribution channel, and*
- *region.*

On the basis of source, the chocolate hazelnut spread market is segmented into *organic* and *conventional*. While on the basis of packaging type, the market can be segmented into bottles, pouches, cups, and others.

On the basis of a distribution channel, the chocolate hazelnut spread market can be segmented into *direct sales* and *indirect sales*. The indirect sales include below mentioned segmentations:

1. the specialty stores,
2. hypermarket/supermarket,
3. convenience stores,
4. online retailers and others.

LITERATURE REVIEW

In globalization era, competition of any producers of goods in retail sector plays important role. (Sopiah, 2008) Studies reveal that globalization is the primary factor in creating demand and rising demand for goods and retail services. Government policies conducted in many developed countries's governments are mostly to encourage retail extension led to the growth of modern retail entities rapidly, such as minimarket, supermarkets, department stores, shopping centers, malls, and hypermarket. The rise of modern retail business in number is facing intense competition so it requires retail businesses to have deep understanding of customers, whether they are entities or end-consumers.

The effects of sales promotion to the market demand

Market demand represents the sum of the individual demand for a commodity (a good or a service) from buyers in the market. On the other hand, market supply represents the total quantity of a commodity that producers are willing and able to provide to the buyers at a given price level. (Market.com, 2020). According to studies of Grainphd (2017) one of the influencing factors to the demand of a certain product or goods are: population size, consumer tastes and preferences, income, price of substitutes, research and media, government policies and international market conditions. However, the change in the minds of consumers can be affected by decent marketing strategy or sales promotion strategies applied by businesses. Indeed, a push promotional strategy makes use company's sales force and trade promotion activities to create consumer demand for a product. Sales promotion is the main ingredient in marketing campaign, consisting of a collection of incentive tools, mostly short-term designed to stimulate larger and faster purchase rather than particular product or service by consumers through trade (Kotler, Philip., Keller, 2013), Meanwhile, according to Ayimey K, Vitor, & Gayibor, (2013) sales promotion is achieved through informing and persuading consumers about an existing or new product. Kotler and Amstrong (2009) say that sales promotion consists of short-term incentives to encourage purchase or sales of products or service. This definition explains that sales promotion relating to short-term incentives encourage the wish to purchase or sale of a product or service, which in turn reflects on an increase of demand in the market.

It can be clearly seen that, modern retailers (supermarkets, hypermarkets, malls and etc.) are implementing more and more promotional sales through discounts, point of purchase (POP), advertisements and posters on the shelf in store. According to Philip Kotler & Keller, (2009) promotional activity in-store sales can cause a desire, arousal, or thrill to buy even if consumers do not have intention to buy product before, thus encouraging purchases are not planned in advance. Grewal & Levy, (2008) give a sense of sales promotion

as a special incentive or interesting programs that drive consumers to purchase some kind of products and certain services. Sales promotion is a persuasive action directly offering incentives or more value for product of sales force, distributors or consumers with primary objective of generating sales immediately. It concludes that promotional activities will help and to persuade prospective consumers to purchase products or services that are offers and as a result rise of a demand to the certain product will be shown in the market.

Chocolate products' health effects

When it comes to the beneficial effects of chocolate and chocolate containing products to health, Latif (2013) assumes by warning that the majority of the studies claiming benefits and advantages of chocolate are small-scale, and sponsored or carried out by chocolate manufacturers/producers that are interested in consumer behavior. However more recent researchers have investigated chocolate's effects on the nervous system of consumers. These studies found that an average intake of chocolate and chocolate containing products can protect neurons and glial cells (non-conducting nervous system that support and protect neurons) from aging-related damage. Sokolov, Pavlova, Klosterhalfen and Enck (2013) say on another conducted research that the flavonoids in cacao beans can be absorbed by the hippocampus, a region of the brain responsible for spatial navigation and consolidating experiences into long-term memory, which helps Alzheimer's patients in the earliest stages of the disease. Flavonoids in cocoa beans can increase blood flow in the regions of the brain that protect neurons from harmful free-radicals and help in creating new neural connections. (Sokolov et al., 2013)

METHODOLOGY

This study used a quantitative field survey which purposively selected nine research entities for the assessment of the impacts of sales promotion of chocolate spread manufacturers to the demand in the regional level. The most-visited and bigger retail entities of Navoi region have been taken. It used structured self-administered questionnaires for the collection of relevant statistical data, which have been analyzed to determine market demand of some existing local and international chocolate brands. The questionnaire survey was used as the main method of data collection, that considered as primary data.

LIMITATIONS OF THE STUDY

Conducting a research survey among different-sized indirect sales distributors (grocery stores, supermarkets, hypermarkets and malls) from the perspective of Navoi region gave limited understanding of the market demand of certain existing local brands of Uzbekistan. Having lack of international chocolate paste brands influenced on analyzing only 3 of them (Nutella, Milky and Hershey's spread), while recently entered local producers of spreads also were not in the study due to having less consumer market demand in the area. The gathered primary data only gives a scope of understanding from regional perspective and additional research study from the country's perspective is also necessary to complete the market demand of chocolate spread brands in Uzbekistan.

FINDINGS AND ANALYSIS

This section deals with the analysis of gathered responses from questionnaires administered for the study. The section therefore gives detailed information of the textual data collected and the results obtained from the study.

Relevant statistical information pertaining to the study was retrieved from 9 representative respondents of 9 entities in the region of Navoi, Uzbekistan.

Demographic characteristics of researched entities

The study was conducted to gather the statistical data of 9 popular and most-visited organizations in the Navoi region, which includes the city of Navoi and the district of Karmana. Among them 6 supermarkets, 2 grocery stores and only one mall were included as participants. (Figure 1)

They are:

1. Oila Market
2. Yangi Hayot Mall
3. Macro Supermarket
4. Baraka Savdo
5. Karvon Market
6. Dunyo Market
7. Rayhon Market
8. Shams Market
9. Grand Korzinka

Figure 1, Interviewed entities' primary business activity



Source: Primary data

Figure 2, Location of interviewed entities



Source: Primary data

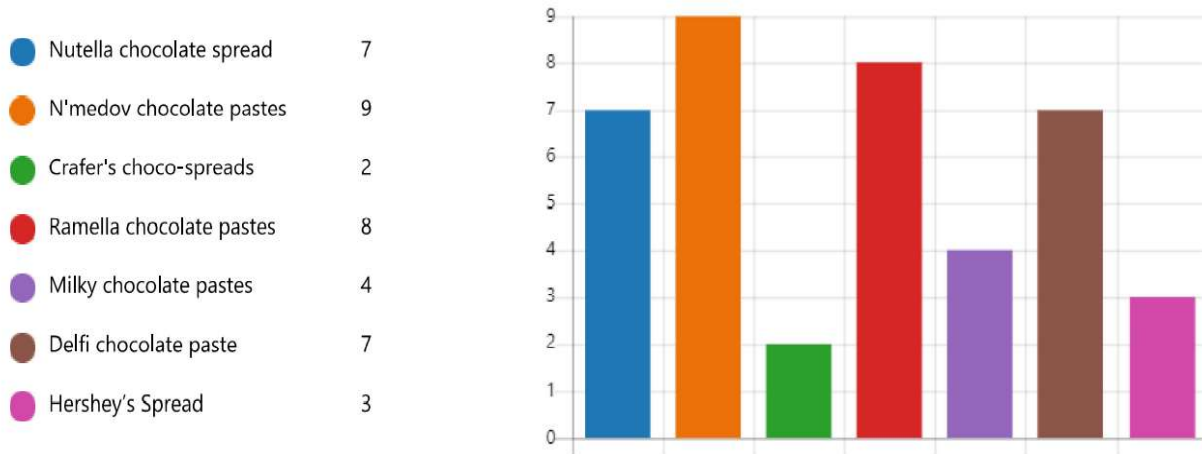
Market Demand Survey Findings

The study involved 4 already existing local brands and 3 foreign chocolate spread productions. These are: Nutella, Milky chocolate pastes, Hershey's spreads, N'Medov chocolate pastes, Crafers, Ramella chocolate spread and Delfi chocolate pastes.

Among local brands the demand for N'medov's production (under the name of 'Chocotella' and 'Chococream') is the highest and purchased frequently than others. However, Ramella production, which has entered the market recently, is also among favorites with 8 responses along with Delfi chocolate pastes (7 responses). Crafers' production though existed only in 2 organizations.

Foreign chocolate spreads have also been discovered and Ferrero's chocolate spread 'Nutella' as demanded as local brands despite the higher price. The market size of Milky and Hershey's spreads however was not so large. Figure 3 below reveals response rates in detail.

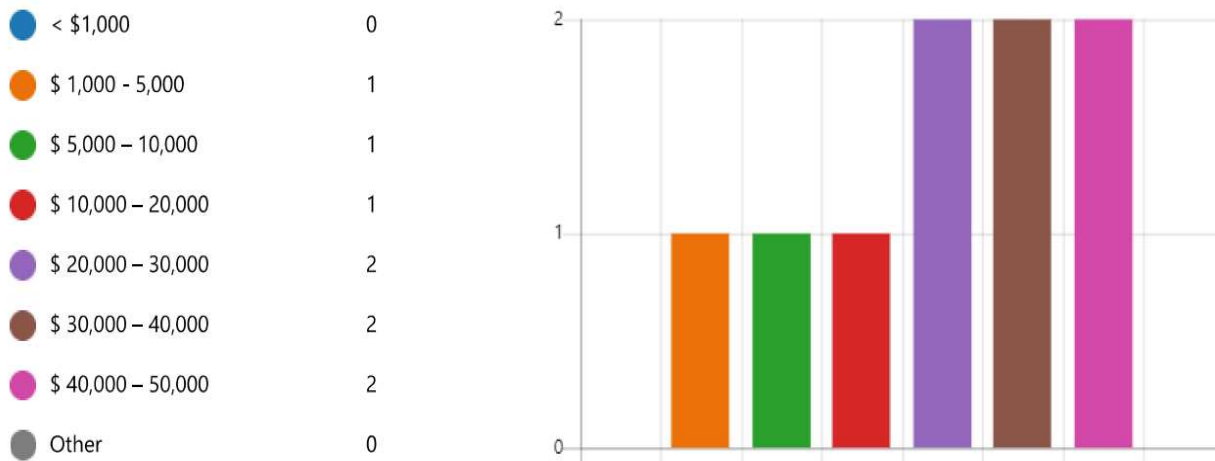
Figure 3, Existing chocolate brands in the entities.



Source: Primary data

When it comes to the total value of purchased products in the entities, the amount varied but most of them (6 entities) have made overall chocolate spread product purchase starting from \$20.000 to \$50.000 in the last 12-month period. However, 3 average-sized businesses were involved between \$1.000 and \$20.000 of product purchase (See Figure 4). The future anticipation on an increase of chocolate spread products, though, have only been seen in one entity and other 8 among them did not have a willingness to expand the quantity, which shows the about same demand to these products on the market.

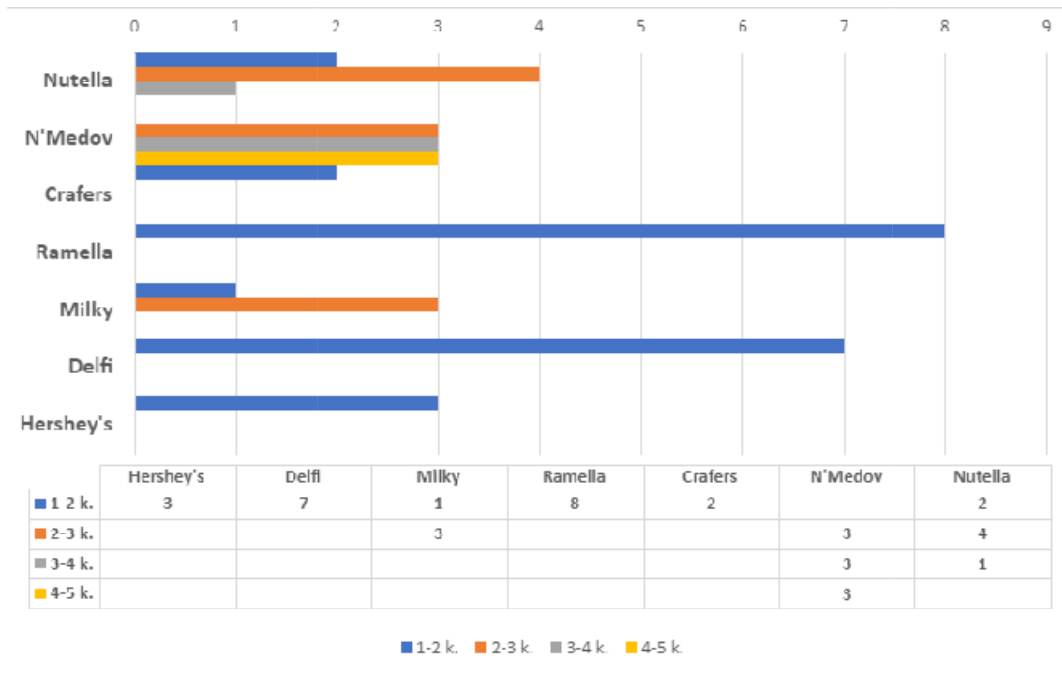
Figure 4, Total value of purchased chocolate spread products by entities.



Source: Primary data

Figure 5 depicts the average quantity purchased by surveyed brands in those entities. As it shows average quantity for most brands was about 1000-2000, while only Nutella and N'Medov's production exceeded demand to 4 thousand and 5 thousand in amount. Local brands Ramella and Delfi have been purchased by these businesses in less amount (1-2 k.) in comparison.

Figure 5, Average Purchased Quantity by brands

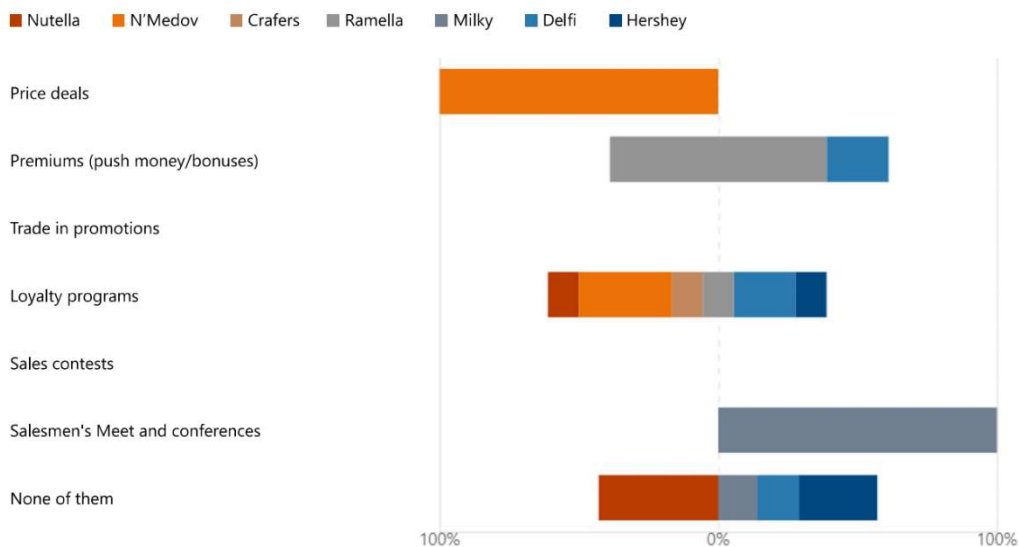


Source: Primary data

Effects of Sales Promotion to Market Demand

The influence of sales promotion however can only be found in some brands. For example, price deals and loyalty programs have been used most of the time by N'Medov manufacturer to boost their sales between these distributors. Premiums, which include push money and bonuses, have been only seen among local brands Ramella and Delfi, while the Milky company was only one that organized Salesmen's Meet and Conferences for some of these interviewed entities. Trade in promotions and Sales contests, though were not considered as necessary to use by organizations.

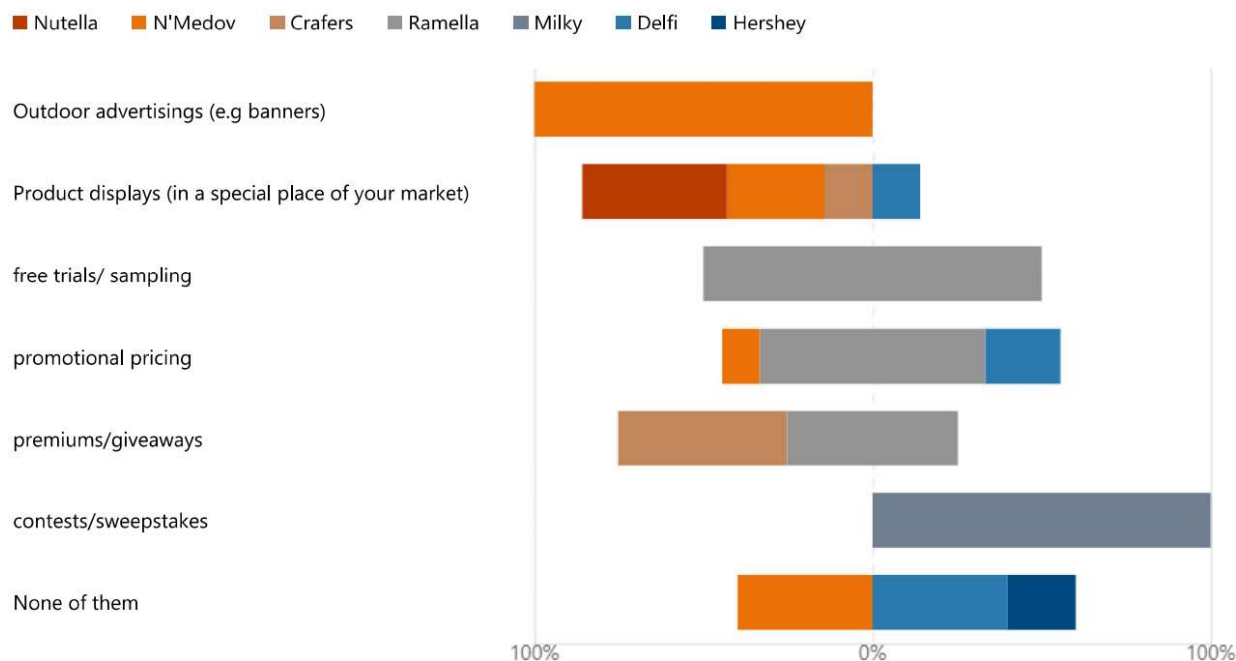
Figure 6, Sales Force Promotions used by brands



Source: Primary data

As a great tool of marketing push strategy some of these brands have effectively used below mentioned cooperative promotions in the retail distribution channels. For example, the entity under the name of N’Medov, which produces different chocolate paste products, used outdoor advertisings, product displays as well as promotional pricing in some stores. While the brand Ramella as a new-entry has offered its end-consumers free-trials/sampling, premiums/giveaways as well as boost the demand by using promotional pricing strategy in the distribution channels (grocery stores, supermarkets, hypermarkets). Below, Figure 7 reveals detailed version of these promotional strategies used by researched brands.

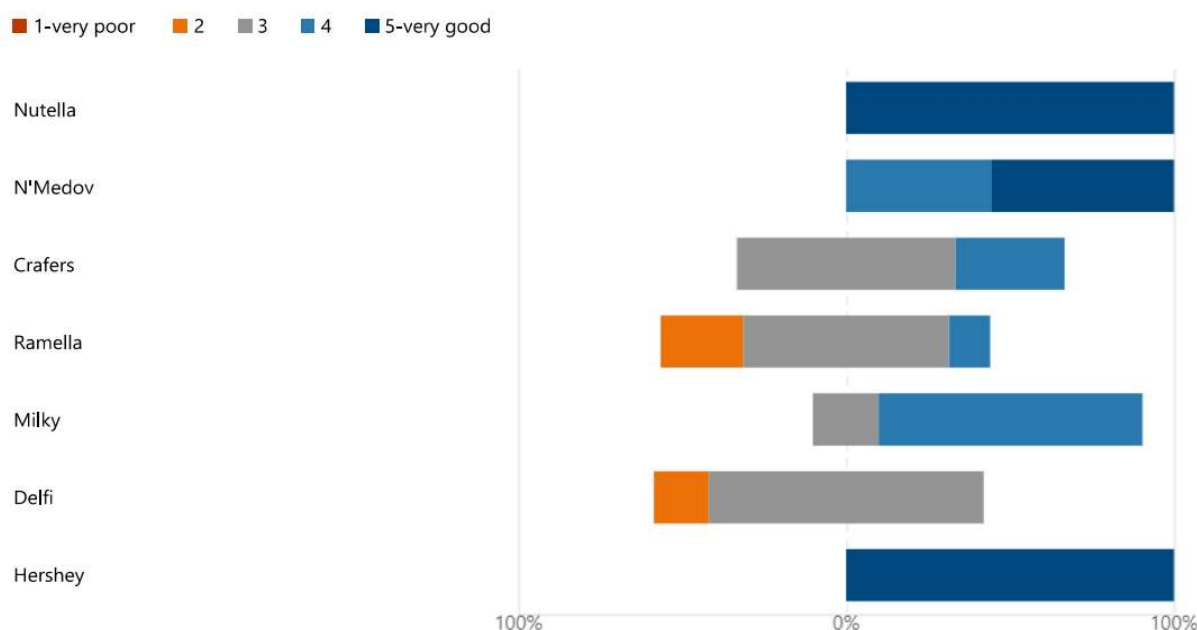
Figure 7, Cooperative Marketing Promotions between entities and brand producers



Source: Primary data

The quality of any product indeed influence on the demand of consumers. Though in this survey the purpose did not consider interviewing end-consumers, we asked whether the management staff of involved participant entities know enough information about their customers’ choices in terms of the quality of these brands. As they informed, it can be clearly seen that the Nutella and Hershey’s spreads rated as 5-very good. While, local manufacturer N’Medov’s production has also captured attention by being rated with 4 and 5. Other Choco-spread brands, however are considered as average that got about 3 to 4 scale rates of quality. It is interesting to note that less valued local chocolate pastes (Ramella and Delfi) were given ‘poor quality rate’ according to the participants opinions.

Figure 8, Quality rate of chocolate spread brands



Source: Primary data

IMPLICATIONS

The research study on the market demand of chocolate spread products and the promotional strategies influencing on the expand of demand of certain brands of Uzbekistan market gives an overall understanding of:

- which researched brands are mostly consumed and demanded by end-consumers;
- The effects of sales promotion between businesses
- And the effect of quality to the demand of chocolate spread products in the regional market.

It is clearly seen that by using some tools of sales promotion, one of the local brands ‘N’Medov’ could achieve the highest demand in the market (see figure 5).

The use of ‘sales promotion strategies’ by local brands (N’Medov, Ramella, Crafers and Delfi) was only focused on pull marketing including the price deals, loyalty programs and push moneys, while push marketing concerning end-consumers has been observed only as outdoor advertising, product displays and rarely as promotional pricing. Ramella brand, however showed the example of how sales promotion can boost the market demand of its products despite being a new-entry in the Uzbekistan’s chocolate spread market.

The Foreign Choco-paste producers have also faced a good welcome of consumers, though most of them have not utilized much promotional activities with these retail distributor entities. The main burden for the less demand to these products was the higher price and less sales & marketing promotion in the area. Nutella was considered as demanded product as its local competitor N’medov’s products (Chocotella, Chococream) due to the fact of being known on an international scale. The popular spread of Hershey, however has only been discovered in some of the supermarkets, while Milky’s chocolate pastes got their place in the shelves of four entities participated in the research.

Recommendations

Strategic Sales Promotion Increases Market Demand

From the management perspective most of the respondents agree that sales promotion provides extra incentives to purchase as well as stimulating resellers demand and effectiveness. It is therefore recommended that, management of Chocolate spread brands should embark on more strategic sales promotion in order to increase their market.

The study revealed that sales promotions are costly. Therefore, it would be better if producers consider meticulous strategic plan of sales promotion campaign based on the company's objective to avoid misuse of resources.

CONCLUSION

The thrust of this research was to analyze the market demand of chocolate spread products from the perspective of Navoi region that can be further utilized around other regions of Uzbekistan. In addition, it covered one of the important aspects of sales promotion, that may influence on the market demand of chocolate paste products.

Study shows the usage of sales promotions and cooperative marketing promotions as pull and push strategies reflected on the increased demand of some brand products(N'Medov can be brought as an example). But it should be noted that researched company brands did not make a full use of all promotional tools, which might be a reason of less demand of their products. (Crafers, Delfi)

Overall, there are many ways to expand the market size of certain products, but sales promotion may also be a pivotal factor in this context for companies who are seeking increased profit through larger demand.

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