



Cacaolat Project.

Macro Environment

1. Political

After the presidential election of 2020, the American country swap its leader in favor of Joe Biden, who became the 46th president of United states. Specifically, Illinois has been supporting democratic candidates since 1992, when Bill Clinton was elected. This data shows the consistency in the ideologies of its population and its shift towards a more regulated economy.

Mainly, by being a state which supports the elephant party, we can determine they are keener to support a higher presence of the government in the everyday life situations of the people. For Cacaolat that could mean an added barrier as they would have to cope with a higher level of regulations and taxes to be paid in order to sell at this state.

As for the national politics, with Joe Biden a new opportunity opens up. Following the steps of some policies used in the sixties, some experts talk about a “*neokeynesianism*”. These policies consist on introducing billions of dollars in the economy to reactivate the consumption. For the milkshake company this could open an opportunity. Being in the FCGS industry, a higher disposable income for potential clients is the best perspective to secure a long term consumption in the country.

For more information see Appendix 1.

2. Economical

While the economy is shifting into a recovery lead by Bidens plans (briefly explained in appendix 1), Illinois has an economy situation of its own.

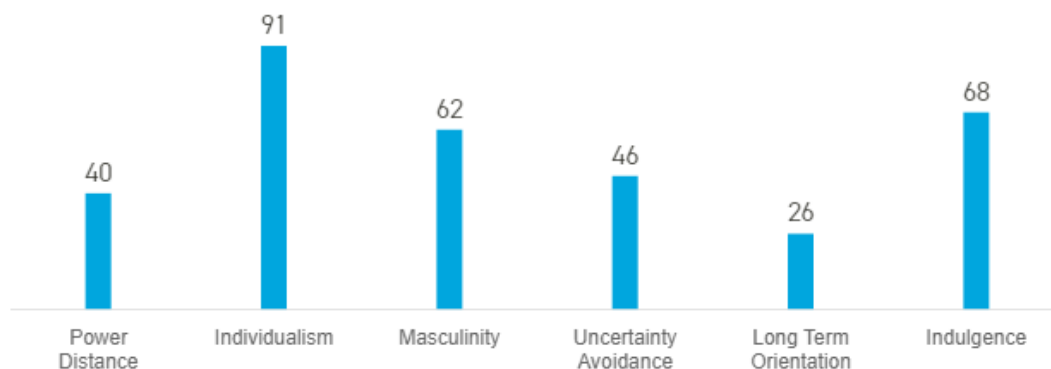
Firstly, almost 78% of the total wages in the state are located in Chicago. This city is the pearl of the state and home of many Fortune 500 companies. This city provides a household income of \$62,992, one of the highest in the nation. At last, the state supports many industries, medicine, logistics, food processing, electrical equipment, chemical products... and financial trading.

In fact, this situation leaves a clear strategy to be successful in this state, you need to be successful in Chicago first.

On the other hand, there is some inequality in the state (Gini coefficient of 0.469), with a Gini almost equal to the nation one (0.48). In fact, the population below poverty line is 12.2% in the state. However, the unemployment rate is 3.4%.

Then, we can withdraw the conclusion that they might be some poverty and inequality, but there is a good medium and high-class base which has enough disposable income to invest in FCGS products like Cacaolat.

3. Social and Cultural Environment



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This is the Hofstede analysis for USA². However, we are only going to study three of these dimensions:

- **Indulgence**
- **Long Term orientation**
- **Uncertainty avoidance**

Indulgence is the category which studies the impulses of the people who live in the country. USA is impulsive, which favors most of the FCGS products, like those produced by Cacaolat.

Long Term orientation is studying the way of thinking of American people, and they extremely follow the *Carpe Diem* philosophy. The combination of impulsiveness and living the moment favors even more Cacaolat that could use strategies of scarcity and others that take into account these behaviors.

Uncertainty avoidance is the category that studies the way people perceive the unknown, like new products. Cacaolat is going to launch new products unknown in the northern market. For the company knowing that Americans have a relatively acceptance for innovation and new products is magnificent.

More information in appendix 2.

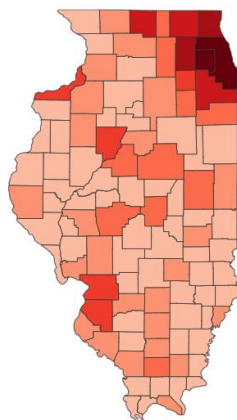
¹ Data gather form <https://www.hofstede-insights.com/country-comparison/the-usa/>

² We studied the analysis of all the country because it was impossible for us to find information, specifically on this state. However, by looking to different news and events we have seen that they are not that different as the rest of the northern part of USA.

At last, Illinois is known by its social movements as well. In recent times being the center of the Black Lives Matter movement and other racial movements. Chicago is a constant changing city which does not leave anyone out and that demands opinions and flexibility for the companies to survive by being savvy, not choosing a side.

4. Demographics

This last year 2020, Illinois has lost close to 80,000 residents, according to the U.S. Census Bureau, over the last seven years Illinois is passing through a population decline. Now, Illinois population is 12,587,530, a decline of almost 2% since 2010.



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Most of the population of Illinois is heavily concentrated in the North East of the state, in the metropolitan area of Chicago, around 65% of the population. Chicago city is home to over 2.7M of people and consist of the largest city in Illinois. This city dwarfs the state's other cities, including the capital of the state. The next largest is Aurora, with 200,661 people. Although this state has a large urban population, it spread through twelve cities, including Chicago.

The following map show how people are distribution in Illinois, with darker colors the most populated places in the State.

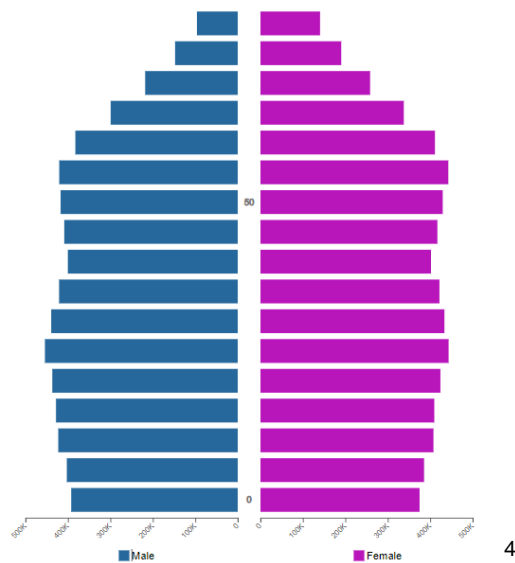
In Illinois, as in the rest of the United States, different races and cultures coexist. According to data taken from the internet, the vast majority are white, 71.53%, black or African American: 14.20%, Asian: 5.47% and other races represent the 5.93% left. Most of Illinois residents speak only English, however, 23.16% speak other languages. The non-English language spoken by the largest group is Spanish, which is spoken by 13.51% of the population. This could be an indicator of the existence of a segment of the population that might be attracted to Cacaolat's products because of the Hispanic origin.

The following graph shows the Population Pyramid of Illinois updated to this year; population years are shown through the five-year horizontal bars in five-year

³ Source: worldpopulationreview.com/

intervals. There is more woman in Illinois than man, and they seem to have a higher live expectancy. The state has a quite young population.

Illinois Population Pyramid 2021



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5. Legal

Illinois makes a harsh defense on the employee and discrimination. When entering this market, the state has specific regulations on:

- **Discrimination:** Protecting the huge black American “minority” that the state has. A protection that has increased since the social instability of the movement black lives matter.
- **Antitrust:** Protecting monopolies, something which Cacaolat does not have to fear.
- **Copyright:** Something which can take long and might be difficult to get for a product like Cacaolat. However, the brand could be easily protected.
- **Health:** On food is specially harsh. Nevertheless, the protection is as hard as the one Europe has.

⁴ Source: worldpopulationreview.com/

Microenvironment

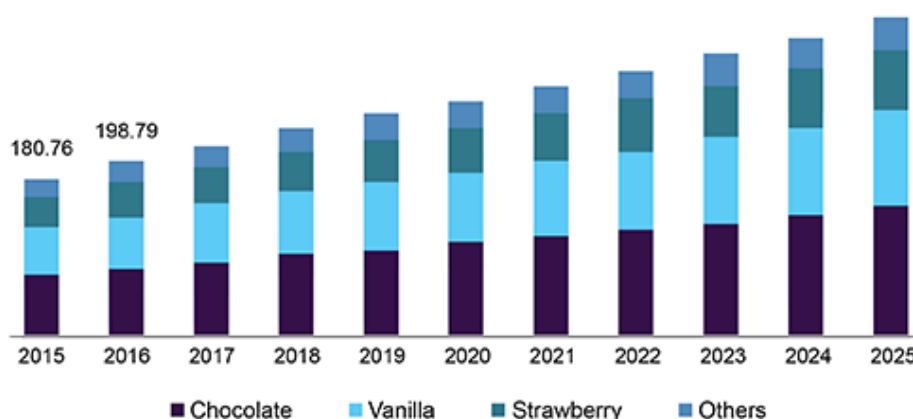
1. Market and consumption analysis

The global packaged milkshakes market size was valued at USD 238.6 million in 2018 and is expected to expand at a CAGR of 6.3% over the forecast period, while chocolate milk market is forecasted to grow at a CAGR of 3.6%.

The scope of global chocolate milk market is segmented by distribution channel as Convenience Stores, hypermarkets/supermarkets, and others. Other distribution channels include discounters, wholesale retailers, online retail stores, etc.

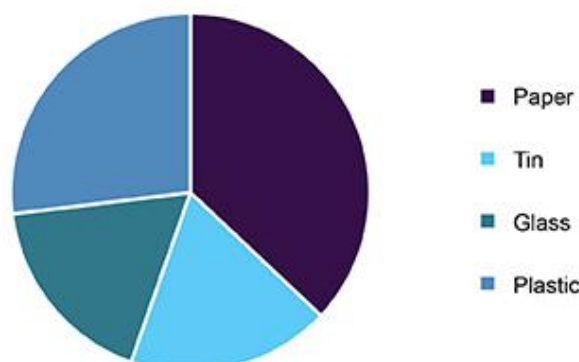
The global chocolate milk market is a fragmented market and comprises regional/local players and international competitors. The market is dominated by players like Arla Foods, and Danone, and Nestle SA. In January 2017, nestle altered the sugar level and revamped their chocolate drink. This is a market strategy to fulfill the consumers demand for low-sugar chocolate drinks.

U.S. packaged milkshakes market size, by flavor, 2015 - 2025 (USD Million)



Source: www.grandviewresearch.com

Global packaged milkshakes market share, by packaging material, 2018 (%)



Source: www.grandviewresearch.com

2. Competitor's analysis



1. Horizon Organic 1% lowfat UHT

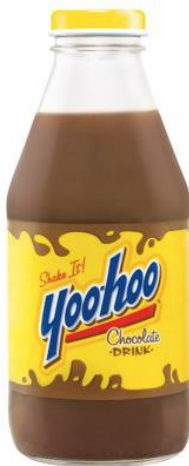
Price per bottle: 0,99\$

Price per liter: (12.5 ¢/fl oz)

Type of bottle: brick

Size: 8oz

Concept of differentiation: Organic



2. Yohoo

Price per bottle: 1\$

Price per liter: (9.5 ¢/fl oz)

Type of bottle: bottle

Size: 15.5oz

Concept of differentiation: none



3. Almond Breeze

Price per bottle: 1,99\$

Price per liter: (6 ¢/fl oz)

Type of bottle: brick

Size: 32oz

Concept of differentiation: vegan, low fat



4. Dark Chocolate – Silk Almond

Price per bottle: 1,58\$

Price per liter: (7.4 ¢/fl oz)

Type of bottle: brick

Size: 8oz

Concept of differentiation: strong bones



5. LALA Chocolate Milk Drinks, Chocolala UHT

Price per bottle: 0,83\$

Price per liter: (9.0 ¢/fl oz)

Type of bottle: brick

Size: 8oz

Concept of differentiation: low fat, vitamins, calcium.



6. Fairlife Milk 52 fl oz - Lactose Free 2% Chocolate Milk

Price per bottle: 1.78\$

Price per liter: (10.0 ¢/fl oz)

Type of bottle: bottle

Size: 14oz

Concept of differentiation: lactose free, less sugar, less fat, 9 nutrients



7. Nesquik

Price per bottle: 3.28\$

Price per liter: (5.9 ¢/fl oz)

Type of bottle: bottle

Size: 56oz

Concept of differentiation: protein, calcium, low-fat, vitamins, fresh milk, no hormone



8. Crystal Creamery Crystal Cool Cow

Price per bottle: 1.28\$

Price per liter: (10.7 ¢/fl oz)

Type of bottle: bottle

Size: 12oz

Concept of differentiation: protein, calcium, low-fat, vitamins, fresh milk, no hormones



9. Slate Milk Classic Chocolate Milk

Price per bottle: 2.99\$

Price per liter: (12.2 ¢/fl oz)

Type of bottle: can

Size: 11oz

Concept of differentiation: actose Free, High Protein, Low Sugar, Non-GMO, Gluten Free

Distribution system

The distribution system used by Cacaolat is indirect. Retailers are needed to give the product to the final consumer.

In the indirect distribution channel, there are two different types: the short channel and the long channel. In this case, the channel chosen is the short one, because a wholesale company is not necessary to commercialize the product.

The main advantage of choosing this distribution system is that it is easier for the customer to buy it, because customers will be able to find it in multiple different establishments.

On the other hand, with this distribution channel, final prices are higher for the consumer, which can affect a reduction in sales; Furthermore, Cacaolat will have less control over the final sales.

Some of the retailers that can be reached with are the major Illinois supermarkets such as ALDI, Tony's Finer Foods or Jewell-Osco.



Porter 5 forces

- **Buyer Power**

The buyers of Cacaolat are going to be the big retailer companies which we are going to use to commercialize. With the huge amount of substitute products and share of the market that most of them hold, they will have a lot of bargaining power.

On the other hand, a percentage of Cacaolat's sales comes from sales to other companies such as bars, cafes, hotels ... In this case, these establishments will have a lower bargaining power that could drive our margins higher.

- **Competitive rivalry**

Usually, the rivalry between companies in the United States is strong because there are not many restrictions to regulate competition between different companies.

This factor is also influenced by the fact that there is a big threat from substitute products and strong competition.

Cacaolat will have to take this into account to adapt its strategy to market conditions.

- **Threat of new entry**

To determine the degree of threat from new entrants, we must know what the market entry barriers and the ability are to deal with them.

The main barriers to entry in this sector are:

- **Capital investment:** It takes a large initial investment; it is also necessary to invest in marketing to publicize the product.

- **Product differentiation:** In this sector there is not a big difference between products, so it will not be an easy task to differentiate yourself from the competitors. However, Cacaolat has a brand differentiation and a history which could be exploded.

- **Competitive movements to difficult entry:** Competitors can carry out different strategies to difficult the entry of new competition, such as lowering prices. This would be a serious problem to new entrants because they will not have the capacity to reduce prices during the first months of business.



- **Supplier power**

Cacaolat already has the facilities and agreements to have enough supplies. Because of it we determine that the power of these suppliers is low, depending them from Cacaolat and not the other way around.

- **Threat of substitution**

The threat from substitute products is quite high, as there are many different products that consumers can take in place of Cacaolat shakes.

Cacaolat is consumed mainly for breakfast and a snack. Therefore, the substitute products will be those that can also fulfill this function.

Some of the clearest examples are milk, waste chocolate, coffee, juice...



Appendix 1

In 2020 Joe Biden was elected and policies have changed drastically compared to its predecessor. The most relevant changes are:

- **Collaboration with Europe:** With Biden in the office, he has supported the old continent. Even if he still puts pressure in a higher participation and waste in organizations like the OTAN, he now looks for a higher collaboration with the European countries.
The most remarkable collaboration is that one affecting all companies, the corporation tax. Not only Biden wants to raise it to 28% to all multinationals and others, he also wants to do it globally. With the support of the G-20 members, the American president wants to build a same tax base for all. In fact, if this were to happen it would be a total shift in the economical environment, stopping the race between countries on lowering the corporation taxes and giving back the power to them to pressure companies.
- **Billions of dollars:** Biden is a president that is not going to sit and watch. With the power of both chambers and having to solve an economical crisis, he has developed a plan based on wasting money. Two plans have been announced these past months of at least more than 1 billion dollars. With this huge amount of money, it is likely that the economy will be reactivated, and investments will be too. If this happens, the effect will be positive for all, specially those companies from the FCGS industry. Cacaolat could become part of every week purchasing list of American families, especially those who live in cities like Chicago, where a more compulsive everyday purchase could be done.

Like it or not, the Biden policies brings an opportunity to everyone as they can be a huge benefactor of these huge amounts of dollars injected in the economy.

Appendix 2.

We have not studied individualism even if it was one of the main features of the most powerful country in the world. The reason for that is because we wanted to shorten the explanation in the main paper. Nevertheless, we will be studied briefly in this appendix.

Individualism studies the way people behave on achievements and recognition towards those achievements. In USA people believe that everything you earn is due to your capacity on getting it. This is the reason why people believe in the American dream and having the possibility of getting out of poverty if you work enough.

For Cacaolat, this mentality can be tough when entering the market. Probably it will not find help within the country, instead it will find opposition and tough



negotiations which will not follow a win-win situation, instead an individualism situation that favors them always. This could drive managers from Spain mad and it is one of the reasons why we would not recommend the company to enter the market directly with any support of an American individual with knowledge.

Source:

<https://worldpopulationreview.com/states/illinois-population>