

Mondelez wants bigger bite of snack pie

BY VASANTHA GANESAN

As everyone knows, Malaysians love to eat. And that includes snacking — a penchant Mondelez Malaysia is capitalising on to drive sales growth even as it works to make its Cadbury Dairy Milk Chocolates, Twisties and Chipsmore tastier.

Through the introduction of new products, Mondelez — also known for Kraft cheese and Philadelphia cream cheese — aims to turn more people into snackers and make its products appeal to health-conscious consumers so that it can capture new business segments.

Snacking is defined as any food that is consumed between main meals or instead of main meals, says James Kane, the managing director of Mondelez International Malaysia and Singapore.

Globally, snacking is a US\$1.2 trillion business — one in five shopping baskets has a chocolate or confectionery product in it, Kane says, citing a Nielsen report.

“And Southeast Asia and Malaysia are reflective of this. There is 10% to 20% growth year on year in snacking ... We expect revenue to grow in line with that.”

A 2017 report by Nielsen on global snacking reveals that each Malaysian snacks a jaw-dropping six to seven times a day while a report by Statista, a German-based online statistics portal, states that the domestic per capita consumption of snacks this year is an estimated 2.1kg.

“Snacking as a total category is growing rapidly globally and in Malaysia, and as a leader in snacking, we seek to drive this growth,” Kane tells *The Edge* in an interview.

According to Kane, who has been with the group for the past two decades, Mondelez leads in the snacking category globally and in Malaysia.

Based on sales, its top brands worldwide are Cadbury, Oreo Cookies and belVita. In Malaysia, they are Cadbury, Twisties, Chipsmore and Jacob's and Tiger biscuits.

In the chewing gum segment, its Dentyne and Trident brands put it in second place.

Why are people snacking more?

Kane says the concept of three meals a day has evolved. As people work longer hours, they eat differently. Demographics also come into play, and as the middle income segment with its higher disposable



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income continues to grow — as in the case of Malaysia — more consumers are indulging in snacks.

Mondelez aims to capture this growth in consumption and is exploring opportunities to partner fast-food restaurants to offer its products in different ways. “We are looking at what consumers are seeking in terms of snacks and [want to] grow that area,” says Kane.

“One of things that is really driving growth is new products through innovations.”

The innovations are based on consumer research.

Last year's introduction of Cadbury Dairy Milk Kopi C in partnership with Datuk Mohammad Nor Mohammad Khalid, popularly known as Lat, proved a hit during a three-month promotional period. Another success is the Oreo Thins.

Mondelez is now searching for new flavours for its Twisties, which is already famous for its cheese, chicken and BBQ flavours.

Kane, however, stresses that growth through innovation would not have been

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possible if it was not executed by taking those ideas to the market and ensuring that the products are available everywhere for the customers.

Similarly, all this would not have been successful if Mondelez did not have the right team with the right mindset. “It's one thing to say we want to grow and another to have a team who are prepared to take risks and think about new ways to grow,” says Kane.

On the outlook for Mondelez in 2019 and 2020, he says, “Mondelez, as a market leader, will continue to drive that growth. And we expect to continue to grow ahead of that snacking trend.”

Investments in new plants are expected to augur well for the future. In Malaysia, Mondelez has two factories — a plant in Shah Alam, Selangor, produces Cadbury and Chocairs, and the other in Prai, Penang, makes Twisties and biscuits, including Jacob's. Of its 800 employees, half work at the plants.

“Malaysia is an important pillar of our business because it delivers growth in the Malaysian context and it is an important exporter of goods,” Kane says, adding that the contribution to revenue is split equally between Malaysia and exports to Southeast Asia, China and Australia.

Based on the latest available financials on the Companies Commission of Malaysia website, Mondelez Malaysia Sales Sdn Bhd saw a decline in net profit of more than 50% to RM11.36 million in the financial year ended Dec 31, 2017, from RM25.96 million in FY2016. However, revenue was higher at RM402.38 million compared with RM384.93 million in FY2016.

Kane explains that this was a result of

significant investments in the Shah Alam plant during the year as it had moved its China chocolate manufacturing to Malaysia. “So, even though our revenue was strong, our costs went up because we invested, which had an impact on our profitability in 2017.”

“In 2018, we continued to grow our top line strongly and our profitability was on a more positive position because the investments that were made in 2017 had started to pay off.”

On the impact of the association of snacks as an unhealthy food item and the preference for healthier nibbles, Kane says Mondelez is aware that health and wellness is an important trend and tries to ensure a balance between meaningful changes without compromising on quality and taste.

“One of the things is portion, giving consumers a choice to buy a smaller pack. An example is Oreo Thins,” he says, adding that the company hopes to launch Cadbury chocolates with 25% less sugar in Malaysia in the future. Similarly, it hopes to convince consumers that belVita is not just consumed for breakfast and to introduce smaller packaging for and different ways in which Jacob's biscuits can be consumed.

When asked if Mondelez is facing any challenges in Malaysia, given the subdued retail sentiment, Kane says, “Typically, we find that in Malaysia and around the world, these products are less sensitive to those sorts of challenges. When times are tough, I may not buy a new television, but I would still go and buy a bar of chocolate and indulge.”

He points out that snacks are also considered comfort food.

How does Mondelez plan to convert non-snackers into snackers? “To do that, we need to know what consumers want. Our focus is really understanding consumers intimately, and that requires asking them and researching. What do Malaysian consumers want when it comes to snacks? Once we know that, it becomes much easier to adapt our plans to give them what they want,” says Kane.

A noticeable trend with snacks is the increase in consumption of certain products during festive seasons. Accordingly, Mondelez is working on festive gifts and will be participating in a wedding expo as it contemplates the handing-out of Toblerone chocolates as wedding favours.

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