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## Hershey's Entry to the Australian Market with a New Brand: An Accounting and Marketing Perspective

**Dr. Cevdet Kızıl**

Yalova University | e-mail: [cevdetkizil@yahoo.com](mailto:cevdetkizil@yahoo.com)

**Valorie Eddy**

Southern New Hampshire University | e-mail: [Valorie.Eddy@gmail.com](mailto:Valorie.Eddy@gmail.com)

**Laura Clary**

Verizon Wireless | e-mail: [Laura.Clary@gmail.com](mailto:Laura.Clary@gmail.com)

**Katrina Crowell**

Strategic Media Inc. | e-mail: [katrina.crowell@gmail.com](mailto:katrina.crowell@gmail.com)

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### Abstract

This paper discusses the entry of Hershey's Chocolates Company to the Australian market with a new brand. For this purpose, background information and key performance indicators about the firm are presented. Also target customers and market summary, market demographics and target customer profile of the firm are mentioned in the context of situational analysis. Then, Hershey's entry to the Australian market with a new product is proposed by providing and commenting on SWOT analysis, competition environment, accounting-finance indicators, marketing strategy and marketing mix (4P) factors. Thus, a deeper focus on the organization is realized and shared. As a result, firm's entry to the Australian market is discussed with a new product by suggesting recent and altered target customer base, customer profile, marketing strategy and marketing mix. Our study evaluates the potential disadvantages and advantages in detail and argues that there is a need for Hershey's to enter the Australian market with a new product. In general, this article discusses and defends the entry of Hershey's to Australian market with a new product by logical reasoning and draws a strategic roadmad to reach this goal.

**Keywords:** accounting, finance, marketing, marketing strategy, marketing mix



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# Hershey's Entry to the Australian Market with a New Brand: An Accounting and Marketing Perspective

Dr. Cevdet Kızıllı

Valorie Eddy

Laura Clary

Katrina Crowell

## I. Introduction

The Hershey Company is known as the largest chocolate producer in North America. Hershey's headquarters is located in Pennsylvania. The firm was established by Milton S. Hershey in 1894. The organization currently sells different products in ninety countries worldwide. The plants of Hershey currently take place on in Stuarts Draft, Virginia; Lancaster, Pennsylvania; Hazleton, Pennsylvania; Memphis, Tennessee; Robinson, Illinois and Guadalajara, Mexico (Google Finance, 2012).

Hershey's has fame as being one of the oldest chocolate companies in the United States. Milton Hershey has established other firms in addition to Hershey's, which can be listed as Hershey Trust Company, Hershey Entertainment and Resorts Company, Hershey Park, Hershey Bears, Hersheypark Stadium and GIANT center (Orion International, 2012).

The firm currently has the capacity to produce eighty million candies per day. However, Hershey's cannot be categorized as a simple chocolate manufacturing firm, since they also give a high importance to consumer relations. As an example, Hershey's Chocolate World located in Pennsylvania can be visited by its consumers and the public via a tour ride (Hershey Community Achieves, 2011).

Hershey's also attracts attention with its acquisitions in the industry. Mauna Loa Macadamia Nut Corporation was acquired from the Shansby Group in 2004. Likewise, Scharffen Berger boutique chocolate maker was acquired in 2005 and Josephy Schmidt Confections was acquired the same year. In 2006, Hershey's acquired Dagoba Organic Chocolate, and Brookside Foods Ltd. was acquired in 2011 (Business Wire, 2011).

The structure of Hershey's distribution system helps to deliver all products across the United States. Three large-scaled distribution centers with modern technology and eye-catching labor management system prove the commitment of Hershey's to innovation. Research and development is also a core element for corporation (Georgia Tech Supply Chain and Logistics Institute, 2012).

Recognized brands of Hershey's include Hershey's Kisses, Hershey's Bliss, Reese's, Kit Kat, Twizzlers, Almond Joy and Ice Breakers (Hershey's, 2012). The mentioned brands are quite popular among Hershey's consumers and in markets the company operates. Additionally, corporate social responsibility (CSR) is a priority for Hershey's. The Hershey Industrial School was established in 1909 to provide education for orphan boys with limited opportunities. Presently, The Hershey Industrial School still operates with the name of Milton Hershey School. The mentioned institution is a strong proof of organization's devotion to corporate social responsibility (Hershey's, 2012).

Finally, Hershey's takes advantage of the social media to build a communication bridge with its consumers all over the globe. Firm encourages the customers to find and follow them on Facebook. Similarly, Hershey's is also active on Twitter (Hershey's, 2012). The organization emphasizes and invests in its key brands, extends the product line, enters new markets, meets the important changes in consumer lifestyles and operates as a low-cost producer as part of its strategy (Taylor, 1997).

**Table 1. Key Performance Indicators for Hershey's as of December 31, 2012**

2012 Key Performance Indicators <sup>1</sup>	2010	2011	2012
Number of employees worldwide (FT/PT)	11,309/2,200	11,800/2,000	<b>12,100/2,100</b>
Number of countries in which our products are marketed	60	70	<b>70</b>
Number of countries in which our products are manufactured	17	17	<b>17</b>
Manufacturing facilities (wholly owned/joint venture)	16 (12/4)	18 (14/4)	<b>17</b>
Consolidated net sales	\$5.67 Bn	\$6.08 Bn	<b>\$6.64 Bn</b>
Net earnings (excludes business realignment and impairment charges and certain gains)	\$588 M	\$649 M	<b>\$740 M</b>
Shareholder return	37%	34%	<b>20%</b>
Dividends paid	\$283 M	\$304 M	<b>\$341 M</b>
Adjusted earnings per share, diluted	\$2.55	\$2.82	<b>\$3.24</b>
Operating cash flow	\$901 M	\$581 M	<b>\$1.09 Bn</b>
Operating costs (calculated as net sales - adjusted EBIT + interest expense) <sup>2</sup>	\$4.8 Bn	\$5.1 Bn	<b>\$5.5 Bn</b>
Capital additions	\$179 M	\$348 M	<b>\$259 M</b>
Income taxes paid	\$351 M	\$346 M	<b>\$327 M</b>
Worldwide payroll	\$642 M	\$767 M	<b>\$709 M</b>
Cash donations	\$5.6 M	\$7.2 M	<b>\$6.0 M</b>
Product donations <sup>3</sup>	\$2.6 M	\$1.9 M	<b>\$2.9 M</b>
Long-term growth outlook	3-5% annual net sales 6-8% annual EPS (diluted)	3-5% annual net sales 6-8% annual EPS (diluted)	<b>5-7% annual net sales 8-10% annual EPS (diluted)</b>
Union representation (approx.)	34.8%	35.0%	<b>39.0%</b>
Number (percentage) of women on executive team	1 (11.1%)	1 (12.5%)	<b>2 (20.0%)</b>
Percentage of women on board of directors	1 (12.5%)	1 (10.0%)	<b>1 (10.0%)</b>
Percentage of ethnic minorities on board of directors	1 (12.5%)	1 (10.0%)	<b>1 (10.0%)</b>
Direct (Scope 1) GHG emissions (MTCO <sub>2</sub> e)	129,306.9	128,858.7	<b>115,333.5</b>
Direct (Scope 1) GHG emissions (per tonne of product produced, CO <sub>2</sub> e)	0.144	0.138	<b>0.146</b>
Indirect (Scope 2) GHG emissions (MTCO <sub>2</sub> e)	280,917.8	281,989.5	<b>258,152.1</b>
Indirect (Scope 2) GHG emissions (per tonne of product produced, CO <sub>2</sub> e)	0.31	0.30	<b>0.33</b>
Water use (gallons per pound of product produced)	2.23	1.91	<b>0.98</b>
Waste generated (metric tons) <sup>4</sup>	34,450	37,481	<b>35,714</b>
Total Recordable Incident Rate (TRIR)	2.11	1.80	<b>1.45</b>
Days Away, Restricted, Transferred (DART)	1.35	0.98	<b>0.75</b>
Lost Workday Incident Rate (LWIR)	0.45	0.32	<b>0.31</b>

<sup>1</sup> As of December 31, 2012.  
<sup>2</sup> Amounts are adjusted and exclude business realignment and impairment charges, acquisition integration costs, certain gains and non-service-related pension expense.

<sup>3</sup> Refer to the Community section for details.  
<sup>4</sup> Nonhazardous; includes feedstock and all other recycled materials. All 2009-2011 emissions figures are restated.

Resource: Hershey's (2012), "Corporate Social Responsibility Progress Report 2012", Official Website of Hershey's, <http://www.thehersheycompany.com/assets/pdfs/hersheycompany/scorecard2012.pdf> (Retrieved on May 6, 2013).

**Table 2. Key Performance Indicators for Hershey's as of December 31, 2011**

2011 key performance indicators <sup>*</sup>	2009	2010	2011
Number of employees worldwide (FT/PT)	12,100/1,600	11,300/2,200	<b>11,800/2,000</b>
Number of countries in which our products are marketed	50	60	<b>70</b>
Number of countries in which our products are manufactured	17	17	<b>17</b>
Manufacturing facilities (wholly owned/joint venture)	16 (12/4)	16 (12/4)	<b>18 (14/4)</b>
Consolidated net sales	\$5.3 billion	\$5.67 billion	<b>\$6.08 billion</b>
Net earnings <sup>1</sup>	\$497 million	\$588 million	<b>\$649 million</b>
Shareholder return	6.5%	35.6%	<b>34.4%</b>
Dividends paid	\$263 million	\$283 million	<b>\$304 million</b>
Diluted earnings per share <sup>1</sup>	\$2.17	\$2.55	<b>\$2.82</b>
Operating cash flow	\$1.1 billion	\$901 million	<b>\$580.9 million</b>
Operating costs (incl. interest expense) <sup>1</sup>	\$4.5 billion	\$4.76 billion	<b>\$5.1 billion</b>
Capital additions	\$126 million	\$179 million	<b>\$324 million</b>
Income taxes paid	\$252 million	\$351 million	<b>\$292 million</b>
Worldwide payroll	\$614 million	\$642 million	<b>\$676 million</b>
Cash donations <sup>2</sup>	\$4,817,751	\$5,626,114	<b>\$7,234,473</b>
Product donations <sup>2</sup>	\$7,955,322	\$2,634,443	<b>\$1,904,976</b>
Long-term growth outlook	3-5% annual net sales 6-8% annual EPS (diluted)	3-5% annual net sales 6-8% annual EPS (diluted)	<b>3-5% annual net sales 6-8% annual EPS (diluted)</b>
Union representation (approx.)	36.5%	34.8%	<b>35%</b>
Number (Percentage) of women on executive team	2 (16.7%)	1 (11.1%)	<b>1 (12.5%)</b>
Percentage of women on board of directors	0%	12.5%	<b>10%</b>
Percentage of ethnic minorities on board of directors	14.3%	12.5%	<b>10%</b>
Direct (Scope 1) GHG emissions (MTCO <sub>2</sub> e)	109,255.2	117,307.7	<b>116,898.6</b>
Direct (Scope 1) GHG emissions (per tonne of product produced, CO <sub>2</sub> e)	0.123	0.131	<b>0.125</b>
Indirect (Scope 2) GHG emissions (MTCO <sub>2</sub> e)	262,655.6	254,844.3	<b>255,816.6</b>
Indirect (Scope 2) GHG emissions (per tonne of product produced, CO <sub>2</sub> e)	0.29	0.28	<b>0.27</b>
Waste generated (tonnes) <sup>3</sup>	31,961	34,450	<b>37,481</b>
Total Recordable Incident Rate (TRIR)	2.61	2.11	<b>1.80</b>
Days Away, Restricted, Transferred (DART)	1.59	1.35	<b>0.98</b>
Lost Workday Incident Rate (LWIR)	.45	.45	<b>.32</b>

<sup>\*</sup> As of December 31, 2011.  
<sup>1</sup> Amount excludes business realignment and impairment charges and certain gains.  
<sup>2</sup> Refer to the Community section for details.  
<sup>3</sup> Nonhazardous; includes feedstock and all other recycled materials.

Resource: Hershey's (2011), "Corporate Social Responsibility Progress Report 2011", Official Website of Hershey's, <http://www.thehersheycompany.com/assets/pdfs/hersheycompany/Hershey2011CSRReport.pdf> (Retrieved on August 18, 2012).

## II. Literature Review

The timing of entering a new market is very critical in a dynamic and competitive environment. Firms should balance and evaluate the risk of premature entry against the missed opportunity of late entry (Lilien and Yoon, 1990). In today's business world, innovation and technology create new markets for products as well as services. Previous research indicates that

experience of companies in former markets increases the probability of these firms to enter new markets (King and Tucci, 2002) and organizations' growth is possible by new product introductions (Nerkar and Roberts, 2004).

Generally, entering new markets is a necessity for firms rather than being a choice in order to sustain competitiveness (Belu and Caragin, 2008). However, the decision to enter a new market should be taken very carefully step by step. First of all, information should be gathered about the new market, then this information should be analyzed and finally required action plans must be determined for success (Tookey, 1975).

Several modes of international market entry exist. One of them is entering the new market with strategic alliances, which enables the companies to access assets not available in the market, access to technology and markets, get introduced to new products and form synergies with partner organizations (Bradley, 2002). Another mode to enter a new market is joint ventures (Kogut and Singh, 1988). Definitely, owning subsidiaries is also a method for exploring new markets. But, literature shows that international companies do not prefer to have hundred percent owned subsidiaries in high risk companies (Gatignon and Anderson, 1988). Then, acquisitions are observed as a technique to enter new markets (Cho and Radmanabhan, 1995). Besides, licensing and franchising are recognized ways for satisfying the needs of new customers (Belu and Caragin, 2008). Strategic alliances in addition to mentioned modes improve the rate of new product development (Deeds and Hill, 1996).

Emerging markets do attract serious attention because of their higher growth rates. Still, entering emerging markets make it a necessity to understand local markets, gathering local knowledge, analyzing competitors and determining input costs (KPMG, 2012). If analyzed well, emerging markets possess great opportunities for firms to introduce new products and brands. The reason is that, grants and tax incentives awarded in emerging economies provide eye-catching advantages in terms of funds and costs (IBM, 2006). Additionally, entering emerging markets

earlier than competitors present significant benefits such as reputation, economic advantages, attaining critical sales volumes, dominating distribution and communication channels, building favorable government relations, realizing marketing productivity and utilizing marketing resources (Arnold and Quelch, 1998). Plus, firms entering emerging markets before competitors do also take advantage from temporary monopolies (Robinson and Min, 2002). Literature supports this and shows that pioneers outperform later entrants in average (Lambkin, 1988).

Previous research shows that, several factors do higher the success rate of introducing and marketing new products. One of these factors is the speed and flexibility of competitors. Besides, former studies show that having a long-run view of product development, owning a stable project vision and following the whole product development process also increase the success rate of new product introductions (Lynn, Abel, Valentine, Wright, 1999). Likewise, cycle time reduction and time to market influence the success rate of new product presentation according to the literature. Moreover, the need for product superiority, strong market orientation, solid up-front homework, early and sharp product definition, cross-functional team approach, focus and project prioritization, execution quality and a systematic new product process are effective for victorious new product introduction (Cooper, 1994). Research and Development (R&D) departments also play a critical role for the introduction of new products (Barczak, 2003).

On the other hand, previous studies show that approximately fifty percent of new product introductions every year do fail despite the advantages of increased sales, profitability and competitive strength if the new product becomes successful. Thus, introducing new products is like a double edged sword for firms. Risky and expensive innovations as well as potential competitive advantages are evaluated together in detail (Sivadas and Dwyer, 2000). Another reason why specific new product introductions fail is that, according to previous research, most leaders are not pioneers (Tellis and Golder, 1996). Also, former research



reveals that, firms with lower technological capabilities are less successful about new product introductions (Link, 1987). Finally, poor product performance, weak marketing, poor pricing and less access to distribution channels are listed as causes of new product failures (Karakaya and Kobu, 1994).

### III. Situation Analysis

The company originated with candy-manufacturer Milton Hershey's decision in 1894 to produce sweet chocolate as a coating for his caramels. Located in Lancaster, Pennsylvania, the new enterprise was named the Hershey Chocolate Company. In 1900, the company began producing milk chocolate in bars, wafers and other shapes. With mass production, Hershey was able to lower the per-unit cost and make milk chocolate, once a luxury item for the wealthy, affordable to all. One early advertising slogan described this new product as "a palatable confection and a most nourishing food." (Rapitis, 2007).

The immediate success of Hershey's low-cost, high-quality milk chocolate soon caused the company's owner to consider increasing his production facilities. He decided to build a new chocolate factory amid the gently rolling farmland of south-central Pennsylvania in Derry Township, where he had been born. Close to the ports of New York and Philadelphia that supplied the imported sugar and cocoa beans needed, surrounded by dairy farms that provided the milk required, and with a local labor supply of honest, hardworking people, the location was perfect. By the summer of 1905, the new factory was turning out delicious milk chocolate (Hershey Trust, 2010).

The following decades would see the company - renamed Hershey Foods Corporation in 1968 - expanding its confectionery product lines, acquiring related companies and even diversifying into other food products. Among the many acquisitions were San Giorgio Macaroni and Delmonico Foods (1966); manufacturing and marketing rights to English candy company Rowntree MacKintosh's products (1970); Y&S

Candies, makers of Twizzlers licorice (1977); Dietrich Corp.'s confectionery operations (1986); Peter Paul/Cadbury's U.S. confectionery operations (1988); and Ronzoni Foods (1990) (Chocolate Center, 2012).

Today, The Hershey Company is the leading North American manufacturer of chocolate and non-chocolate confectionery and grocery products. As the new millennium begins, The Hershey Company continues to introduce new products frequently and take advantage of growth opportunities through acquisitions. Hershey's products are known and enjoyed the world over. In fact, the company exports to over 90 countries. The firm approximately has 13,800 employees and its net sales are over \$4 billion. The Hershey Company remains committed to the vision and values of the man who started it all so many years ago. (Hershey's, 2012).

The website of company states their mission statement as follows: "At The Hershey Company, we make the chocolate brands that people love. Hershey's Mission Statement, Bringing sweet moments of Hershey happiness to the world every day, summarizes our company, our people, our past and our future. Our history of producing the world's best treats goes back more than 100 years. We take great pride in our brands and in the fun and enjoyment our products add to the lives of our consumers" (Hershey's, 2012).

### II. a) Target Customers and Market Summary

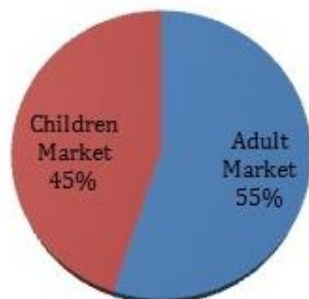
Hershey's focuses on both children and the adult market. The previous years of Hershey's only focused on children, which was a small and specific segment. The children's market was also very profitable. However, the firm decided to also concentrate on the adult market for further growth and profit. This helped the organization to come up with new products and gain an advantage against strong rivals such as Mars. Hershey's also gained market share with this strategy, since adults

consume 55% of all candies sold and are very influential all children's consumption (Hub Pages, 2012).

In the context of adult market, Hershey's also targets the mothers. The research shows that mothers play a critical role in creating royal customers and decisions in the house. Definitely, Hershey's also presents products for the health conscious consumers today (Kay, 2011). Actually, the target market of Hershey's is broad, even including athletes, sports people and elders (Penn State University, 2010).

Hershey's is a firm which implements marketing segmentation. In this regard, the firm divided its total consumer base into specific segments. Based on our research, the firm has six consumers segments which are loyal indulgers, engaged and exploring munchers, practical value seekers, confection loving moderators, controllers and detached occasionalist (Jamielonie, 2012).

## Candy Consumption



**Figure 1. Candy Consumption by Children Market and Adult Market**

Resource: Figure composed by authors

Australia is the 6th largest nation, after Russia, Canada, China, Brazil, and the USA. It is sometimes referred to as an island, as it is surrounded by the ocean. The population of Australia is 23 million, with nearly 80% of its residents living on the coastline. Australia also has a large population of urban dwellers, with many citizens choosing to live in the country's urban centers. The currency used in Australia is the Australian Dollar and the per capita GDP is

\$50,747. The economy is generally quite stable (Australian Government Department of Foreign Affairs and Trade, 2012).

Australian government is a constitutional monarchy, with Queen Elizabeth of the UK, being the head of state, who appoints the Governor General of the country. The selection of the Governor is heavily influenced by the advice of several elected Australian officials. From there, citizens elect other government officials. The major political groups are the Australian Labor Party and the Coalition. The government in Australia is based on democracy based principles such as tolerance of religion, speech, and association. The majority language is English (many other foreign languages are also spoken) and the religion most commonly practiced is Christianity. Australian English is often called "strine" which is believed to be a mixture of cockney English and Irish, derived from early prisoner immigrants (Moore, 2008).

Australia is comprised of six states and two territories. The states include Canberra (which is the national capital), New South Wales (where the major city Sydney is located), Victoria (where 2nd largest city Melbourne is located), Queensland, South Australia, Tasmania, and Western Australia (Australian Government Department of Immigration and Citizenship, 2012).

Australian culture is made up of many backgrounds. Aboriginal and Torres Strait Island people have inhabited Australia for thousands of years, and they remain there today. Many other cultures immigrated to Australia around 200 years ago. Like the USA, there are several different languages, religions, and overall cultures represented in Australia (Lo Bianco, 1987).

The Aboriginal people are believed to have migrated to Australia during the Ice Age. Their culture is heavily based on spiritualism, with a lot of weight given to the belief of Dreamtime. This is a belief that ancestors help guide and connect the past, present, and future. Aboriginal culture plays a large part in the overall culture of Australia (Dudgeon, Wright, Paradies, Garvey and Walker, 2009).

In 1770, Britain claimed Australia as their own and began shipping convicted criminals there, basically creating a prison society. Prisoners were shipped to Australia from England until the late 1800's. This convict based background also plays a role in Australian culture today, with the tendency of Aussies to root for the underdogs in life, and the idea of the "hero" fighting for the innocent. A lot of these themes can be seen in popular Australian literature, movies, songs, and folklore (Dunn and McCreadie, 2012).

Non-prisoners also located to Australia during this time, although life was very tough living among England's criminal cast offs. The Aboriginal people had an even more difficult time adjusting to the new, very rough inhabitants of their land. Many of them perished from newly introduced disease. In the 1800's, immigrants to Australia (including newly freed convicts) began to work the land, and really settle down there (Ballyn, 2011).

More foreign citizens flocked to Australia in the 1800s in hopes of finding gold. With a growing population, Australia finally became its own nation in 1901. Australia struggled terribly in the First World War, with a huge portion of men dying in combat or coming home wounded. They experienced a similar roaring 1920's era as the USA, as a way to cope with all of the sadness coming out of the war. Also like the United States, Australia suffered an economic depression starting in the late 20's. In WWII, Australia was able to contribute significantly to overall victories, which resulted in a surge of national pride (Johnston, 2007).

After the war, many people began to immigrate to Australia again. Particularly, the mentioned individuals were from European counties and the Middle East. There was plenty of work for everyone, especially in the manufacturing sector. The rate of home ownership skyrocketed to 70 percent by the 1960's. Like the USA, there were many social changes in the 60's in Australia - one of the most meaningful being laws made on behalf of the Aboriginal people. In the 1970's Australia continued to move forward as a society, making changes such as removing college/university fees, removing the White Australia Party in favor of

embracing multiculturalism, making no-fault divorce available, introducing free universal health care, and taking strides to ensure equal pay for women (Australian Government Department of Immigration and Citizenship, 2012).

The 80's saw a lot of economic reform, with deregulation of the banking system. Also the 1990's through the early 2000's saw further change, including taxation and industrial relations systems (Martin, 2012). The current majority party is the Labor Party (elected in 2007) and their platform is further development of industrial relations, developing climate change policies, and health and education related changes (Australian Labor, 2012).

Australia is a very dry continent that receives little rain throughout the year. The weather is generally mild, and their seasons are opposite of seasons in the USA. Specifically, December to February is Summer; March to May is Fall; June to August is Winter; and September to November is Spring. Australia has vibrant plant life, with rainforests and tall trees - the Eucalyptus tree is one of the most famous. Australia is home to gorgeous mountains, such as the Blue Mountains and world renowned coral reefs like the Great Barrier Reef (Australia.com, 2012).

Currently, Australia is also known as a wealthy country with high income per capita and low poverty. Australian Stock Exchange is the 9th largest in World. Economic growth rate of the country is 3,6% for the last fifteen years (World Bank, 2011). Unemployment rate is currently 5,1% in Australia. The country has rich natural resources and imports a serious amount of agricultural products. Privatization is also one of the most common practices in Australia, especially in the telecommunications sector (The Economist, 2007).

## **II. b) Market Demographics and Target Customer Profile**

Hershey's has a large customer segment, which is offered a wide range of products. Main customers of Hershey can be listed as wholesale distributors, chain grocery stores, mass

merchandisers, chain drugstores, vending companies, wholesale clubs, convenience stores, dollar stores, concessionaires, department stores and natural food stores. Also, food brokers do sell Hershey’s products to the resale outlets. Household consumers do also take an important place in Hershey’s customer base (Matienzo, 2008).

Household consumers are comprised of women interested in fashion and candies, cosmopolitans, luxury generation, kids, teens, young adults, local and regional customers. Calorie conscious and diabetics are also Hershey’s consumers (Pittsburgh Post Gazette, 2003).

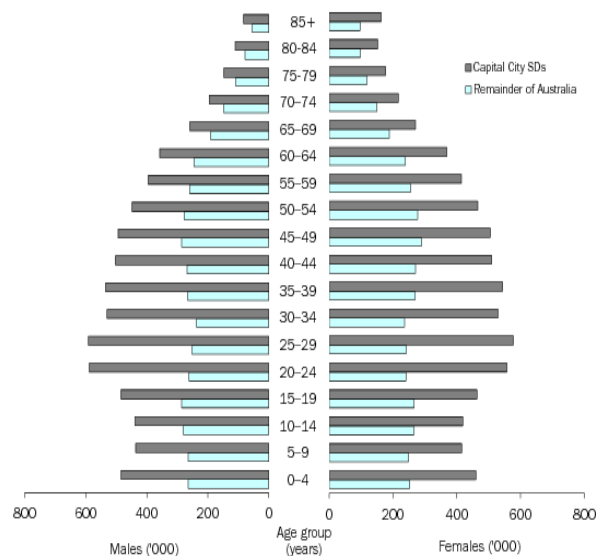
The company’s clients belong to different income levels, geographies and ethnic backgrounds. Through the years, Hershey’s realized that it is possible to serve diverse markets simultaneously. Increasing their presence in various markets and attributing to all ages, genders and income levels helped the firm to increase its competitiveness against rivals. Research shows that, the young generation of today (teenagers and young adolescents) has more money to spend than previous generations in this range (Michman and Mazze, 1998).

Our research also shows that, 25-29 age group comprised most of the Australian population in 2010. This was followed by the 20-24 age range. 15-19 age group also stood for a great majority of Australian population. In other words, the presence of 20-24 and 15-19 age categories in Australia can never be underestimated. Our study also reveals that, male and female populations in the country were very close to each other at the end of 2010. Also, Australians did reside in capital cities more than remainder of the country. Another eye-catching finding gathered by our study was that, elder population had a low percentage in Australia. For example, 85+, 80-84 and 75-79, 70-74 and even 65-69 age groups did represent lower rates in the country (Australian Bureau of Statistics, 2010).

The 2001 Census determined 2.6 million people aged 15-24 years in Australia (excluding overseas visitors). This equated to 14% of the total population, a similar proportion to five years ago and slightly lower than the 16% observed in 1991.

Compared with 1991, the number of people aged 15-19 years had climbed by 1%, while the number aged 20-24 years had lowered by 7%. These differences are mostly a reflection of fertility patterns in the 1970s and 1980s (Australian Bureau of Statistics, 2004).

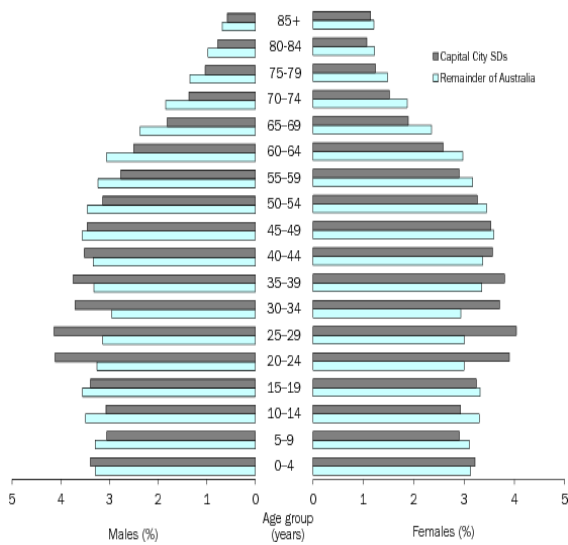
In 2001, there were more males than females in the youth Australian population, with 103.6 young males for every 100 young females. The greater number of males to females in the children and youth population is not a pattern that is reflected in the population as a whole, since greater life expectancy for females compared with males results in relatively more females in the older ages. The sex ratio for the total population was 97.5 males per 100 females (Australian Bureau of Statistics, 2004).



**Figure 2. Profile of Australia’s Population(‘000) – June 2010**

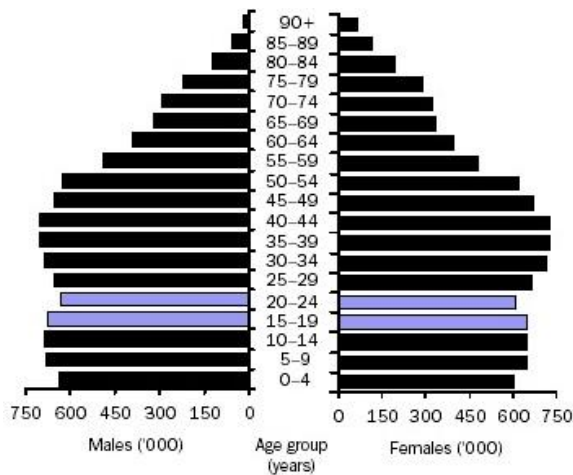
Resource: Australian Bureau of Statistics (2010). “Population by Age and Sex, Regions of Australia, 2010.” Retrieved from <http://www.abs.gov.au/ausstats/abs@.nsf/Products/3235.0~2010~Main+Features~Main+Features?OpenDocument#PARALINK10>





**Figure 3. Profile of Australia's Population (%) – June 2010**

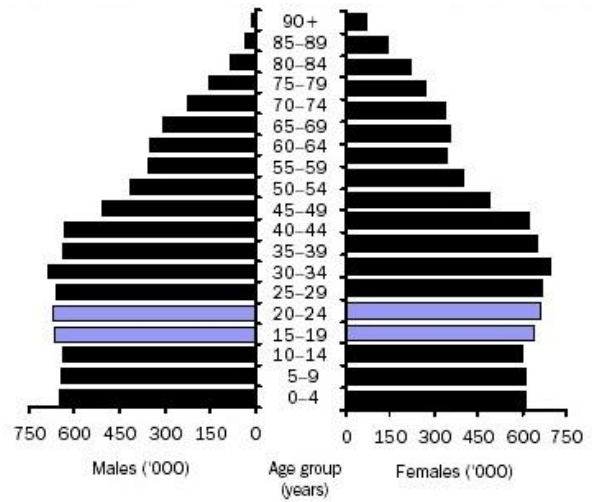
Resource: Australian Bureau of Statistics (2010). "Population by Age and Sex, Regions of Australia, 2010." Retrieved from <http://www.abs.gov.au/ausstats/abs@.nsf/Products/3235.0~2010~Main+Features~Main+Features?OpenDocument#PARALINK10>



**Figure 4. Profile of Australia's Population – 2001**

Resource: Australian Bureau of Statistics (2004), "2059.0 - Census of Population and Housing: Australia's Youth, 2001", Australian Bureau of Statistics Website,

<http://www.abs.gov.au/Ausstats/abs@.nsf/0/ab3f340b33c8abc4ca256e97007a7857?OpenDocument> (Retrieved on July 26, 2012).



**Figure 5. Profile of Australia's Population – 1991**

Resource: Australian Bureau of Statistics (2004), "2059.0 - Census of Population and Housing: Australia's Youth, 2001", Australian Bureau of Statistics Website, <http://www.abs.gov.au/Ausstats/abs@.nsf/0/ab3f340b33c8abc4ca256e97007a7857?OpenDocument> (Retrieved on July 26, 2012).

While the Northern Territory and Australian Capital Territory had the lowest shares of the youth population, they had the greatest proportions of people aged 15-24 years in their total population (16% and 15% respectively). New South Wales, South Australia and Tasmania had the lowest proportions each with 13% (Australian Bureau of Statistics, 2004).

Aussie teens enjoy a lifestyle that is similar to their American and British counterparts. Australian children attend school for 13 years in traditional western style public and private schools with the exception of those living in the "outback" that get their schooling through distance education (Hansen, n.d.).

Australian youth enjoy an active lifestyle with an emphasis on sports such as cricket, netball,

and football. They also spend a lot of their leisure time enjoying the beach. Like teenagers around the globe, Aussie youth enjoys spending time on the internet on various social networks, such as Facebook (Oracle Think Quest, 2012).

#### **IV. Hershey's Entry to the Australian Market with a New Brand**

This part of the research provides a more focused analysis of Hershey's entry to the Australian market with a new brand. Thus, comprehensive SWOT Analysis of firm with the new product introduction is presented. Also competition environment, accounting-finance indicators, marketing strategy and marketing mix factors are evaluated and discussed considering the case of introducing a new product/brand to the Australian market.

##### **III. a) SWOT Analysis**

###### *Strengths*

Hershey's is a product known worldwide, through the use of sourcing and manufacturing in various countries. Although Hershey's does not sell in every country, the brand Hershey's is still known through reputation. Moreover, the firm has a strong human capital with capable managers and high number of employees (Jain, 2009).

Hershey's wrappers are eye-catching and the taste of their products is a significant factor increasing the sales. Currently, the company has a wide product spectrum and they operate in different countries. Furthermore, Hershey's production capacity is high and they generally have positive consumer relations. An additional strength is the acquisitions strategy of Hershey's, which helps the corporation to grow. Besides, the organization has a strong distribution system and a modern labor management system. They are recognized as a low cost producer and the Research and Development

(R&D) department of Hershey's attracts attention. Finally, Hershey's makes corporate social responsibility (CSR) a priority and they do use the social media actively (WikiSWOT, 2012).

###### *Weaknesses*

First of all, health trends are lowering the candy sale, which is a weakness of Hershey's and the candy & chocolate industry as a whole. Also, there is price inflation for Hershey's products and the products of other firms operating in the sector. Then, Hershey is not a known brand through experience within Australia. The target market is likely to have not tasted Hershey chocolate before. Moreover, consumer tastes differentiate in the World. Plus, the market already has chocolate bars such as Tim Tam, Violet Crumble and Milky Bar. Moreover, research shows that entering a new market generally possesses some difficulties for multinational firms. In other words, entering a new market with no brand name value outs Hershey at a disadvantage in the pre-established market (Wu, 2008).

Transportation and storage costs is another weakness of Hershey's, since chocolate and candies are not durable goods. They must be kept and stored under ideal temperatures. Also, an aging product life cycle exists for the chocolate/candy industry. Additionally, Hershey's has a centralized management structure and most of the sales of firm are generated from United States. Moreover, Hershey's has high level of borrowing. Finally, they experience specific difficulties in the decision making process and company control during expansion (Nasdaq, 2012).

###### *Opportunities*

Having a sourcing and manufacturing global presence creates an opportunity for Hershey to expand globally to sell Hershey products in other countries. Hershey has very little manufacturing and sourcing locations, with uninhabited markets,

Hershey has the opportunity to expand into other countries with sourcing and manufacturing which can increase Hershey’s brand name as it can create more jobs and opportunities for the various countries/communities (Gehlhar, 2003).

Hershey’s can also build global partnerships in international markets. The firm can satisfy the emerging demands and tastes of consumers by inventing new products. Furthermore, Hershey’s has a relatively lower price compared to other healthy foods. The company can take advantage of this opportunity, considering the quality of its products. Then, spending capacity of the new young generation of today (teenagers and young adolescents) is higher than all previous generations in this range. Hershey’s can also invest in low fat and healthier products parallel to consumer demands. Besides, the tastes of customers are changing and that is a good opportunity to serve them with new products. Finally, Hershey’s can benefit from joint ventures with other sectors such as the coffee industry to increase its global expansion (Ryan, 2012).

*Threats*

Competition is a huge threat to Hershey entering Australia because Hershey is a new company entering the Australian market. Companies such as Tim Tam are established within the market and very popular. Health concerns are the biggest threat to Hershey. Quality standards are different in each country, and ingredients used in the products can have adverse effects on the consumers. For example, a coco bean that is used in Hershey Chocolate in the U.S. may cause health problems in Australia. Not only can importing foreign materials be harmful to the consumers buying the product(s), but also the environment and other inhabitants in the area. The high quality cocoa is also increasing the price of Hershey’s products, which is a threat for the firm (JB Foods Limited, 2012).

Moreover, the company lowers the weight of some products while keeping the prices stable, which attracts criticism from particular

consumers. Besides, wholesale prices are climbing and the cost of manufacturing is increasing. Both of these factors are threats for the firm. Plus, a stable increase is observed for the labor wages, which increases the costs as a whole. Unfortunately, agricultural areas are decreasing as a result of building and factory constructions. That is a threat for the production of raw materials used in Hershey’s products. Likewise, natural disasters do hurt the growth of chocolate ingredients. From an accounting-financial perspective, the fluctuations in exchange rates are a threat for organization affecting the value of its receivables and liabilities. Finally, governmental policies and regulations as well as FDA requirements are analyzed in the context of threats for Hershey’s (Mermelstein, 2012).

**Table 3. SWOT Analysis**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Brand name strength</li> <li>• Well known firm</li> <li>• Previous global sourcing countries</li> <li>• Previous global manufacturing countries</li> <li>• Human capital</li> <li>• Eye-catching wrappers</li> <li>• Delicious taste increasing sales</li> <li>• Product spectrum</li> <li>• Presence in several countries</li> <li>• Production capacity</li> <li>• Positive consumer relations</li> <li>• Acquisitions strategy</li> <li>• Strong distribution system</li> <li>• Modern labor management system</li> </ul>	<ul style="list-style-type: none"> <li>• Health trends lowering candy sales</li> <li>• Price inflation</li> <li>• Risk of introducing additional products with new names</li> <li>• Consumer taste differences in the World</li> <li>• Different brand candy bars with chocolate</li> <li>• Difficulties experienced in entering a new market</li> <li>• Transportation and storage costs</li> <li>• Aging product life-cycle</li> <li>• Centralized management structure</li> </ul>

<ul style="list-style-type: none"> <li>• Low cost producer</li> <li>• Research and Development (R&amp;D) department</li> <li>• Corporate social responsibility (CSR) initiatives</li> <li>• Active usage of social media</li> </ul>	<ul style="list-style-type: none"> <li>• Most of the sales (90%) are generated from United States</li> <li>• High level of borrowing</li> <li>• Difficulties in decision making process</li> <li>• Problems in company control</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Global expansion to sell in other countries</li> <li>• Manufacturing in other countries</li> <li>• Global partners</li> <li>• Inventing new products</li> <li>• Relatively lower price compared to other healthy foods</li> <li>• Spending capacity of the new young generation</li> <li>• Investment for low fat and more healthy products</li> <li>• Changing tastes</li> <li>• Joint ventures</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Competition</li> <li>• Health concerns</li> <li>• High quality cocoa increases prices</li> <li>• Lowered product weight</li> <li>• Climbing wholesale prices</li> <li>• Increasing cost of manufacturing</li> <li>• Stable increase in labor wages</li> <li>• Decrease in agricultural areas</li> <li>• Natural disasters hurting the growth of chocolate ingredients</li> <li>• Fluctuations in exchange rates</li> <li>• Governmental policies and regulations</li> <li>• FDA requirements</li> </ul>

Resource: WikiSWOT (2012). "Hershey's SWOT Analysis". [http://www.wikiswot.com/SWOT/4/hershey\\_s.html](http://www.wikiswot.com/SWOT/4/hershey_s.html)

### III. b) Competition Environment

#### Cadbury's Brief History and Presence in the Australian Market

After Cadbury in England merged with J.S. Fry in 1919, the new company sought to expand internationally and decided to build a factory in Australia. Australia had developed into an important market since making Cadbury's first overseas order in 1881. In 1922, Cadbury and Fry, joined by Pascall, created a new Australian company named Cadbury-Fry and Pascall.

The company chose a factory site in Claremont, in Tasmania, whose location was ideal because of its close proximity to the city of Hobart, good source of inexpensive hydro-electricity and plentiful supply of high-quality fresh milk. The Claremont factory was modeled on Bournville, with its own village and sporting facilities.

In 1967, Cadbury acquired MacRobertson Chocolates, a well-respected confectionery manufacturer founded in 1880. The move gave Cadbury another major manufacturing base on the Australian mainland - at Ringwood in Melbourne, Victoria. It also added a range of unique confectionery brands, including Cherry Ripe and Freddo Frog, which were household names. In 1969, Cadbury merged with Schweppes Australia, creating the now familiar Cadbury Schweppes identity. Cadbury expanded again in the 1980s after it acquired the Red Tulip confectionery company and broadened its range of fine products to include a vast array of Easter confectionery, as well as After Dinner Mints.

On 27 February 2009, the confectionery and beverages businesses of Cadbury Schweppes Pty Ltd in Australia were formally separated and the beverages business began operating as Schweppes Australia Pty Ltd. In April 2009, Schweppes Australia was acquired by Asahi Breweries. On 1 April 2009, Cadbury in Australia changed its name from Cadbury Schweppes Pty Ltd to Cadbury Pty Ltd and Cadbury in New Zealand also changed its name from Cadbury Confectionery



Ltd to Cadbury Ltd. This marks a new era for Cadbury and enables a more invigorated and singular focus for Cadbury in Australia. Cadbury became part of the Kraft Foods family on 2 February 2010.

### Nestlé's Brief History and Presence in the Australian Market

Henri Nestlé gave his name to what is now the world's largest food and beverage business, with over 280,000 employees, 456 factories in 84 countries and sales of more than \$110 billion in 2008. In its region, Nestlé products have been available since the 1880s and by 1906 Australia had become Nestlé's second largest export market.

In 1867, at a time of high infant mortality, Henri Nestlé developed a milk-based food for babies unable to feed from their mothers. Within five years, NESTLÉ Milk was being sold around the world as a food for babies, old people and the infirm. Rapid development followed and Nestlé soon diversified into other areas with the introduction of a condensed milk product, followed by a move into the growing chocolate industry.

Although Henri bowed out of the Company in 1875, the name was retained and in 1905 it merged with the Anglo-Swiss Condensed Milk Company to form a dynamic new venture known simply as Nestlé. It has since then continued to develop through product innovation and acquisitions.

By 1906, Australia had become the second largest export market for Nestlé and was served by a network of sales agents. As it showed such tremendous potential, in 1908 the company set up a business in Australia. Over the years, a nationwide sales and distribution network was established.

The invention of MILO in 1934 stands out as a great Australian achievement - the product of Australian ingenuity and distinctive Nestlé technology. Nowadays, the brand is sold in 30 countries with worldwide sales of more than \$550 million. In 1999, Nestlé Australia's head office became headquarters for the Oceania Region, which

includes Nestlé operations in Australia, New Zealand and the Pacific Islands.

The firm has been in New Zealand since 1885. Today, two manufacturing plants operate in New Zealand together with regional sales offices and a number of distribution centers. And since 1989, the company has operated in the Pacific Islands. Today, Nestlé employees throughout the Oceania Region are just as committed to providing good food for good living continuing the tradition that Henri Nestlé began more than 130 years ago.

### III. c) Accounting-Finance Indicators

**Table 4. Hershey's Balance Sheet 2010-2012**

Period Ending	Dec 30, 2012	Dec 30, 2011	Dec 30, 2010
<b>Assets</b>			
Current Assets			
Cash	And		
Cash	728,272	693,686	884,642
Equivalents			
Short	Term		
Investments	-	-	-
Net			
Receivables	583,607	536,360	445,821
Inventory	633,262	648,953	533,622
Other	Current		
Assets	168,344	167,559	141,132
<b>Total</b>	<b>Current</b>	<b>2,113,485</b>	<b>2,046,558</b>
<b>Assets</b>		<b>2,005,217</b>	
Long	Term		
Investments	-	-	-
Property	Plant		
and Equipment	1,674,071	1,559,717	1,437,702
Goodwill	588,003	516,745	524,134

Intangible Assets	214,713	111,913	123,080
Accumulated Amortization	-	-	-
Other Assets	152,119	138,722	161,212
Deferred Long Term Asset Charges	12,448	33,439	21,387
<b>Total Assets</b>	<b>4,754,839</b>	<b>4,407,094</b>	<b>4,272,732</b>
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	1,095,212	1,034,102	1,013,365
Short/Current Long Term Debt	75,898	139,673	285,480
Other Current Liabilities	-	-	-
<b>Total Current Liabilities</b>	<b>1,471,110</b>	<b>1,173,775</b>	<b>1,298,845</b>
Long Term Debt	1,530,967	1,748,500	1,541,825
Other Liabilities	668,732	603,876	494,461
Deferred Long Term Liability Charges	35,657	-	-
Minority Int.	11,624	23,626	35,285
Negative Goodwill	-	-	-
<b>Total Liabilities</b>	<b>3,718,090</b>	<b>3,549,777</b>	<b>3,370,416</b>

<b>Stockholders' Equity</b>			
Misc Stocks			
Options	-	-	-
Warrants			
Redeemable Preferred Stock	-	-	-
Preferred Stock	-	-	-
Common Stock	359,901	359,901	359,901
Retained Earnings	5,027,617	4,707,892	4,374,718
Treasury Stock	(4,558,668)	(4,258,962)	(4,052,101)
Capital Surplus	592,975	490,817	434,865
Other Stockholder Equity	(385,076)	(442,331)	(215,067)
<b>Total Stockholder Equity</b>	<b>1,036,749</b>	<b>857,317</b>	<b>902,316</b>
<b>Net Tangible Assets</b>	<b>234,033</b>	<b>228,659</b>	<b>255,102</b>

Resource: Yahoo! Finance. (May, 2013). "The Hershey Company – Balance Sheet." Retrieved from <http://finance.yahoo.com/q/bs?s=HSY+Balance+Sheet&annual>

The balance sheet of Hershey's between 2010-2012 shows that, the firm's cash and cash equivalents are instable. This cannot be commented positively. Also, the firm's net receivables are increasing. Although this signals that Hershey's is making sales, the company is having trouble collecting its receivables. That factor

cannot be commented positively as well. Thus, Hershey's entering the Australian market with a new brand can benefit the firm for mentioned accounting-finance indicators.

Inventories are not stable, making an analysis impossible. Other current assets are going up, meaning that the firm is increasing liquidity in terms of this account. Hershey's long term debt is fluctuating. In addition, other liabilities have increased through 2010-2012. This draws a negative scenario for the firm, since the company has to pay more interest related to mentioned liabilities. Again, firm's entry to the Australian market with a new brand can help at this point.

Retained earnings of Hershey's through 2010-2012 have climbed. This means that, the firm is increasing its earnings. But they are kept inside the company with a rising trend every year. There is a capital surplus in Hershey's through 2010-2012. Finally, total stockholder equity and net tangible assets of the organization have an up and down graph for the recent three years.

**Table 5. Hershey's Balance Sheet 2009-2011**

Period Ending	Dec 30, 2011	Dec 30, 2010	Dec 30, 2009
<b>Assets</b>			
Current Assets			
Cash And Cash Equivalents	693,686	884,642	253,605
Short Term Investments	-	-	-
Net Receivables	536,360	445,821	450,258
Inventory	648,953	533,622	519,712
Other Current Assets	167,559	141,132	161,859
<b>Total Current Assets</b>	<b>2,046,558</b>	<b>2,005,217</b>	<b>1,385,434</b>
Long Term Investments	-	-	-
Property Plant and Equipment	1,559,717	1,437,702	1,404,767
Goodwill	516,745	524,134	571,580
Intangible Assets	111,913	123,080	125,520
Accumulated Amortization	-	-	-
Other Assets	138,722	161,212	183,377
Deferred Long Term Asset Charges	38,544	21,387	4,353
<b>Total Assets</b>	<b>4,412,199</b>	<b>4,272,732</b>	<b>3,675,031</b>

<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	1,034,102	1,013,365	871,315
Short/Current Long Term Debt	139,673	285,480	39,313
Other Current Liabilities	-	-	-
<b>Total Current Liabilities</b>	<b>1,173,775</b>	<b>1,298,845</b>	<b>910,628</b>
Long Term Debt	1,748,500	1,541,825	1,502,730
Other Liabilities	617,276	494,461	501,334
Deferred Long Term Liability Charges	-	-	-
Minority Interest	23,626	35,285	39,880
Negative Goodwill	-	-	-
<b>Total Liabilities</b>	<b>3,563,177</b>	<b>3,370,416</b>	<b>2,954,572</b>
<b>Stockholders' Equity</b>			
Misc Stocks Options Warrants	-	-	-
Redeemable Preferred Stock	-	-	-
Preferred Stock	-	-	-
Common Stock	359,901	359,901	359,901
Retained Earnings	4,699,597	4,374,718	4,148,353
Treasury Stock	(4,258,962)	(4,052,101)	(3,979,629)
Capital Surplus	490,817	434,865	394,678
Other Stockholder Equity	(442,331)	(215,067)	(202,844)
<b>Total Stockholder Equity</b>	<b>849,022</b>	<b>902,316</b>	<b>720,459</b>
<b>Net Tangible Assets</b>	<b>220,364</b>	<b>255,102</b>	<b>23,359</b>

Resource: Yahoo! Finance. (August, 2012). "The Hershey Company – Balance Sheet." Retrieved from <http://finance.yahoo.com/q/bs?s=HSY+Balance+Sheet&annual>

The balance sheet of Hershey's show that, cash and cash equivalents of the firm is unsteady. The organization's cash and cash equivalents are even lower at the end of 2011 compared to the end of 2010, which must be commented as negative. Also, the net receivables of Hershey's increased in 2011. In fact, it is the highest of three years with 536,360. That is a critical problem for corporation, since that means Hershey's is experiencing problems in collecting its receivables. Naturally, that hurts the liquidity and lowers cash and cash equivalents of the firm.

Also, total current assets of Hershey's are increasing, but there is only a slight peak in 2011. That is questionable and may lead to disadvantages in the coming years. Then, the organization's

inventory levels and property, plant and equipment sums are increasing. However, these do not reflect to gross profit and net income, as we can see on the income statement of Hershey's (Table 4). In this situation, the increasing inventories are disadvantageous for the company, since storage costs get higher. Besides, this means that investments in the property, plant and equipments do not convert to gross profit and net income.

On the other hand, accounts payable of Hershey's are going up, which is risk. Again, the long-term debts are increasing. Fortunately, the firm has a positive trend for short/current long term debt. Total current liabilities also decreased in 2011, but it is unstable. The present situation on the balance sheet of Hershey's reflects that, company prefers long term instead of borrowing for the short-term. That is a sensible strategy considering the liquidity problem of Hershey's and since it provides more time for organization to pay the debts. However, the corporation makes higher interest payments as a result of long-term debts.

Next, Hershey's other liabilities increased in 2011 and it is the highest of most recent three years. Total liabilities are also going up, which draws a negative portrait about the firm. Finally, total stockholder equity and net tangible assets are going down for Hershey's. Evaluating the balance sheet as a whole, it is clear that the firm is not making great progress in the recent years. Thus, they should take the initiative and make new investments as well as entering new markets. This strengthens our argument, which offers that Hershey's should start operating in the Australian market for increasing income and profitability.

**Table 6. Hershey's Income Statement  
2010-2012**

Period Ending	Dec30, 2012	Dec30, 2011	Dec30, 2010
<b>Total Revenue</b>	<b>6,644,252</b>	<b>6,080,788</b>	<b>5,671,009</b>
Cost of Revenue	3,784,370	3,548,896	3,255,801
<b>Gross Profit</b>	<b>2,859,882</b>	<b>2,531,892</b>	<b>2,415,208</b>
Operating Expenses			
Research	-	-	-
Development	-	-	-
Selling General and Administrative	1,703,796	1,477,750	1,426,477
Non Recurring	44,938	(886)	83,433
Others	-	-	-
Total Operating Expenses	-	-	-
<b>Operating Income or Loss</b>	<b>1,111,148</b>	<b>1,055,028</b>	<b>905,298</b>
Income from Continuing Operations			
Total Other Income/Expenses	-	-	-
Net	-	-	-
Earnings Before Interest And Taxes	1,111,148	1,055,028	905,298
Interest Expense	95,569	92,183	96,434
Income Before Tax	1,015,579	962,845	808,864
Income Tax Expense	354,648	333,883	299,065
Minority Interest	-	-	-
Net Income From Continuing Ops	660,931	628,962	509,799



Non-recurring Events			
Discontinued Operations	-	-	-
Extraordinary Items	-	-	-
Effect Of Accounting Changes	-	-	-
Other Items	-	-	-
<b>Net Income</b>	<b>660,931</b>	<b>628,962</b>	<b>509,799</b>
Preferred Stock And Other Adjustments	-	-	-
<b>Net Income Applicable To Common Shares</b>	<b>660,931</b>	<b>628,962</b>	<b>509,799</b>

Resource: Yahoo! Finance. (May, 2013). "The Hershey Company – Income Statement." Retrieved from <http://finance.yahoo.com/q/is?s=hsy>

Analyzing the income statement of Hershey’s for 2010-2012 shows that, the firm is increasing its revenues with a stable trend. This is a positive accounting-finance indicator for company. Parallel to the mentioned situation, the firm’s cost of revenues is also going up. Additionally, Hershey’s gross profit has a climbing trend for the recent three years, again a desired condition.

The organization’s selling, general and administrative expenses have also climbed for 2010-2012. Considering the steady increasing total revenues and gross profits, that is a natural accounting/finance outcome. Still, Hershey’s can attempt and seek actions to lower its selling, general and administrative expenses.

Hershey’s operating income is on the rise for 2010-2012 period, which is a positive accounting-finance indicator. Similarly, firm’s earnings before interest and taxes are also going up, good news for Hershey’s. The organization’s

interest expense is unsteady, making it not possible to reach a clear conclusion.

Income tax expenses of Hershey’s are climbing. Besides, net income from continuing operations is increasing, a good accounting-finance indicator for firm. Finally, growing net income and net income applicable to common share numbers should be commented as desired figures for Hershey’s.

**Table 7. Hershey’s Income Statement (October 1, 2011 – June 30, 2012)**

Period Ending	Jun 30, 2012	Mar 31, 2012	Dec 30, 2011	Oct 1, 2011
<b>Total Revenue</b>	<b>1,414,444</b>	<b>1,732,064</b>	<b>1,567,145</b>	<b>1,624,249</b>
Cost of Revenue	795,923	988,668	935,939	944,068
<b>Gross Profit</b>	<b>618,521</b>	<b>743,396</b>	<b>631,206</b>	<b>680,181</b>
<b>Operating Expenses</b>				
Research Development	-	-	-	-
Selling General and Administrative	391,405	405,562	397,156	356,878
Non Recurring	4,845	3,304	5,041	2,187
Others	-	-	-	-
<b>Total Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating Income or Loss</b>	<b>222,271</b>	<b>334,530</b>	<b>229,009</b>	<b>321,116</b>
<b>Income from Continuing Operations</b>				
Total Other Income Expenses Net	-	-	-	-
<b>Earnings Before Interest And Taxes</b>	<b>222,271</b>	<b>334,530</b>	<b>207,695</b>	<b>250,247</b>
Interest Expense	24,344	24,024	-	(47,828)
<b>Income Before Tax</b>	<b>197,927</b>	<b>310,506</b>	<b>207,695</b>	<b>298,075</b>
Income Tax Expense	62,242	111,855	65,562	101,380
Minority Interest	-	-	-	-
<b>Net Income From Continuing Ops</b>	<b>135,685</b>	<b>198,651</b>	<b>142,133</b>	<b>196,695</b>
<b>Non-recurring Events</b>				
Discontinued Operations	-	-	-	-
Extraordinary Items	-	-	-	-
Effect Of Accounting Changes	-	-	-	-
Other Items	-	-	-	-
<b>Net Income</b>	<b>135,685</b>	<b>198,651</b>	<b>142,133</b>	<b>196,695</b>
Preferred Stock And Other Adjustments	-	-	-	-
<b>Net Income Applicable To Common Shares</b>	<b>135,685</b>	<b>198,651</b>	<b>142,133</b>	<b>196,695</b>

Resource: Yahoo! Finance. (August, 2012). "The Hershey Company – Income Statement." Retrieved from <http://finance.yahoo.com/q/is?s=hsy>

Hershey’s income statement reveals that, total revenue of the firm is unsteady, since it decreased in second period, increased in third period and again decreased in fourth period.

However, the decreased sum of 1,414,444 for the four quarter (June 30, 2012) raises concerns.

The firm's gross profit follows the same pattern and it is again not steady. The lower gross profit on June 30, 2012 possesses risk for Hershey's. The company seems to be successful in decreasing selling, general and administrative costs. But that is not enough to have a positive effect in gross profit as a whole.

Operating income of Hershey's is again not steady. Worse than that, we can observe the lowest operating income of four periods for Hershey's with 222,271. Earnings before interest and taxes are similar with volatility, but a negative sum for the last period. Interest expense is also higher for the June 30, 2012 period.

Additionally, income before tax is the lowest in fourth period with 197,927, which is alarming for Hershey's. Their income tax expense is minimum on the last term (June 30, 2012), but that is alone not sufficient considering all indicators together. Organization's net income from continuing operations is also not promising, since the lowest sum of 135,685 is observed on the last period of June 30, 2012.

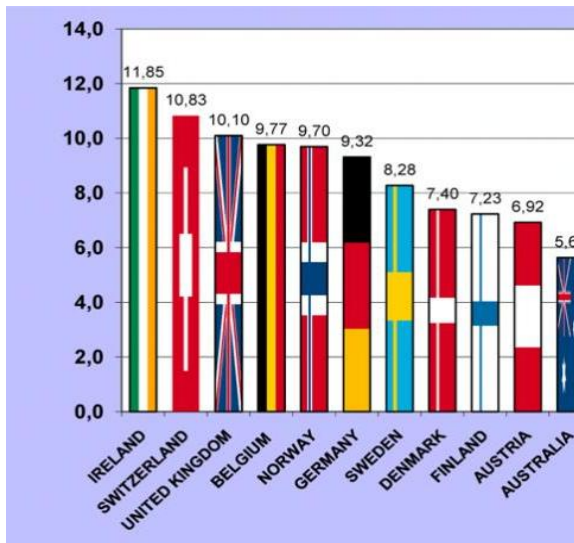
Finally, Hershey's net income is a subject for instability. Besides the mentioned fluctuation, it is also bad that the firm had the lowest net income on the most recent period with 135,685. Overall, the income statement of Hershey's also causes red lights and raises question marks, just like the balance sheet of organization. It is a must for Hershey's to take some steps for sustainable growth and competitiveness. Thus, entering the Australian market bears an important opportunity for organization to maintain profitability and generate cash flow.

### III. d) Marketing Strategy Factor

#### *Target Market Segment - Geographical Segmentation*

Based on our research, the new product to Hershey's should introduce the entire Australian marketplace. The chocolate covered snack should be available throughout the entire country therefore making geographic segmentation within the country unnecessary. The brand must ultimately aim towards both business and consumer markets. Both of these markets should be segmented based on demographic, psychographic and behavioristic characteristics. Australia is a country where there is a large amount of chocolate consumption. As seen from Figure 4 below, in the year 2007 Australians consumed approximately 5.64 kilograms of chocolate per person (Broek, 2009).

**Figure 6. Chocolate Consumption by Country – 2007**



Resource: Broek, W. (2009). “How Much Chocolate Do We Eat?”. Retrieved from <http://www.shockmd.com/2009/12/07/how-much-chocolate-do-we-eat/>

**Target Market Segment - Demographic Segmentation**

As discussed previously, individuals ages 15-19 and 20-24 account for approximately 14% of the Australian population while individuals ages 25-64 make up 51.8% of the population (Going Rank, n.d.). While all different age groups consume decent amounts of chocolate and sugar in Australia, data prove that this consumption has substantially increased in children and adolescents but increased normally for adults (Emery, 2008). Table 5 below shows the mentioned data:

**Table 8. Sugar Consumption Behaviors in Australian Adults & Adolescents**

Weight-related behaviour	Adults		Children and adolescents	
	Current situation	Recent trends	Current situation	Recent trends
Total energy (calorie) intake	High	Increased slightly	High	Increased substantially
Total fat intake	High	Decreased slightly	High	No change
Total sugar intake	High	Increased	High	Increased substantially
Sweetened drink intake	High	Increased	High	Increased substantially
Fast food consumption	High	Increased	High	Increased
Confectionery	Moderate	Increased	High	Increased substantially
Frequency and duration of physical activity	Low	Decreased	Moderate	Probably stable
Passive leisure pursuits eg TV watching/computer games	High	Probably stable	High	Increased through computer use
Active travel to work/school	Low	Decreased	Low	Decreased

Resource: Emery, M. (2008). “Summary of trends in obesity-related behaviours in NSW and Australia.” Retrieved from <http://www.cavemanpower.com/blog/summary-of-trends-in-obesity-related-behaviours-in-nsw-and-australia/>

Australia is a country that has a high level of chocolate consumption. Data shows that children and adolescents have a higher level of sugar consumption than that of adults, which is steadily increasing. Given these facts alone, it will be most effective for the new Hershey’s product to target Australian adolescents, male and female, ages 15-24.

Also, research reveals that the young population (adolescents and teenagers) is increasing in Australia, while the older population is decreasing (Australian Bureau of Statistics, 2010). Besides, the product life cycles are aging for Hershey’s (World Watch Institute, 2012), thus inventions and coming up with new products are musts. The young population (adolescents and teenagers) aged 15-24 is a very accessible and suitable segment for innovation and change. Because, they are more open to changes and new tastes. Thus, targeting the Australian young

generation is also logical and sensible from this perspective. The emerging taste demands of young generation will be well satisfied by the new Hershey's product.

### ***Target Market Segment - Business Market Segmentation***

In the context of target market segment, Hershey's should also work with distributors and retail stores to sell the new product to consumers. The business demographic new product needs to work with are businesses that cater to the young adult/teenage market and businesses that cater to families to reach key consumers. A key supermarket for the new product should be Woolworths, which is a major grocery chain in Australia, with over 3,000 stores throughout the country (Findouter, n.d.).

Another key supermarket chain for the product recommended by our research is the large supermarket chain Coles, which has over 740 store fronts in Australia. The youth oriented retail chain Jay Jays, which has 212 stores in Australia also presents a good opportunity to get the new product in front of key target consumers (Findouter, n.d.). Another strong retail opportunity is The Candy Store, which is a popular candy store located in the Blue Mountain area of Australia (Candy Store, 2011).

Finally, our research shows that one other important retail location for the new product is the Candy Room, which is a trendy candy store that focuses on selling unique domestic and imported candy in a unique, fun atmosphere (The Candy Room, 2012). At last, a key online retailer for the new product should be noted as Simply Australian, which is a distributor of Aussie candies (Simply Australian, 2012).

According to our research, the new Hershey's product as chocolate covered honeycomb biscuit should have two layers of actual honeycomb biscuit, as opposed to the single layer of small pieces of honeycomb that can be found in Tim Tam Crush. The chocolate that is used to make these

chocolate covered honeycomb biscuits should also be of the finest quality. Couverture chocolate must be used in the product. This type of chocolate is made with more cocoa butter than any other type of chocolate, therefore giving it a creamier taste and making it of higher quality in the eyes of the chocolate lover (TheNibble.com, n.d.).

### ***Positioning Statement***

We argue with our research that, the new Hershey's product should be promoted as a delicious and quick snack on the go. The mentioned positioning is required, considering that the product targets and most appeals to 15-24 age group. Also, the new Hershey's product should be promoted as a healthy snack. Consumers of today are very concerned about the nutrition, ingredients and fat levels of products. Thus, Hershey's must emphasize that the new product is at the same time good for health. Finally, the firm must promote the new product as an energizing snack. This positioning of the product is logical to make the new Hershey's product more attractive for teenagers and young adolescents. According to our research, this is an effective strategy to enable a positive and successful entry to the new Australian market.

### ***Brand/Brand Logo***

We propose with our research that Hershey's can enter the Australian market with Honey-Ace! brand name. Ace means "Excellent" and "Very good" in Australia (Urban Dictionary, 2012). Additionally, Ace is a short, simple and memorable word. These factors are advantageous to make Honey-Ace! attractive and eye-catching in the eye of Australian teenagers and young adolescents.

Concerning the brand logo, we claim that it should be simple and it must symbolize the product in a glance. In other words, it is a must for a brand logo to have link back to a firm's operating sector. Also, a logo should reflect the identity and image of the organization. Furthermore, the logo must be unique and it must build a bridge with the



basic nature of organization. Definitely, firm logos should also be appealing to the target customers. Related to the mentioned point, the logo should also work for the international market (Logo Design Guru, 2012).

Finally, the brand logo must reflect the high quality and service provided by organization. Moreover, a business logo is critical to build a first impression. Effective logos sell the company well (Evans, 2012). Thus, the brand logo has a great meaning in terms of public relations and marketing.

### III. e) Marketing Mix Factor (4P)

#### *Product*

The new Hershey's product should target Australian adolescents and young adults, both male and female from the ages of 15-24. According to our research, the product should essentially be a chocolate covered honey comb biscuit. Since Australians love sweet biscuits and crackers as well as the flavor combination of honey and chocolate, this product should encompass various flavors that the typical Aussie loves making for a one of a kind product to sell in the Australian marketplace. Also, our research shows that the biscuits (new product) should be large enough for individuals to share with each other. This feature is essential to make the product socially desirable in the eyes of children and teens, having it viewed as a snack to share with friends.

There are various biscuits, crackers and chocolate products that are currently available in the Australian marketplace. One of them is "Tim Tam Biscuits". These biscuits are covered in chocolate and have a chocolate cream filling and are quite popular among Australians (Aussie Products.com, n.d.). There are various flavors available, one of which is called "Tim Tam Crush." This product is considered as an ultimate competitor of Choco-Ace! chocolate honeycomb

biscuits, the new product proposed by our research. Tim Tam Crush features the honeycomb flavor but has received many product complaints, because it is filled with mostly chocolate-mousse and extremely little honeycomb biscuit (Chocablog, 2009).

This is where Hershey's new product can be considered different and ultimately better in the eye of consumers. Chocolate covered honeycomb biscuit of Hershey's (new product) should have two layers of actual honeycomb biscuit, as opposed to the single layer of small pieces of honeycomb that can be found in Tim Tam Crush. The chocolate that is used to make these chocolate covered honeycomb biscuits should also be of the finest quality. Couverture chocolate should be used in all Honey-Ace! products. This type of chocolate is made with more cocoa butter than any other type of chocolate, therefore giving it a creamier taste and making it of higher quality in the eyes of the chocolate lover (TheNibble.com, n.d.).

Additionally, the new Hershey's product should focus on promoting a healthy lifestyle for consumers. The mentioned characteristic of product is critical to gain health conscious loyal customers. Moreover, the new Hershey's product promoting a healthy lifestyle is useful to strengthen the image of firm in public.

Finally, the packaging needs to be appealing and eye catching to the consumer. The packaging should emphasize the social aspect of sharing new product with friends. There should be 3-4 biscuits in each package, each wrapped separately but connected to form a single package. Also, there should be perforations where one can rip the individually wrapped biscuits off and share with a friend.

#### *Price*

Since the new Hershey's product is making its debut in the Australian marketplace for the first time, a penetration pricing strategy should be utilized. Offering the candy at a price lower than similar products of the competition gives

consumers an incentive and encourages them to purchase the new product. This does not lead to profitability of the brand. But once the new product establishes market share and an Australian consumer base, the prices should be re-evaluated and a higher level of price should be set for sustainability. The penetration strategy with lower prices compared to competitors leads customers to consider that they are getting premium chocolate at a very reasonable price. Finally, research also shows that, penetration pricing strategy is commonly used in the saturated sectors, such as the chocolate/candy industry (David, 2011).

**Promotion (Communication)**

As previously noted, the new Hershey’s product should target audience which is comprised of young Australians, aged 15-24, who make up around 14% of the population and are almost equally male and female. Australian young adults are an active group that enjoys being outdoors, yet also appreciates the internet (Hansen, n.d.). Considering that the young Aussies are target demographic for new Hershey’s brand, it makes the most sense for the promotional mix to be comprised of the web, outdoor signage, and public relations events.

The web campaign should include an interactive website and a strong social media campaign including Facebook, Twitter, Instagram, YouTube, Tumblr, and Pinterest. To reinforce the idea that Hershey’s new product is the snack for active, cool people, the website and social media presences should include many pictures of attractive young people in interesting places with their Honey Ace! Consumers should be encouraged to share their pictures and stories about the brand, as well.

Because young Australians are so active, outdoor signage at football games, cricket matches and surfing competitions are great ways to reach the target consumers of new Hershey’s product. Public relations events such as a sponsored netball league or surfing competition by the new product also help

reaching this active audience with the message that Honey-Ace! is the snack for them.

Then, special occasions such as the Valentine’s Day, Mother’s Day, Birthdays and Wedding Ceremonies should be evaluated as important parts of the new Hershey’s product’s promotional strategy. Hershey’s should run unique advertisements and commercials to create brand awareness for mentioned events. Also, different packaging and wrapping should be provided to consumers on the Valentine’s Day, Mother’s Day, Birthdays and Wedding Ceremonies.

**Table 9. Overview of Promotion Strategy**

Medium Utilized	Traditional Media	Outdoor Advertising	Mail	Other Mediums
Channels Used	Television Radio Internet Magazines Newspaper	Billboards/Signage Buses and Subways Mall advertising (kiosks)	Direct mailers Coupons Flyers	Distribution at public events and conferences Stands at sporting events and concerts In-store samples

Resource: Figure composed by authors

Finally, as indicated on the table above, Hershey’s should use four different mediums for the new product in the context of promotion strategy. The mentioned mediums are traditional media, outdoor advertising, mail and other mediums. Hershey’s should blend the four separate mediums for experiencing the most positive effect.

First of all, commercials should run on television. The new product of Hershey’s should utilize a strong television campaign placing commercials during high rated programming viewed by teenagers and young adolescents between the ages of 15-24. In addition, the firm should take advantage of radio commercials. Also, with the current rise of the internet and social

media, the new Hershey's product should also build Facebook and Twitter accounts and have a fun website that teenagers and young adolescent can go to print off coupons, play games and win free products.

The company should also utilize print advertising in teenager and young adolescent magazines. These print ads should contain coupons for discounts on the product, which ultimately drive consumers for purchase. The advertisements of brand should also take place on national and local Australian newspapers.

Hershey's new product introduced to the Australian market should also be advertised on billboards and signage concerning outdoor advertising. Colorful and attractive advertisements should be placed on buses and subways in over populated cities. Mall advertisements such as kiosks are also important to promote the new product. In this regard, new and popular malls should be selected, which are popular among teenagers and young adolescents.

Finally, direct mailers, coupons and flyers should be used for the promotion of new product. Coupons for discounts and in-pack coupons should be utilized by Hershey's for this purpose. Distribution at popular public events and highly recognized, prestigious conferences also benefit Hershey's to promote the new product. Then, the company should have stands at sports events and concerts which have a high attention from teenagers and young adolescents. It is argued and defended by our research that, sports events and concerts are sensible platforms for Hershey's new product to increase brand awareness. At last, in-store samples should be provided to customers. That helps potential consumers to taste Hershey's new product and have a better idea about the quality of product.

#### **IV. d) Place (Channel)**

Hershey's should take advantage of wholesalers and business to business dealings to distribute the new product. The mentioned system brings several benefits to organization and it is

suitable for distributing to different geographical markets. Additionally, supermarkets are determined by our research to sell and distribute the new Hershey's product.

Then, the vending machines should be used, since they are popular among teenagers and young adolescents. Besides, parallel to our research, retail stores and convenience stores are other ideal arenas for the distribution of new Hershey's product. Definitely, Hershey's can also utilize gas stations for introducing the new product to Australia since many enjoy a practical, on the go and convenient snack while travelling.

Finally, Hershey's official website should promote the new Hershey's product. In addition, the new brand should have a unique website of its own, which appeals to teenagers and young adolescents. The mentioned website must be functional, colorful and easy to navigate. Consumers can share their interesting and different experiences concerning the new Hershey's product. Furthermore, Hershey's should create an online community loving the new product by coming up with an interactive website. At last, online markets and shopping websites should be arranged to include the new product on their web pages, since Hershey's rivals implement the mentioned promotion strategy in Australia.

#### **V. Conclusion**

The research shows that, Hershey's entering the Australian market with a new brand name has some potential threats but at the same time specific opportunities. When the disadvantages and advantages of entering the Australian market with the new product are evaluated simultaneously, the benefits outweigh the dangers. Thus, this study argues that there is a significant need for Hershey's company to enter the Australian market with new product.

In regards to potential threats and disadvantages to enter Australian market with a

new product, most importantly Hershey's is not a recognized brand through experience within Australia. Also, consumer tastes vary in the World. Plus, the market is already dominated by well known global firms such as Cadbury's and Nestlé in addition to chocolate bars such as Tim Tam, Violet Crumble and Milky Bar. Moreover, research points out that entering a new market generally reflects some difficulties for multinational firms. In other words, entering a new market with no brand name initially puts Hershey at a disadvantage in the pre-established market. Additionally, Hershey's centralized management structure, generation of most of the sales from United States and high level of borrowing are other potential dangers that can affect Hershey's success in the Australian market. Moreover, the firm experiences difficulties in the decision making process and company control during expansion, and that can also negatively influence the success of introducing a new product in Australia.

Furthermore, different quality standards in Australia and ingredients to be used in the new product should be analyzed carefully before entering the Australian market. Otherwise, already implemented laws and regulations, as well as governmental policies can harm Hershey's when introducing the new product. Manufacturing, direct materials, direct labor and operating costs can also threaten Hershey's if not analyzed in deeply. From the accounting-finance viewpoint, the fluctuations in exchange rates are also a threat for organization affecting the value of its receivables and liabilities.

Concerning the potential opportunities and advantages to enter Australian market with a new product, first of all Hershey's has a worldwide fame, through the use of sourcing and manufacturing in several countries. Hershey's also has a positive reputation and their strong human capital cannot be underestimated. Plus, Hershey's production capacity is high, their distribution system is strong and the labor management system is modern in addition to low cost manufacturing capabilities and eye-catching R&D initiatives. Thus, Hershey's has the capacity to enter Australian

market with a new brand. The company has the chance to take advantage of economies of scale with this strategic move.

Also, analyzing the Hershey's recent balance sheet as a whole, shows that the firm is not making great progress in the last years. So, taking the initiative, making new investments and entering the Australian market with a new product are good opportunities for Hershey's. The mentioned action has a high potential to increase Hershey's income and profitability. Similarly, the income statement of Hershey's is also alarming and raises question marks, such as the balance sheet of organization. So, entering the Australian market bears a significant opportunity for company in terms of profitability, generating cash flows, sustainable growth and competitiveness.

In conclusion, our research argues that Hershey's should introduce the new product to whole Australian marketplace. There is no need for geographic segmentation within the country. The brand should also target both business and consumer markets. The mentioned markets should be segmented based on demographic, psychographic and behavioristic characteristics. Also, since Australia is a country that has a high level of chocolate consumption and children as well as adolescents have a higher level of sugar consumption than that of adults, the new Hershey's product should target Australian adolescents, male and female, ages 15-24. According to our research, the young population is going up in Australia, while the older population is going down. Also, product life cycles of Hershey's are aging. So, inventions and coming up with new products are required actions for Hershey's. The young population aged 15-24 is a very accessible and suitable group for innovation and change. All these mentioned factors strengthen our argument that, the new Hershey's product is an effective tool to satisfy the emerging taste demands of Australia's young generation.



Finally, according to our research, Hershey's should use distributors and retail stores to sell the new product to consumers. The business demographic at that point should be the young adult/teenage market and businesses that cater to families to reach key consumers. Also, based on our research, the new Hershey's product should be promoted as a healthy food, since today's consumers are highly knowledgeable and interested in the nutrition, ingredients and fat levels of products. Moreover, we defend with our research that Hershey's can enter the Australian market with Honey-Ace! brand name, because ace means "Excellent" and "Very good" in Australia. Plus, the word ace is a short, simple and memorable word, another factor supporting our argument. Our research also states that, the logo of new brand should be simple and it must symbolize the product in a glance. The packaging of new brand should attract attention of consumers and emphasize the

social aspect of sharing new product with friends. Then, the new Hershey's product should be presented to the market with penetration pricing strategy. However, our research shows that, after the new product gains market share and sufficient Australian consumer base, the prices should be re-evaluated and a higher level of price should be determined. Besides, promotional mix should include the web, outdoor signage, and public relations events. Likewise, traditional media, outdoor advertising, mail and other mediums should be used in terms of promoting the new product according to our research. Consequently, Hershey's should benefit from wholesalers, business to business dealings, supermarkets, vending machines, retail stores, gas stations, its official website, new product's unique website, online communities, online markets and shopping websites to further market the new product with success.

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