Perfetti Van Melle is one of the largest manufacturers of confectionery and chewing gum products in the world, with several leading brands in its product portfolio.

Global overview of Perfetti Van Melle

Perfetti Van Melle, one of the largest manufacturers of confectionery and chewing gum products in the world, was formed when the company Perfetti acquired Van Melle in January 2001. Two brothers, Ambrogio and Egidio Perfetti had founded Perfetti more than sixty years back in 1946. They opened the Perfetti Dolcificio Lombardo in Lainate, near Milan. The Perfetti Group then began to expand into international markets through a series of company acquisitions, holding shares in foreign firms and installing production units in strategic areas.

Izaak van Melle founded Van Melle in 1841 when he opened a bakery in Breskens in Netherlands. It was later taken over by his sons who decided to focus on confectionery. In 1900, they began industrial production of confectionery. Van Melle’s Breskens factory was destroyed in the war in 1944 and relocated to Rotterdam. In the early 1980s, Van Melle’s production was moved to a larger factory complex in Breda. The company expanded by acquiring companies such as Verduijn, Peco, Look-Olook and the VDG-companies in Hungary and the Czech and Slovak Republics. In 1999, it purchased the Wybert brand and Klene, a Dutch licorice company.

Prior to the merger, Perfetti and Van Melle had a 20-year strategic partnership together, with Perfetti owning 37 per cent of Van Melle stock. Post the acquisition, the new entity Perfetti Van Melle has resulted in a broad brand portfolio of sugar confectionery and chewing gum, based on the combined market share of the two companies it was formed from. Among the company’s leading brands globally are Airheads, Alpenliebe, Big Babol, Bloop, Brooklyn, Chloralit, Daygum, Frisk, Fruittella, Golia, Happydent, Mentos, Morositas, Tabü, Vigorsol and Vivident. Perfetti Van Melle then went on to expand its activities in Asia and Europe by building

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a manufacturing unit in Istra, Russia and forming a new company in Bangladesh in 2004. It also formed a joint-venture partnership with Lofthouse Fleetwood in 2005 to market its products in Germany. In July 2006, Perfetti Van Melle acquired the Spanish lollipop manufacturer, Chupa Chups, bringing under its umbrella the Chupa Chups brand of lollipops and Smints mints.

Today the company has operations in Europe, the Middle East, Asia-Pacific, North America, South America and Africa. Perfetti Van Melle is headquartered in Lainate, Italy. During the fiscal year ended December 2005, the company generated revenues of Euro 1.43 billion, up 4.3 per cent on the previous financial year. It is a privately owned company. It has its own production facilities and distributes to more than 130 countries in Europe, the Middle East, North America, South America, Asia-Pacific and Africa.

Its key competitors globally include Cadbury Schweppes, Mars, Wm. Wrigley Jr. Company, Haribo GmbH and Nestle.

**Perfetti Van Melle in India**

Perfetti Van Melle India, a 100 per cent subsidiary of the global conglomerate, started operations in India in 1992 with the setting up of its factory. It launched its first brand in the Indian market in 1994, the popular brand, Center Fresh. Today as a confectionery company of notable repute, it leads the Indian sugar confectionery market with more than 25 per cent of the value share of the market. It also takes care of the development of South Asian markets and exports to other Asian countries. In the last twelve years, the company’s portfolio has grown from a single brand to having 15 brands today. In this period it has contributed extensively to the total gums market and has become one of the most significant names in the Indian confectionery market.

The company strives to leverage the international brand portfolio in India, while adapting flavours and blends to the local tastes. It operates with the largest distribution network amongst the confectionery companies currently in India. The company has four branch offices in Delhi, Mumbai (Maharashtra), Kolkata (West Bengal) and Bangalore (Karnataka) to manage sales in the regions. It is the market leader in all the categories and has been rated the fastest growing fast moving consumer goods company (FMCG) multinational and among the ten fastest growing FMCG companies in India by the AC Nielsen 2002 survey.

The confectionery space in India is known by certain distinct characteristics - highly price-sensitive, extremely low value, and a distribution-driven market. With major players such as Nestle, Hindustan Lever and Gujarat Co-operative Milk Marketing Federation eyeing this space for a bigger bite of the pie, competition is expected to heat up. Other operators in the same space include Wrigley Joyco, Candico, Parle, Godrej Nutrine, Ravalgaon, Lotte Parry, ITC and Cadbury.

Since the pocket money of children accounts for a bulk of confectionery purchases, pricing is low and generally under Re. 1 (Euro 0.018). Prices of key brands have been more or less constant over the past five years, leading to a massive pressure on margins. This has led to companies thinking of new strategies, such as moving from low-margin

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**Perfetti’s brands in India**

- Alpenliebe
- Alpenliebe Creamfills
- Alpenliebe Lollipop
- Big Babol
- Center Fresh
- Center Fruit
- Center Shock
- Chatar Patar
- Chlor-mint
- Chocotella
- Cofitos
- Fructella
- Happydent White
- Protex Happydent
- Marbels
- Mentos
- Chocoliebe

**Perfetti’s brands in India Source:** Company website
products like toffees and candies to higher-margin products such as gum and chocolate confectionery. There is, thus, an attempt to reposition confectionery for the entire family, as against the earlier perception when only children were the expected target audience. Faced with such a challenging background, Perfetti has looked inwards to improve efficiency and increase its ability to capture greater market share and has effectively leveraged Information Technology for the same.

Perfetti also works towards developing products in India. Cofitos is an example of a product developed in India, which is now a global brand. In future, the company plans to continue to develop products suitable for the Indian palate.

**Key success factors in India**

The Indian confectionery market is very different from the global market. While India is primarily a mono pack market, globally the confectionery market is a multi pack market. The trade is also significantly different with the global market relying heavily on organised trade. In India, unorganised mom and pop retail outlets such as paan shops and kirana outlets result in the bulk of sales. Organised trade is still insignificant in terms of sales. Functional products and sugar free confectionery dominate the world-wide market, while that trend is yet to pick up in India.

Keeping these factors in mind, Perfetti has designed its India strategy. Some of the factors that have contributed to the success of Perfetti Van Melle in India include the following:

**Innovative products**

Perfetti Van Melle has introduced several innovations in its products, cases in point being Center Shock, Alpenliebe Swirl and Happydent Gum. The company offers products through continuous innovation, and by setting and achieving high quality standards, rigorous processes and controls. As a result these are recognised by the consumer to be amongst the best two in the respective product categories in which it operates. The company believes that this contributes significantly to their achieving and maintaining a dominant position in the market. Perfetti Van Melle has also successfully adapted its products to the Indian palate, serviced the market with superior products and ensured the maximum flexibility to give what the market would demand.

**Strong brand building**

Perfetti Van Melle has also shown creativity in its packaging as well as communication and promotions. Big Babol redemption contests, Cofitos Click Card promotion are examples of this. Alpenliebe, Big Babol, Chlor-mint are all brands built in the past decade and advertising has played a key role in the same. A series of conventional and non-conventional branding techniques and media innovations have been utilised to promote the company’s products in India. Besides media vehicles like television, radio (FM), press, outdoor and on-ground activities as well as “point of purchase” promotional material have been used tactically, across the country. The company believes in being flexible when deciding spends on a specific brand and lets the market factors determine spends on the brand and on different media vehicles. However, advertising has to be backed by availability of the product, in order for the advertising to deliver the desired results and Perfetti has taken care to ensure the same.

**Constant re-invention of brands**

The company continually works towards developing its brands and goes to the extent of re-inventing the same if the situation demands. An example is the brand Cofitos that was relaunched at a lower price point because of the market demands. Variants of Alpenliebe were also launched in the year 2002 to take the brand
forward and to create excitement in the market. Similarly the company has worked on the positioning of brands like Chlor-mint and modified the same in order to develop it further.

Despite several constraints in the structure of the Indian confectionery market, Perfetti Van Melle expects to embark on its growth path. In a nutshell, its success is expected to be the result of superior quality and state-of-the-art products, distinctive marketing strategies, continuous improvement through research and innovation, care for people and dedication to surrounding communities and environment. The strength and market dominance gained in India has allowed the company to extend its horizons beyond the Indian boundaries. The company now exports to several neighbouring countries and has started a new manufacturing unit in Bangladesh.

**Future plans**

Perfetti Van Melle’s vision is to enhance its world leadership in confectionery by creating value for people through delightful and imaginative high-quality products.

The company’s mission is to:
- Develop, manufacture and market high-quality and innovative products for consumers, through efficient use of its resources and in partnership with its customers
- Create a fulfilling workplace for its employees built on trust, mutual respect and appreciation of their diversity
- Value the role it plays in communities, as a socially and environmentally committed organisation
- Generate economic value through superior growth and profitability

India and China are the focus countries as per the Group’s global plans, given the important positions of these two economies at the global level. In India the company strives to change the face and nature of the confectionery industry. It aspires to shift it away from the unorganised segment, dominated by low quality and unhygienic products, to a more competitive and organised scenario, dominated by high quality manufacturing, innovative advertising and widespread distribution extending even to small towns and villages.

*Living the Perfetti Van Melle Values requires courage, vision, trust, commitment and pragmatism.*

*The following values guide the company’s actions in achieving the mission:*
- Integrity without compromise
- Achieving excellence
- Dedication to the consumer
- Care for its people
- Social and environmental responsibility
- Independence

**Perfetti’s India operations**
- Perfetti Van Melle is the undisputed market leader in India, having the largest distribution network amongst confectionery companies
- Alpenliebe rated as one of the 150 most trusted brands in the country
- Rated among the top four advertisers in the country during the Abbey Awards of 2003, 2004 and 2005
- Rated by AC Nielsen among the top ten fastest growing FMCG companies in India in the year 2002-3/2003-04