A Level Edexcel Business Paper 3: Resource Pack

Prep Material and Case Studies

2026: The Confectionery Industry

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Contents

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- Dubai chocolate on a plate courtesy of Ionenlaser
- Hotel Chocolat shop courtesy of Edward Hands
- Angus Thirwell courtesy of Hdalby33

Teacher's Introduction

Accessing the digital resource
This resource is accessible online via **eRevision.uk** – ZigZag's digital learning platform. Once set up, students can log in from home and you can set tasks and reading for homework. We recommend you read the 'Teacher guide' and 'Quick set up guide' found on your eRevision account.

If you have not already done so, please provide us with an email address to set up eRevision access. You can do this by emailing customerservices@zigzageducation.co.uk with your name, school, email address and invoice number.

Remember!
Always check the exam board website for new information, including changes to the specification and sample assessment material.

This resource has been produced to support the research required for the pre-release paper for the A Level Edexcel Business Paper 3 (**Investigating business in a competitive environment**) exam, which students will sit during summer 2026. The context for the 2026 exam is the confectionery industry.

This resource is divided into the following sections:

- **Topic notes** – The notes offer an overview / background reading to support the six research bullet points specified by Pearson. During their GCE course, students will have already learnt much of the key theory; however, this section links the theoretical points with the specific industrial context for the 2026 exam. The content of this section should also be supported by students' theoretical notes and a good course companion.
- **Activities** – These are interspersed throughout the topic notes. They support the students' own independent research, and reinforce their learning and understanding related to the specific industrial context. These activities could be used as homework or classwork activities.
- **Case studies** – There are three case studies included in the resource, which include questions to support wider discussion/research. These case studies put all of the topics considered into context, and support students to use real-life examples in their work and think analytically.

Due to the nature of the research task, this resource aims to merely stimulate discussion and support students' wider research. The resource has been written independently without any sight of the actual exam materials that will be released in the summer of 2026. The resource should be used in conjunction with a good textbook and is intended to put many of the theoretical points detailed in the textbook into the context of the pre-release research task.

Please note that some of the material included in the case studies is based on real-life contexts/information, but other elements are purely fictitious to enable all aspects of the specification and research task to be covered.

The author has consulted a range of third-party studies / statistics to produce this resource. The figures and data are presented in good faith and the author accepts no liability for data that is inaccurate, misleading, etc.

The author has delivered a range of business courses for over fifteen years and examines Pearson Edexcel GCE Business Paper every summer.

January 2026

This resource is intended to supplement your teaching only.

As with all pre-release material it is the teacher's responsibility to decide in what way to assist their students. It is the teacher's responsibility to decide how this resource in particular can be used to fit into that assistance. You may simply wish to read this material to better inform yourself and to help you prepare your lessons and get ideas for your teaching. You may also consider whether it is appropriate to distribute some of the material for reference and to use some of the tasks for classwork and homework. You may consider making the whole resource available to be worked through by your students more independently.

The content of this resource is provided as one experienced teacher's interpretation of the A Level **Edexcel Business pre-release material**. The author does not have any special knowledge of what to expect on any particular exam.

Pre-release information

The context for the 2026 exam is the confectionery industry (which includes biscu international businesses operating in this market.

To prepare for the 2026 context, Pearson advises students to research the followi into six bullet points:

1. Current trends in the consumption of confectionery and biscuits	Trends influencing the market currently such as customer tastes and preferences plus ethical considerations.	This secti current t consump biscuits.
2. Business growth in the UK and world confectionery market	Business growth and development is an important consideration for all businesses operating in the sector.	How busi confectio grow the this secti the busir
3. Different businesses in the UK confectionery retail market: independents and multinationals	The UK market is made up of many different forms of business including independents and multinationals which are the focus of this section.	This secti types of l indepenc
4. The external business environment and its impact on small businesses operating in the confectionery market	Factors in the external business environment can impact small businesses operating in the confectionery and biscuit markets.	This secti factors in environm small bus
5. Global marketing by confectionery businesses	Global marketing is an important consideration for businesses selling products globally to attract and retain customers.	The diffe when ma biscuit pr explored
6. Local, national and international economic influences on confectionery businesses	Local, national and international economic factors influence businesses selling confectionery and biscuit products.	The impa internatio business biscuit pr depth in

Students should note that they are not able to take any of their research or invest conducted as part of the pre-release study into their summer 2026 examination.

All of the topics will be considered holistically as they all overlap. It would be inap the bullet points in a purely linear fashion. This resource should be used holisticall

Section 1: Current trends in the co
confectionery and biscu

Specification focus:
1.1.1 The market
1.2.2 Supply
1.3.
1.2.1 Demand
1.3.1 Product/service design
3.1.

What is meant by the term confectionery? It is a word that is commonly used in e
range of products. A definition of confectionery arose from the purchase tax case
Excise v Popcorn House Ltd (1968 4 All ER page 782) whereby a decision had to be
sweetened popcorn was 'confectionery':

> *'any form of food normally eaten with the fingers and made by a cooking pro*
> *which contains a substantial amount of sweetening matter'*[1]

The 1968 case held that sweetened popcorn is confectionery.

The confectionery market is a vast industry and includes:

- Chocolate – bars, boxes/tubs of individual chocolates, truffles and chocolate
- Sweets/candy – traditional boiled sweets, rock, lozenges, pastilles, hard cand gummies, jellies and chewy sweets
- Fudge
- Toffee
- Marshmallows
- Marzipan
- Sugar-coated nuts, e.g. almonds
- Candied nuts
- Sweetened popcorn
- Gums and mints – chewing gum, bubble gum, mint sweets and breath freshe
- Biscuits – sweet biscuits, cookies and chocolate-covered biscuit bars
- Certain pastries and baked goods

Activity 1

Confectionery is
well-known pro
list of as many c
that you can thi
brands for extra

Some publications discuss 'baker's confectionery' and 'sugar confectionery'.

Products can be categorised differently in diverse countries. For instance Snickers
considered a chocolate bar in the UK whereas in the US it is more likely to be calle

Confectionery is, therefore, a vast term and covers multiple products which are o
indulgence, celebration or gifting. They are typically distinguished from everyday
vegetables). Confectionery products often have a high sugar or sweetener conten

The UK confectionery market is valued at about $17 billion, the equivalent of £13
market is forecast to increase to about $21–22 billion by 2030 (Mordor Intelligen
annual growth rate of 5.37%. The growth is predicted to be fuelled by the followin

- Increasing demand for premium products
- Shift towards healthier and [illegible] recipes including 'functional' sugar confectio collagen gummies
- Plant-based and vegan options
- Seasonal gifting culture and personalised/bespoke confectionery
- Expansion of e-commerce and online retail platforms

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[1] *https://www.gov.uk/hmrc-internal-manuals/vat-food/vfood6120*

Chocolate and candy bars

The chocolate market is one of the largest and most valuable food product markets globally, with a value of around $120 billion in 2023. Future Market Insights reports that the international demand for chocolate is forecast to grow by about 7% per annum. The market should reach a total value of $161 billion by 2033.

Global growth is replicated in the UK market. In 2023, sales of chocolate products
£5.9 billion. Mintel predicts that this will increase to £6.7 billion by 2027.

There are hundreds of businesses that make cocoa, chocolate and sugar confecti
and candy bars. The sector of the UK confectionery market includes some large global
Mondelez International, Nestlé, and Lindt & Sprüngli. Other well-known leading
Hotel Chocolat, Thorntons, Tony's Chocolonely, and Montezuma's. Alongside the
retail businesses and supermarkets also have their own brands of chocolate. The
especially artisan products, has led to a growing number of chocolate businesses
reported that 54 new businesses opened in 2023; mostly based in London. The m
competitive with pricing battles.

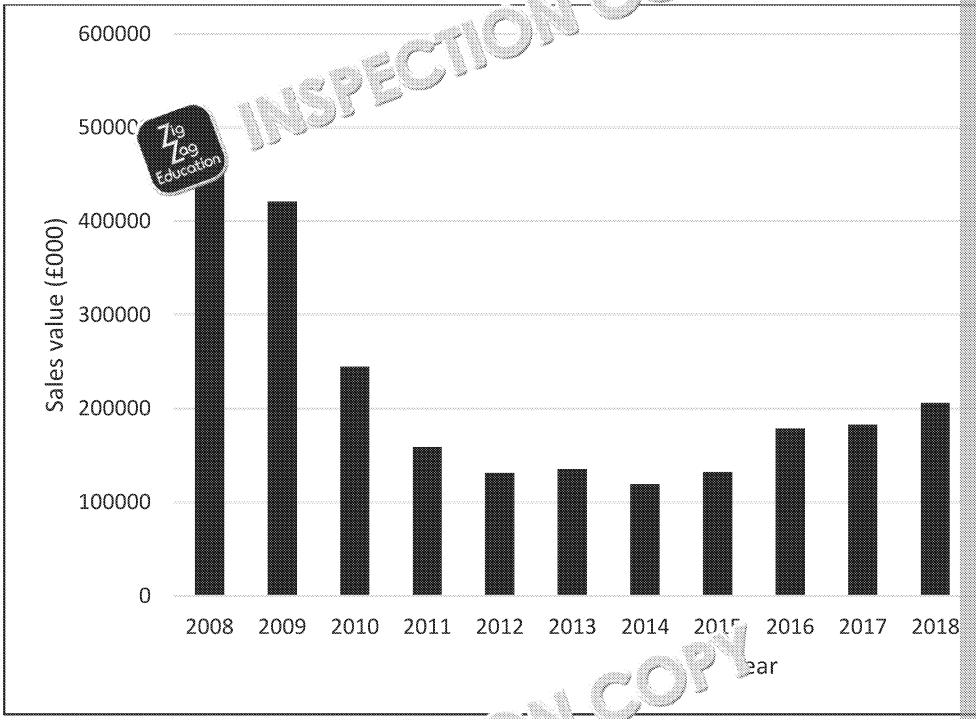
*Many supermarkets and retailers sell own-brand chocolate
to rival brands.*

Approximately 10 of the leading businesses in the chocolate sector have a turnov
about 20 have a turnover between £10 million and £49.9 million. This shows that
businesses operating in the sector.

It is reported that about 115,643 tons of chocolate are sold each year in the UK (S
down on the historic high of 2018 when 146,517 tons of chocolate were sold.

However, in spite of reduced consumption generally the sales value of chocolate
at its highest level since 2008. About £498 million worth of chocolate products m
2023, which was the latest year that data was available.

Figure 1: Sales value of chocolate bars that were made in the U



Holiday periods, celebrations, and festivities contribute substantially to sales of c
of gift for c[illegible] for instance, birthdays, Easter, Christmas and Valentine's Day a
which chocolate businesses produce specialist products (e.g. Easter eggs). Innova
combinations of flavours also generate demand, as businesses constantly experi
Increased middle-class demand in developing markets is also creating high dema
incomes allowing greater consumer affordability for high-end products.

Chocolate is sold in a range of formats including traditional bars that had a value
to Future Market Insights. Other formats include buttons, individual chocolates,
eggs/bunnies and Santas, truffles, and drinking chocolate to name but a few.

Chocolate is also a very portable product which adds to its appeal. Chocolate bar
pocket, and this makes them an easy snack for busy consumers on the go. This c
favourite treat for individuals seeking a quick indulgence at work, school, or whil

Also, chocolate bars are readily available and suitable for different budget plans,
produced bars to high-end, handcrafted ones. Such a broad price range makes ch
of all incomes. The competitiveness of chocolate bars as an impulse-buying choic
supermarkets and vending machines is based on their relative affordability.

In the UK, the main chocolate types are white, dark and milk, but varieties includ
or orange, fillings (caramel, nougat, biscuit), aerated chocolates (such as Aero), a
chocolate. The milk chocolate segment of the market represented a value share
Future Market Insights.

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[2] *https://www.statista.com/statistics/481691/chocolate-bars-value-sales-in-the-united-kingdom-*

Alongside the different chocolate types, product recipes are also varied to target
dietary needs, e.g. vegans/dairy-free, gluten-free, diabetic, sugar-free/keto-friend

Chocolate is traditionally bought in a physical retail location, e.g. convenience sto
even vending machine. However, Cadbury reports that online sales are proving su
online sales outperform traditional retail sales.

Many people in the UK enjoy eating chocolate. A survey in the summer of 2025 fo
said that they like to snack on chocolate and candy bars. Only 7% of respondents
chocolate and candy bar products.

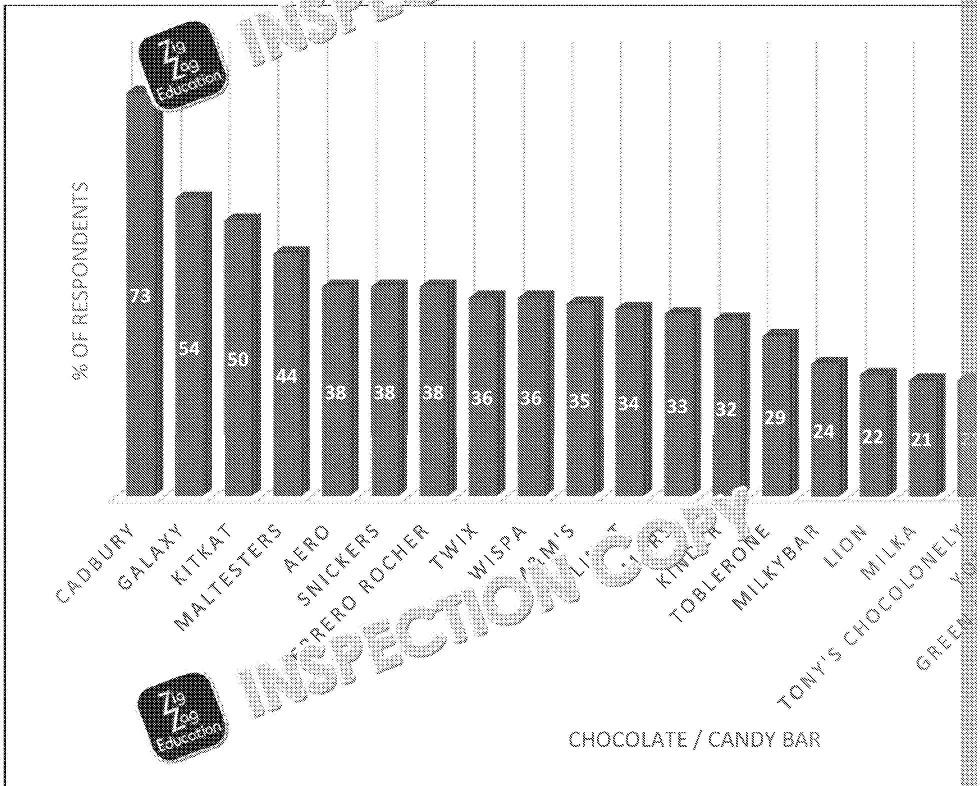
39% of UK consumers said that they could not imagine their life without chocolat
A similar number of consumers state that they rely on chocolate and candy bar p
trust. 43% of people said they had a favourite chocolate or candy bar brand that
This emphasises the importance of brand loyalty within the sector.

Most established chocolate businesses report that sales are split equally betwee
Research by Statista also suggested that most sales are to individuals between th

Lots of research is carried out to investigate the favourite chocolate product/bra
when analysing the results of these surveys as they are sometimes commissioned
manufacturer from the sector, which could lead to some bias in the results.

In June and July 2025 a survey was carried out to investigate the most frequently
bar in the UK; 1,246 people responded. The results are shown below which highli
those surveyed had consumed Cadbury chocolate in the past year. Galaxy was th
consumed product, with 54% of respondents.

Figure 2: The percentage of respondents who have consumed the following
(June/July 2025)



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[3] *https://www.statista.com/statistics/1457097/chocolate-and-candy-bars-consumption-by-brand 20candy%20bars%20consumption%20by%20brand%20UK%20in%202025,chocolate%20and%20*

Activity 2

Create a short survey to find the most popular chocolate brands/products in your class.

Cadbury Dairy Milk is the leading c
terms of sales. Cadbury Dairy Milk i
Mondelez's portfolio. About £680 m
sold each year, which is three time
rivals – Maltesers and Galaxy.

Cadbury is one of the top chocolate and candy bar brands in terms of brand awar
that approximately 95% of consumers recognise the Cadbury brand. KitKat, Snick
by a similar proportion of consumers.

Activity 3

Ever wondered how chocolate products are made? Watch this episode of *Inside the Factory*: zz

Paddy McGuinness visits the Guylian chocolate factory, on the outskirts of the very Christmass
Belgium, to learn how chocolate seashells are made ready for the Christmas rush.

Biscuits

A biscuit is a small, hard, dry baked good which is typically flat and sweet in taste. It may have different finishes such as jam, a cream filling, icing, oats or chocolate. In the UK, biscuits are often enjoyed with a hot drink such as a cup of tea. Many people enjoy dipping, or dunking, a biscuit into the drink to make it soggy/soft. In the US, biscuits are often referred to as cookies or crackers.

There are specific requirements for a product to be described as a biscuit. Legally a
rather than a biscuit, following a UK tax case in which a court held it's a cake becaus
stale, whereas a biscuit goes soggy. This distinction is required for VAT (value adde
rated (tax-free) while chocolate-covered biscuits attract tax, so the judgement save
charge VAT on its product.

Similar to chocolate, lots of research is carried out to investigate the most popula
UK. Care must be taken when analysing the results of these surveys as they are so
sponsored by a manufacturer from the sector, which could lead to some bias in th

There is no government data about the UK's favourite biscuit brand; however, ce
list of surveys, particularly chocolate digestives, Oreo and shortbread. Here is a li
alphabetical order:

- Biscoff
- Bourbon
- Chocolate chip cookie
- Chocolate finger
- Custard cream
- Digestive (plain)
- Digestive (chocolate)
- Fig roll
- Fruit shortcake
- Garibaldi
- Ginger nut
- Jammie dodger
- Malted milk
- Nice

Is your favourite biscuit included in this list?

Alongside the different types of biscuit, product recipes are also varied to target market segments with specific dietary needs, e.g. vegans/dairy-free, gluten-free, diabetic, sugar-free/keto-friendly, and nut-free.

Activity 4

Create a sh
biscuit bran

Brands are important in the biscuit sector, with many leading brands such as Fox' and McVitie's. However, there are a lot more own-brand variants of biscuits compared to the chocolate sector. Many consumers are less brand-loyal for bisc than chocolates, and own-brand options tend to be more readily available. Most supermarkets offer a full range that replicate the leading brands. Some supermar include similar colour packaging to the leading brands for biscuit ranges.

Biscuits come in a range of formats including flat discs/rounds, sandwich biscuits (with a cream or jam filling in the middle), bars/fingers, which are often covered i eaten on the go, bite-sized minis in small bags, which are again aimed at the on-t shaped biscuits.

Biscuits are sold in a range of formats such as:

- traditional packs which include standard sized biscuits of the same variety
- packs of assorted biscuits
- individual mini packs of two or three standard sized biscuits to accompany a hot drink
- bars/fingers which are individually wrapped, similar to a chocolate bar
- small bags of bite-sized/mini biscuits
- novelty shaped biscuits which may be sold in a bakery / supermarket bakery

According to Statista, in 2020 £534 million of biscuits were sold. The UK biscuit m

Biscuits are a convenient food to consume in a range of situations, e.g. as a quick include in a lunchbox, or when entertaining.

There is a blurring line between biscuits, cakes and confectionery as manufacture product formats. For instance, well-known brands such as McVitie's Chocolate Di minis aimed at the on-the-go market. These products could be substitutes for cho lunchbox. The landmark Jaffa Cake legal case also illustrates the challenge in clas

Biscuits are a popular 'go-to' option for people in times of stress. Biscuits are vie times, especially as biscuits are a relatively affordable treat. The marketing of ma messages to connect with nostalgic consumers. According to JPL Flavours (2026) like more traditional recipes to be offered by retailers.

JPL Flavours (2026) cited some research conducted by Professor Charles Spencer of the University of Oxford that discovered that comfort food may help people overcome feelings of loneliness. It can do this by 'triggering' positive memories associated with home cooking. 'Neurogastronomy' is the study of how the brain creates the sense of tast preferences to the taste and flavour of comfort foods can stimulate psychological a

Did you
'Neurogas
brain crea

Although the comfort of traditional biscuit recipes helps well-established biscuit popularity, innovation in the market is thriving with new flavours, formats and li being launched.

The premiumisation of biscuits is an interesting trend as consumers look for mor financial pressures. Food is often viewed as an affordable treat.

> *Innova Market Insights report indulgent options featuring rich flavours like s praline and dark chocolate are seeing strong uptake, particularly among you flavours include layers, texture differences and luxurious coatings that to upgrade their snacking experience. The Grocer's Biscuit Review 2024 also luxury innovation in terms of flavour and texture as drivers for the biscuit cat we see continuing into 2025.*[4]

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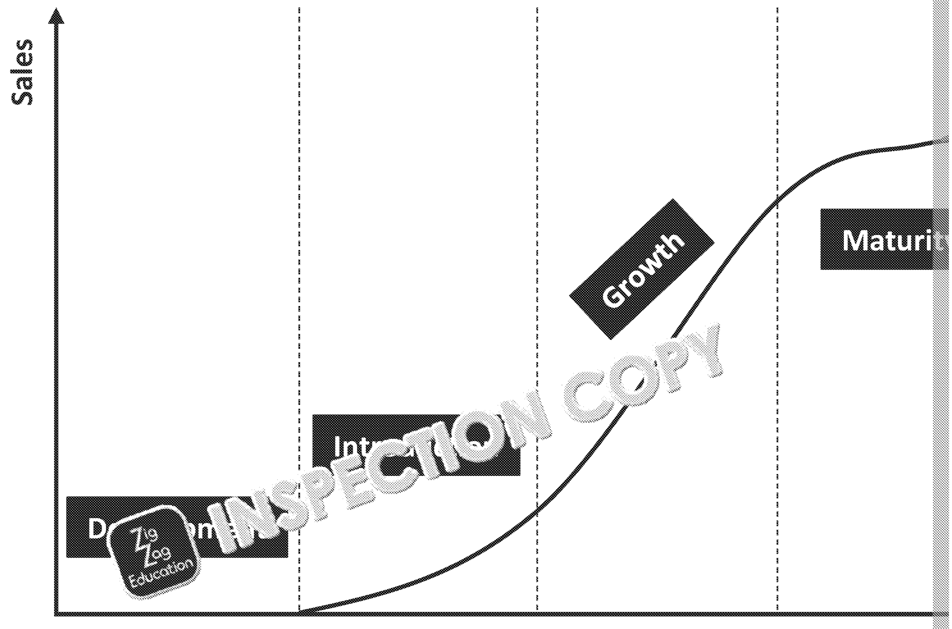
[4] JPL Flavours, 2026, *https://www.jpl-flavours.com/exploring-comfort-foods/*

Manufacturers regularly extend brands with new variants of popular products. For i were first introduced as an oaty plain biscuit; however, the brand has been extende such as plain/milk chocolate Hobnobs and orange Hobnobs. Biscuit manufacturers trends and introduce healthier versions of their products to appeal to consumers w treat as part of a balanced diet. McVitie's Digestives Biscuits The Light One is an exa whereby the recipe uses 30% less sugar. Adding new products is a tested way to ex new product may appeal to a new market or encourage existing customers to buy

Innova Market Insights stated that 45% of UK consumers prefer milk chocolate in goods. There has been a 3% increase in milk chocolate flavoured product launche Innovation around chocolate toppings with fruit, nut and caramel offer opportunit consumers [illegible].

The product life cycle

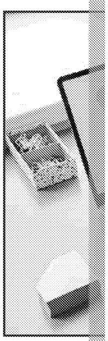
Figure 3: The product life cycle



Most products have a limited time span over which consumers want to buy them from product to product. The marketing teams of confectionery manufacturers co generated by specific products/brands within the product portfolio. If they notice heading for decline they are likely to take action which may include an extension s product. Gypsy Cream biscuits were popular oat biscuits with buttercream filling i McVitie's. However these biscuits were discontinued around 2005. Although McVi the product, there are similar versions still available such as Fox's Crunch Creams. assess the value of the product to its portfolio. Sometimes one manufacturer can declining product which may be unprofitable for another business to continue to

The product life cycle model illustrates the different stages in a product's lifetime and the sales at each stage. It allows a business in the confectionery industry to decide on which marketing mix decisions to use depending on the product's stage.

Di
Th
to



1. **Development**
   All products need to be developed before they are sold. At this stage, the business:
   - carries out market research before the product is launched to assess demand and to ensure that it is designed to meet customer needs
   - may create and test a prototype of the product to assess its physical attributes and performance

   While the product is being developed the entrepreneur/business is unlikely to promote it, to prevent competitors from stealing the idea and cr and launch it first. This would result in the original business missing the op

2. **Introduction**
   The product is first launched onto the market during this stage but customers business will promote the product to increase customer awareness and enco people most likely to buy the product are those that like to buy a product as s who must have the latest technology). Sales will rise slowly.

   Different businesses will adopt different types of pricing strategy:
   - Some may charge a low price to attract customers to try the new produc
   - Others may charge a high price to make back the costs of developing the want to be the first to try something are prepared to pay a higher price.

Activity 5

Carry out research online to investigate some of the new biscuit variants sold that are in the in cycle. Would you buy the new variants, and do they follow any specific trends?

3. **Growth**
   Sales of the product increase swiftly as the product becomes well known, cu is sold in more locations.

   The product often starts making a profit, but promotional costs are high as co product and start to bring out similar products. Promotion aims to:
   - outline the product's benefits over the competition (i.e. differentiate it)
   - develop or strengthen the brand's image
   - attract more customers

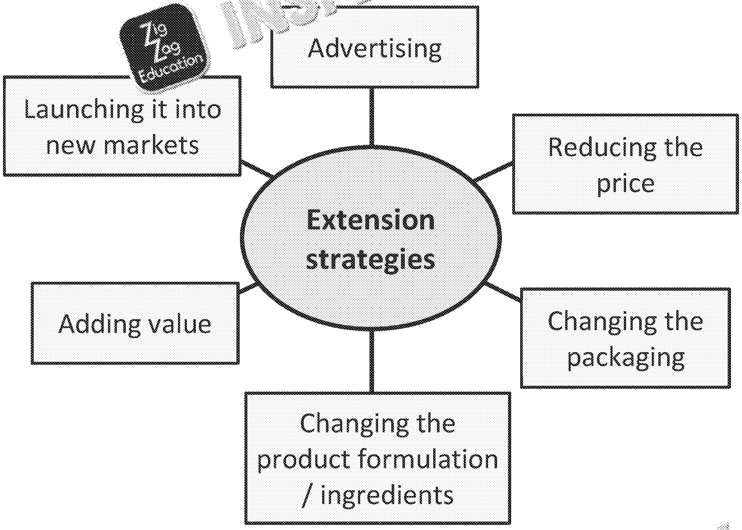
4. **Maturity**
   Sales and profits reach their peak during maturity. Most customers with a ne purchased it. The product may be a mainstream product. Competition is likel have a lot of choice. Promotion should therefore focus on keeping the produ price to keep customers loyal).

5. **Decline**
   Sales of the product and profits start to fall rapidly. The product is likely to be and/or products may have come to the market. Due to reduced customer de withdraw the product from sale. If there is still some demand for the product the product to maximise the income generated from it and cover the money development. If the business decides to withdraw, it will need to develop ne market to survive. The price of the product is likely to fall to maintain desirab advanced or appealing products.

If a product is entering the decline stage of the product life cycle, the busines cycle of the product. An extension strategy is a way of lengthening the produ decline stage. If successful, extension strategies can help product sales recov in decline.

Activity 6

The product life cycle model can be used in a similar way for chocolate products. Carry out res by one chocolate manufacturer, e.g. Cadbury, Thorntons or Hotel Chocolat. Identify examples each of the five life cycle stages. Share your work with another student – do they agree with y



Acti

Think a
strateg
Make a
disadv

Special edition biscuit variants are also sold for a short time, such as McVitie's Pin Chocolate Digestives and McVitie's Digestives The Light One Golden Cinnamon. Th increased customer demand for new and exciting product variations. The seasons Festive flavours such as [illegible] gingerbread and cranberry appear in winter, le light fruity options such as lemon and elderflower are seen more during the sum these produ[illegible] deliberately short, but sometimes they reappear as a regular pa particularly popular with consumers.

Mintel's Sweet Biscuits Market Report 2024 stated that seasonal and limited editi of buyers of sweet biscuits to buy more. This points to a desire for 'security' in the edition variants as a valuable strategy to drive engagement.

Social concerns about obesity and the rise of healthy eating are covered under so external business environment later in this resource. The trend for healthy eating way to chocolate. Biscuit brands are responding by offering options with no trans nutrient-rich ingredients like fibre and protein. Customers of different age groups problems. Younger people tend to care more about skin health and energy, while more about weight management and healthy ageing.

According to Mintel, 36% of UK consumers seek more low-sugar biscuits, while 22 high quantities of protein. Almost half of British consumers struggle to control the sugar quantities in products, [illegible] a challenge for many confectionery produce wants/needs.

Activity 8

Curious about how biscuits are made? Watch this episode of *Inside the Factory* on BBC iPlayer

Paddy McGuinness explores the secrets of the Jammie Dodgers factory in south Wales, reveali 4.4 billion biscuits a year.

Specific challenges and summary of future trends for co

There are several key challenges and trends influencing confectionery producers. of the key issues which are then explored in later sections of this resource in det

Cost of raw materials

A specific challenge for the c the increased cost of raw ing export fees, and environmen decrease in the cocoa harves chocolate is cocoa, which co tree. A key publication in the industry, Confectionery New material costs have meant th their pricing and reduce the s offered. BBC News reported a the price of chocolate rose by the Office for National Statistics (ONS). In comparison, the ONS figures from Octo the price of food products rose 4.8% overall. The price of chocolate experienced t across all food products in the ONS data, behind beef and veal. The increase in pr some businesses reducing the size of products (shrinkflation), increasing the price changing recipes so that a lower proportion of cocoa is used.

It is not only cocoa that has increased in price over recent years. Sugar has also ri which affects both chocolate and biscuit producers.

Demand for quality and luxury

Consumers increasingly demand luxury, artisan and craft chocolates. Consumers a enhanced quality products with distinguishing flavour and experience proposition are also becoming more popular; food is often viewed as an affordable treat.

> *Innova Market Insights report indulgent options featuring rich flavours like sa praline and dark chocolate are seeing strong uptake, particularly among you flavours that include layers, texture differences and luxurious coatings that to upgrade their snacking experience. The Grocer's Biscuit Review 2024 also luxury innovation in terms of flavour and texture as drivers for the biscuit ca into 2025.*[5]

Product innovation

Manufacturers regularly extend brands with new variants of popular products. Fo were first introduced as an oaty plain biscuit; however, the brand has been exten such as plain/milk chocolate Hobnobs and orange Hobnobs. Biscuit manufacture eating trends and introduce healthier versions of their products to appeal to con favourite treat as part of a balanced diet. McVitie's Digestives Biscuits The Light O innovation whereby the recipe uses 30% less sugar. Adding new products is a tes life cycle.

Economic challenges

The economic environment is increasingly challenging, and confectionery busine environment. Some more expensive brands are finding that consumers are choos alternatives in response to lower disposable incomes. Whereas other customers v affordable luxuries which they maintain, or even increase expenditure on to try to e.g. comfort food. The increases in the prices of raw materials put pressure on co margins, especially as there is reduced room to pass the full extent of the price ri without impacting demand/sales.

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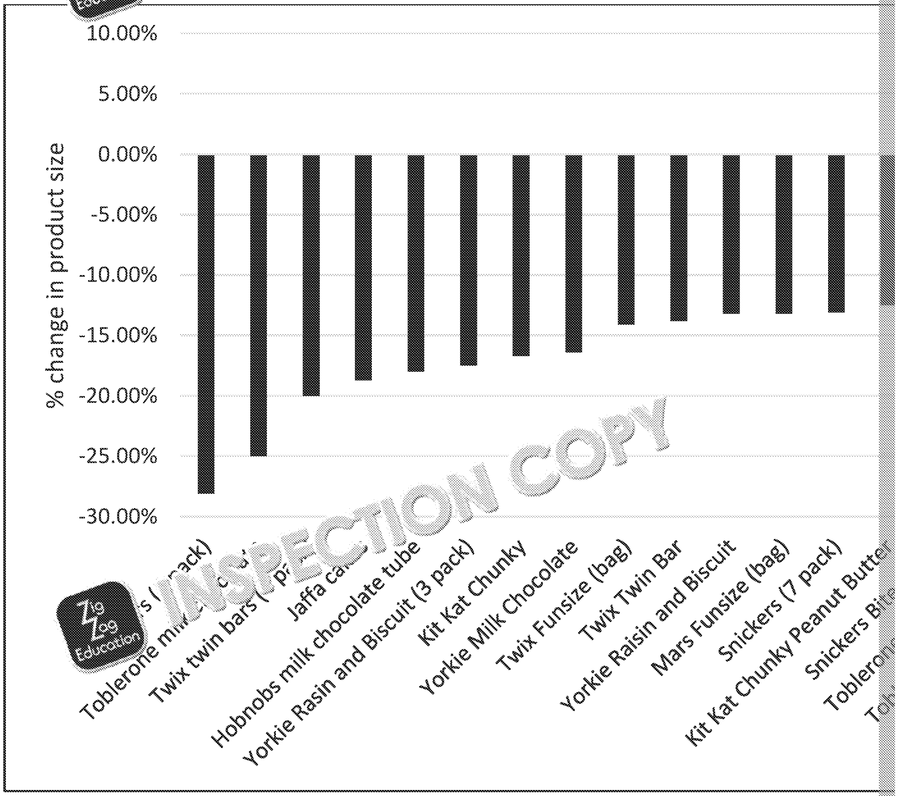
[5] JPL Flavours, 2026, *https://www.jpl-flavours.com/exploring-comfort-foods/*

Shrinkflation

Shrinkflation is a trend that is affecting many types of food, including confectionery and biscuits. The cost of producing products has rapidly increased over the past few years. Cost of living pressures have restricted the ability of manufacturers to pass on cost increases to consumers, so many businesses are reducing the size of products to manage rising ingredient and operational costs without significantly upping prices. This is known as shrinkflation. In 2018 BBC News carried out research on shrinkflation and found that 18 out of 19 popular confectionery and biscuit products had reduced in siz table below summarises the findings on the changes in weight between January 2

Figure 4: Change in weight of chocolate products (2014

Product	January 2014	January 2
Snickers (4 pack)	232g	
Toblerone milk chocolate	200g	
Twix twin bars (4 pack)	200g	
Jaffa cakes	150g	
Hobnobs milk chocolate tube	250g	
Yorkie Rasin and Biscuit (3 pack)	160g	
Kit Kat Chunky	48g	
Yorkie Milk Chocolate	55g	
Twix Funsize (bag)	320g	
Twix Twin Bar	58g	
Yorkie Raisin and Biscuit	53g	
Mars Funsize (bag)	288g	
Snickers (7 pack)	336g	
Kit Kat Chunky Peanut Butter	48g	
Snickers Bites (bag)	136g	
Toblerone Fruit and Nut	400g	
Toblerone Milk Chocolate	400g	
Kit Kat 4 Finger Bar	45g	
Jaffa cakes (3 pack)	450g	



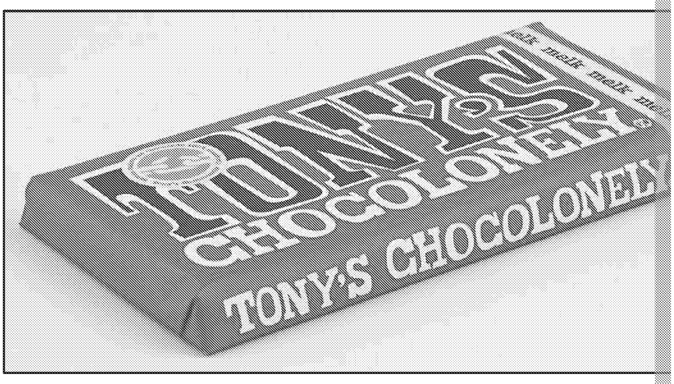
Source: BBC News, 2018 (*https://ww*

Although the research findings were in 2018, shrinkflation is continuing to be an i unhappy about it with a lot of negative social media coverage about how product The *Independent* reported that some businesses are reducing chocolate bar size b manage the rises in costs and declining sales.

Sustainability

Consumers are more environmentally aware and looking for sustainable packagin ethical standards. Alongside taste, some consumers are prioritising a brand's sust making a choice. Many consumers are prepared to pay higher prices for a more s

Sustainability forms a core part of the brand reputation of some brands such as This business has put a lot of work into deforestation-free sourcing, sustainable f environmentally friendly packaging and reducing carbon emissions.



Section 2: Business growth in the U
confectionery market

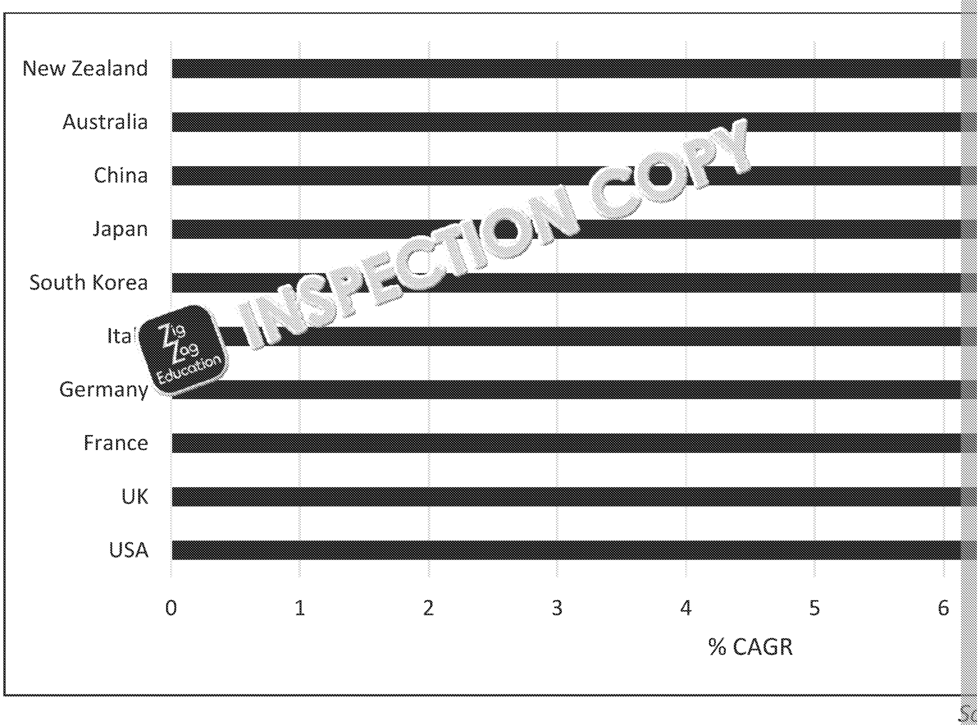
Specification focus:

- 1.1.1 The market
- 1.2.1 Demand
- 1.2.2 Supply
- 2.5.3 The competitive environment
- 3.1.4 Impact of external influences
- 3.2.1 Growth
- 3.2.
- 3.2.

The global biscuit industry is experiencing steady growth, forecast to hit over $10 supported by growing demand for convenient snacks, changing lifestyles, and innova gluten-free, low-sugar, and organic).

Despite numerous challenges facing the chocolate market in various countries, th expected to grow. Chocolate is a resilient product which is enjoyed by large propo form or another. There is such product variety that there are products to suit all t Chocolate manufacturers are also innovating new product choices to satisfy emer product life cycles. The graph below shows the compound annual growth rates p the next 10 years.

Figure 5: Compound annual growth rate of chocolate market in differen



So

The Chinese market is expected to see the highest growth rates (CAGR of 8.5%). T have consumed less chocolate compared with Western markets. There is increase chocolate especially among the younger age groups who are more interested in n pralines, and novelty items are increasing in popularity as gift items during Chines celebrations. Dark chocolate is increasingly demanded as Chinese consumers are looking for products with lower levels of sugar and increased cocoa content.

South Korea is another market with a high CAGR of 8.0% over the next 10 years. S Western consumption patterns which is supporting increasing demand for chocol consumption is especially popular among young adults and teenagers. E-commer the chocolate market in South Korea. The key challenges that this market faces in and competition from other snacking options that trend with health-based move

The Japanese market is predicted to increase at a CAGR of 7.6% between 2025 a in Japan is established and consumers are willing to pay high prices for superior, Japanese chocolatiers have perfected the trade of blending traditional ingredient offering a large product range from mass-market affordable products to up-mark increased demand for products with less sugar and dark chocolate alternatives a increasingly health aware. Japanese consumers also appreciate chocolate produc innovative flavours. This is important for the growing industry for premium choco within the general gifting culture of Japan, where chocolate products are used fo

There is significant demand for chocolate in New Zealand. Milk chocolate is the However artisanal, premium and luxury chocolate items are attracting increasing quality ingredients and sustainable sourcing. The demand for ethical and organic consumers become more eco-friendly and look for products to represent their li

The industry for chocolate confectionery in Italy is set to increase at a CAGR of 7. has a strong history of chocolate production, especially in areas such as Piedmon hazelnuts are a local speciality, which drives the industry growth. The Italian indu chocolates, and Italian consumers are increasingly turning towards high-end cho origin cocoa beans and with added ingredients such as nuts and fruit. The trend also helped increase dark chocolate consumption in Italy, with consumers opting cocoa and less sugar. Vegan and organic chocolate products are also gaining pop clean-label products. Chocolate consumption is linked to festive traditions, espec during which time festive chocolate products like chocolate eggs feature significa

The US chocolate confectioner 6.9% over the 10-year pe but still strong given t industry. The US is product markets, demand. The mo chocolate, followe with consumers b Premium chocolate products with in status, and artisanal production are gaining popularity as consumers develop inc

The other driving force for industry expansion in the US is growing demand for pl of traditional chocolate products, such as sugar-free and vegan alternatives. Man these trends through product innovations.

The UK chocolate industry is forecast to increase at a CAGR of 7.2% over the nex demand is driven by high demand for chocolate products for special occasions su The British industry is one of the largest chocolate markets globally. British consu eating chocolate as a snack or gifting as a present. Increased demand for premiu traded cocoa, is helping to support industry growth as consumers in the UK are i rather than quantity. There is also increased demand for healthier options in the and vegan chocolates. Growing awareness about ethical and sustainable practice influencing consumer buying decisions towards businesses that adopt fair trade prac are predicted to do well. There is also increasing demand for premium chocolate small manufacturers.

This summary shows that the chocolate market is set to grow in many key countries around the globe. There are many shared factors supporting this growth including the trend for healthy eating, increased demand for high-end products, e-commerce, popularity of chocolate for special occasions and gifting, plus sustainability.

The following table shows the industry share of the global confectionery market b

Figure 6: Industry share of global confectionery ma

Company	Industry s
The Hershey Company	15
Ferrero	10
Chocoladefabriken Lindt & Sprüngli AG	7
Mars, Incorporated	12
Mondelez International	8
Nestlé	7
CEMOI Group	
Barry Callebaut	
Lake Champlain Chocolates	
LOTTE	

Source: Future Market Insight

Activity 9

Carry out some research on the internet into the products sold by two of the companies in the unfamiliar with.

What do you think will be the key opportunities and challenges over the next five years for th

Present your findings and evaluation as a series of PowerPoint slides.

Business growth is a popular objective for many businesses within the confectione

Acti

Make a
disadv

There are two main ways that a business can grow:

- Internally (organic)
- Externally

Internal growth

Internal growth (organic growth) is where the business benefits from an increase grows by increasing its own size, i.e. building on what it already does.

The Ansoff matrix helps to understand and assess a business's strategies for growth. Any business can choose which strategy to employ for their product portfolio. Many firms employ different development options for different products/services, and the model can be applied to businesses in the music retail and distribution sector. This is one simple way of looking at strategic development options:

	Existing products	
Existing markets	**Market penetration**	**Produ**
New markets	**Market development**	**Di**

Each of these options holds different opportunities and downsides for different o
one business won't necessarily be right for another.

- Think about which option offers the best potential for your own business an
- Think about the strengths of your business/product and what type of growth enable most naturally.
- Generally diversification, by nature (unknown territory) carries the highest ri

Here are the Ansoff strategies in summary:

1. **Market penetration**
   Developing your sales of existing products to your existing market(s). This is f share to be had at the expense of your competitors, or if the market is growi growth needed. If you already have large market share you need to conside growth in this area would produce diminishing returns from your developme will increase the profit from this activity more by reducing costs than by acti Strong market share suggests there are likely to be better returns from exte products/services that you can offer to the market, as in the next option.

2. **Product development**
   Developing or finding new products to take to your existing market(s). This is have strong market share in a particular market. Such a strategy can be a sui another company or product/service capability, provided it is relevant to you route. Developing new products does not mean that you have to do this you another business who is willing to work in partnership with you to create a n

3. **Market development**
   Developing new markets for your existing products. New markets can also m market – it helps to stay reasonably close to the markets you know and whic completely different markets, even if the product/service fit looks good, hol unknown territory for you, and almost certainly will involve working through routes or partners. If you have good market share and good product/service associated markets or segments is likely to be an attractive strategy.

4. **Diversification**
   Taking new products into new markets. This is high risk – not only do you no do you know the new market(s), and again this strategic option is likely to en distribution channels and routes to market. This sort of activity should gener and supplementary to the core business activity, and should be rolled out ca and piloting.

Activity 11

McVitie's is one of the leading companies in the UK biscuit industry. It is always changing its p new products. As outlined earlier in this resource some of these products will be sold on a per available for a limited time only.

Carry out research into McVitie's product portfolio and give at least three examples of how Mc Ansoff strategies.

As an extension activity you should evaluate the success of each of the strategies used.

External growth

External growth is where a business grows externally. Two main ways of doing so are by merger or takeover.

A merger is where two businesses jointly agree to form one larger business. It is a quick way of expanding.

A takeover is where one business buys control of another. It would involve buying more than 50% of the shares of another company so owning the controlling stake. Again this is a quick method of growth.

Activity

Complete the paragraph using the word bank below. Not all words are used. Answers are on p

acquisition	hostile	friendly	50%
lifetime	externally	temporary	unhap

Companies can grow **___(1)___** in several ways. A business can take over another business wh its shares.

A takeover can be hostile or friendly. A **___(3)___** takeover is when the directors of the compa the takeover. A **___(4)___** takeover is where the directors do agree to the takeover.

A merger is where two or more firms agree to join their business operations together to becom arrangement.

A joint venture is where two or more firms link up together to work on a particular product or product or project or for a temporary period.

Activity 13

In 2020 the Italian confectionery business Ferrero purchased part of Fox's Biscuits from 2 Siste the deal Ferrero acquired the Fox's manufacturing plants at Batley and Kirkham which make F aim for the acquisition.

Carry out your own online research into this acquisition.

Evaluate Ferrero's acquisition of Fox's Biscuits. Did the acquisition support growth and Ferrero

Greiner's five (six) stage growth model

This well-known growth model was introduced in the Harvard Business Review in go through five stages of growth or business development. Greiner later revised t another phase. The model is best used to explain the stages of growth within larg

Greiner describes growth as a series of changes within an organisation that are ca various crises.

1. **Phase 1: Growth through creativity**
   This considers the entrepreneur who is the founder of the firm. Initially there and the entrepreneur undertakes most managerial and leadership roles. Eve management staff are required. The entrepreneur needs to manage the injecti alter the leadership style.

2. **Growth through direction**
   The business grows further – with increasing formality in terms of structures
   Eventually, the business becomes too big for the founder to manage alone. C
   crisis – there is a need for delegation and new management structures.

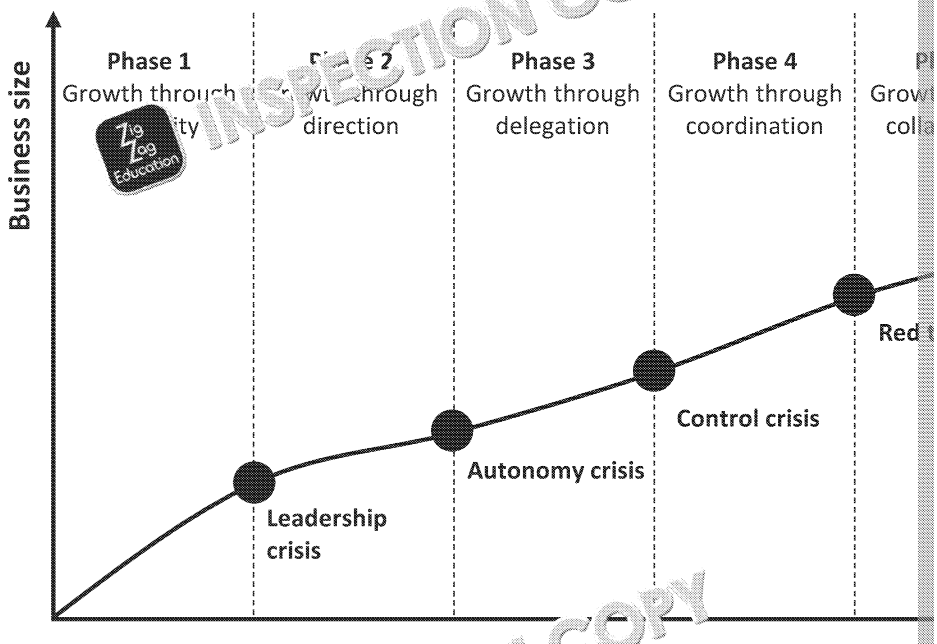
3. **Growth through delegation**
   At this stage the business will have senior and middle managers. The middle
   markets and spotting opportunities in the market. Senior managers take on a
   Here there might be a control crisis as the managers do not want to let go
   effective delegation.

4. **Growth through coordination**
   At this stage the business often has a head office and there are clear departm
   motivational schemes are established to enhance staff productivity. However
   bureaucracy, with the organisation struggling with excessive regulation, whic
   focus of senior leadership. Diseconomies of scale could become an issue.

5. **Growth through collaboration**
   The stage is characterised by the product portfolio being delivered using a m
   departmental teams. Team-based financial benefit schemes may be establish

6. **Growth through alliances**
   Typically the business can only grow further by working with partner organisa
   merger or joint venture. Specialist firms may be employed to help devise com
   via outsourcing.

Figure 7: Greiner's growth model



Growth has been challenging for many businesses in the confectionery sector dur
consumer preferences and social trends that favour healthier snack options have
businesses. Businesses which adapt to change in a timely manner have tended to
which react slower, possibly initially resisting change.

friendly; 5. mutual; 6. lifetime

Section 3: Different businesses confectionery retail market: ind and multinationals

Specification focus:

1.5.4 Forms of business
1.5.5 Business choices
1.3.4 Distribution
[illegible] The impact of MNCs

Did you kn
Supermarke
for 44.73%

The UK confectionery retail market consists of a range of different forms of business. Businesses can be categorised according to the type of owners private or public limited company. Alternatively the business can be categorised a operations, e.g. independents, national or multinational.

Many businesses in the UK confectionery retail market belong to the private sect businesses is to make a profit. Enterprises in the private sector may vary in size fr sole trader, to large public limited companies owned by hundreds of shareholder owns shares in a company by investing money. Shares represent the fraction of o has in a company. Shares are a unit of stock, which is the term used to describe a

Independent retailers

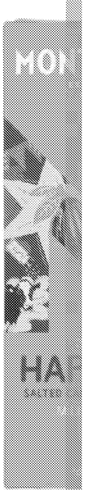
An independent retailer is a retailer that is responsible for its own business. They chain with other branches of the same brand. Independent retailers are often sm branch. They may be run by a family and operate as a sole trader or partnership. popular as they can reflect local customer needs/wants by adapting their produc

Independent confectionery retailers range from small, artisan producers to local retailers and specialist retailers offering unique, premium or nostalgic sweets and

Recently there has been a rise in independent artisan chocolate businesses that concentrate on international sales and export from the UK. The Department for Environment, Food and Rural Affairs highlighted that UK chocolate businesses now export to over 149 countries and are responsible for £680 million in sales. These businesses face unique challenges such as stricter export and import laws, food production laws, consumer concerns over sugar content and the sourcing of ingredients.

Montezuma's is a leading independent business which offers luxury bars, truffles, and gifts with a strong British identity. The business is family-owned. The business has created a reputation for making some of the finest and innovative chocolate products in the UK. The business started by offering products direct to customers via an independent retail store, but it then progressed to launching a website. The business now has a number of chocolate stores alongside its successful website.

Montezuma's marketing message highlights the business being fun-loving but also promotes the 100% sustainability of its products. Montezuma's uses the tagline 'Britain's Greatest Little Chocolate Company' on its website and promotions.



Sou

Many independent businesses are small with only a few employees. Cheddar Cho
of a small business based in Somerset. The business makes handmade, luxury fille
various sizes and flavours, including mint, orange, strawberry and lime; and a rang
Its products are aimed at personal and business customers including:

- Restaurants, pubs and hotels – the business offers individually wrapped choc
These businesses can use the products to add value by providing a welcome
example a chocolate square on their pillow, an after dinner mint, a biscuit wi
individually wrapped mints and sweets on the bar/reception desk.
- Weddings – couples can purchase foil wrapped chocolate hearts or personali
company's range of individual chocolates, mints and sweets.
- Corporate branding – the business offers chocolates and sweets with a busin
logo printed on the wrapper which they can use to grab the attention of a po
business promotions and seminars.

Activity 14

There are lots of
confectionery ret
Carry out some r
chocolate retaile

Independent retailers are often supplied by wholesalers such as House of Sarunds or Hancocks (World of Sweets) which supplies to over 22,000 independent customers.

A wholesaler is a person or business that buys products in large quantities from suppliers (often the manufacturer of the product) and sells them to retailers and/or other businesses in smaller quantities.
the distribution channel between the manufacturer/producer (who makes the pr

A retailer buys products from a manufacturer or wholesaler to sell on to consume
between the manufacturer/producer or wholesaler and consumer in the chain of

Wholesalers buy products in large quantities from suppliers (often the manufactu
them to retailers and/or other businesses in smaller quantities. This is known as b
independent retailers which don't sell sufficiently large quantities of any one proc
manufacturers to supply to them. The administration and delivery of processing m
and not worthwhile for the manufacturer, who often requires a minimum order si
of the supply chain between the producer and consumer.

Although the wholesaler carries out important tasks their services are not free. W
need to make a profit. This can make the price paid for the product by the retailer
wholesaler to make a profit. This increased cost may then have to be passed on to
confectionery product.

The Independent Retailers Confederation (IRC) represents about 100,000 indepen
It has been reported that there are over 50,000 convenience stores in the UK. In 2
retailers were specialised in confectionery/tobacco/news products (CTN). About 4
confectionery products.

Independent retailers offer a range of benefits:

- Variety as they sell niche products which may not be sold in supermarkets
- Strong customer relationships can be developed from a personalised service
- Nostalgia from offering traditional/retro products which help customers reco
- Support local producers and communities

Multinationals

Multinational companies typically have a head office in one country with operatio
They have investment, i.e. offices or factories making clothing products, outside t
tend to be large public limited companies, often with thousands of employees in

Key decisions and operations are managed from the head office. This is known as
Multinationals have to operate in accordance with the laws of the countries in wh
often they are so large that they can influence the government of that country, w
businesses who compete with them in the country. This influence is often viewed
and many multinational companies have received negative coverage as a consequ

However, the investment made by multinational companies can also be beneficia
may enable infrastructure improvements to support the operation of their busine
businesses and local residents. They often employ large numbers of local people
multinational company, which upskills them (i.e. teaches them additional skills). L
part of their supply chain, which may help them to expand and boost performanc
that the businesses that supply the multinational will need to employ more peopl
spend their salaries to buy goods and services from other businesses. These busin
increased sales and expansion. In this way, the multinational company's investme
generally. The investment will lead to greater economic prosperity in the country.

Often multinationals adapt their products to meet the local needs of customers i
operations in different countries enables multinational companies to adapt to loc
products for that specific market can be produced in that country, for instance a s
the specific climate or fashion trends of the country. This benefits the business w
each country can run independently to those in other countries if required.

Alternatively, some multinationals organise manufacturing across several countri
of production in each country. For example, raw materials may be supplied in one
components could be made in other countries, before assembling the final produ
product may be sold in other countries. The multinational business will mak
country to [illegible] for each aspect of production, according to:

- the type of raw material (as some materials can only be grown in certain clim
- the skills of workforce in each country
- whether the product is bulk-gaining or bulk-reducing

As the multinational business has operations in the other countries, it can protec
exchange rate fluctuations and trade barriers, which can affect profitability. To pr
multinational business will make and sell products within the host country to avoi
However, if the multinational organises manufacturing across many countries, it

In the retail sector of the confectionery industry there are lots of multinationals. S
retail outlets, particularly ones selling 'misfits', e.g. Cadbury has a factory outlet i
complex in Somerset. The shop sells a number of discounted Cadbury products. T
Clarks Village which sells a range of Haribo brand sweets including popular gumm
gummy bears and the MAOAM brand.

Types of ownership

Private sector enterprises often aim to make a profit, alongside other objectives. T
key features of the different types of private sector enterprises.

	Who owns the business?	Type of liability	Who is responsible f decision-making?
Sole trader	One owner (i.e. the sole trader)	Unlimited liability (responsible for all business debts)	The sole trader
Partnership	Two or more owners (partners)	Unlimited liability (in an ordinary partnership)	Each partner will have equal responsibility for decisions unless agreed differently in the partnership agreement written document that details the contract between the partners)
Private limited company	Shareholders	Limited liability	The board of directors, who are appointed by t shareholders
Public limited company	Shareholders	Limited liability	The board of directors, who are appointed by t shareholders

Sole trader

A sole trader is an enterprise owned and run by one person (i.e. the sole trader/proprietor). It is one of the most common forms of ownership for start-up businesses. There are many businesses in the UK confectionery retail market that operate as a sole trader such as the owner of a small one-off chocolate shop or someone selling online, e.g. via a marketplace site. Many businesses also start small and grow over time and a sole trader is a popular type of ownership at the start.

Sole traders have to complete all the tasks related to their business even if they are not experienced in those tasks. For example, an individual making luxury artisan chocolates may have many creative skills to produce the products but may have less experience of marketing their business or managing the financial aspects, such as doing the accounts. This could affect the quality of decisions taken.

A sole trader can keep all the profit made but they must make all business decisions on their own. This is a large responsibility and some sole traders find this aspect stressful.

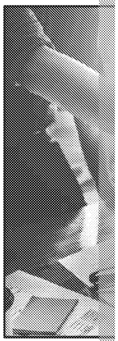
Sole traders have unlimited liability, which means that they are responsible for all business debts. So, if the business gets into debt, they may have to sell some of their personal possessions, such as their car or home, to repay the business's debts.

Activity 15

Discuss with ano
disadvantages o
as a sole trader.

Create a short p
advantages and

Partnership



A partnership is a business owned and run by two or more people, who are known as partners. The partners usually draw up a legal contract, a partnership agreement, which states each partner's role and share of profits. Many businesses in the clothing industry operate as a partnership such as market stalls, small shops or online sellers.

The partners jointly share responsibility for decision-making, which can lead to disagreements if the partners want different things or feel the business should develop in different ways. The profits are shared equally by the partners unless the partnership agreement states differently.

Each partner invests capital into the business and may also bring different skills a
partnership. This allows each partner to specialise in specific tasks or areas of the
partner may be responsible for marketing the business whereas another may do t
tasks in this way enables the owners to counteract each other's weaknesses.

Most partnerships have unlimited liability, so the partners are responsible for the
to sell some of their personal possessions to repay them.

It is important to choose partners carefully as all partners are liable for decisions
example, if one partner makes a bad decision that loses a lot of money, all of the
they were not consulted about the decision.

Private limited company

A private limited company is usually a small or medium-sized business that is own
some larger businesses continue to operate in this way.

Each shareholder invests capital into the business by purchasing a share. In retur
the shareholder receives a share of the profits, called a dividend. A board of direc
shareholders run the company and make decisions on their behalf.

Shareholders benefit from limited liability. This means that they are not responsi
business. They only risk losing the amount of money that they invested in the sha
companies are small, family-run businesses. Shares in a private limited company a
exchange (a place where shares and stocks are bought and sold), and can only be
permission of the other shareholders, which ensures that the shareholders maint
For this reason, the shareholders of many private limited companies are friends a
individual that set the business up initially. Some financial information must be p
view, for instance the profit/loss made and the value of the business's assets and
especially if competitors access the information.

Private limited companies have their own legal identity and can sue and be sued,
and owners.

Activity 16

Discuss with another student the advantages and disadvantages of running a co
as a private limited company.

Prepare a short presentation to explain the advantages and disadvantages that y

Public limited company

A public limited company is usually a larger business that is owned by shareholde into the business by purchasing a share, similar to a private limited company. Ho the shares are sold on the stock exchange and the permission of other sharehold shares. This means that the owners have no control over who can buy shares and shareholder buys 51% or more of the shares. This would mean that the majority decisions, as they have more voting power than other shareholders.

Shareholders receive a share of the profits, called a dividend, in return for their investment, and also benefit from limited liability and have a separate legal identity. A board of directors is employed by the shareholders to run the company to make decisions on their behalf.

Advantages and disadvantages the different private sector enterpri

Type of private sector enterprise	Advantages	
Sole trader	- The sole trader can make all decisions without having to discuss with anyone. - They can keep all profit made. - They are relatively cheap and easy to set up (i.e. no complex paperwork). - The sole trader can usually choose their own working hours and holidays, etc. This provides flexibility.	- They have - They may of busine - The sole t hours. Th work–life - They are or take ti - The owne trader's s owners to - It may be finance d - Business
Partnership	- They are relatively cheap and easy to set up (i.e. no complex paperwork). - There is greater capital. - Partners can offer different skills and experience. - Decision-making and work can be shared according to experience and strengths. - There is shared responsibility for business risk.	- They have - There ma among pa decisions - It may tak decisions. - Profits m the partn
Private limited company	- Additional capital can be raised by selling shares. - There is limited liability. - Shares can only be bought and sold with the permission of the other owners.	- They are up due to - Certain fi be publicl - There can all shareh
Public limited company	- Additional capital can be raised by selling shares. - There is limited liability.	- They are up due to - Certain fi be publicl - There can all shareh - There can

Advantages and disadvantages of the different types of liability

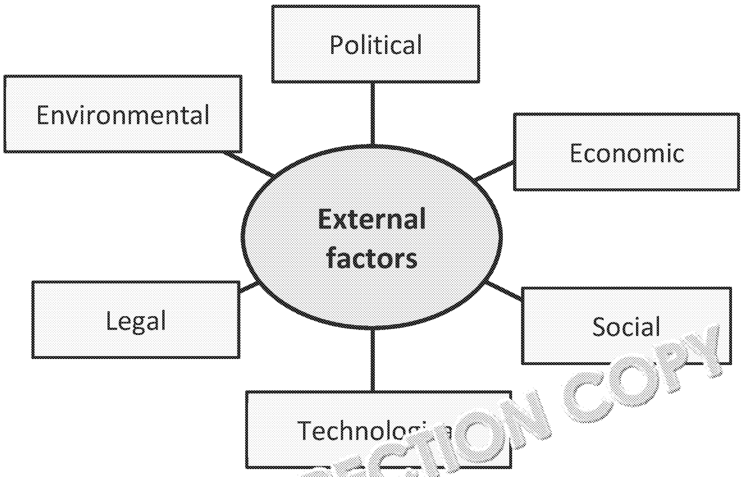
Type of liability	Definition	Advantages
Limited liability	The owner of the business can only lose the amount that they originally invested in the business if the business fails / goes into debt. They cannot be forced to sell their personal possessions to pay for the business's debts.	- The amount that the owner can potentially lose is limited, so they cannot lose any more money than they originally invested. - The owner cannot be forced to sell any of their personal possessions, such as their home or car, to repay business debts.
Unlimited liability	The owner of the business is liable for the total debts of the business. If the business fails / goes into debt, they may be forced to sell their personal possessions to repay the business's debts.	- There is less paperwork to complete when setting up the business.

Section 4: The external business env its impact on small businesses ope confectionery market

Specification focus:

1.1.1 The market	2.5.1 Economic influences	3.1.
1.2.1 Demand	2.5.2 Legislation	3.4.
1.2.2 Supply	2.5.3 The competitive environment	4.4.

The external business environment describes all of the external factors and forces strategies, operations and performance. The external business environmental infl market and businesses operating in this market are considered using the PESTLE f Social, Technological, Legal, and Environmental.



D
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Political

Food producers are under growing pressure to provide detailed information to co nutritional values and sourcing. Labelling and sugar content regulatory pressures i businesses in the confectionery sector.

The government has introduced measures to support increased healthy eating. O introduced which prevents food and drinks high in fat, salt and sugar (HFSS) being 9pm and at any time online. The ban focuses on products considered to be signifi obesity, including confectionery products such as chocolates, sweets and biscuits. included in the ban such as soft drinks, pizza and ice cream. There are 13 product Childhood obesity is a growing concern. According to NHS data quoted by BBC Ne aged children are obese. By the age of five, one in five children also have tooth de and young people are particularly influenced by advertising tactics.

The restriction on advertising is set out in the Health and Care Act 2022, which amended the Communications Act 2003. The specific definitions and implementation details are provided in secondary legislation, primarily the Advertising (Less Healthy Food Definitions and Exemptions) Regulations

D
A
c

A scoring tool is used to decide which products fall under the ban. The scoring to levels against whether they are high in saturated fat, salt or sugar. Businesses ca of banned products through which the government hopes will encourage food m to make them healthier.

It is predicted that the advertising ban will affect smaller businesses more than la advertising is not affected by the ban, so, for example, McDonald's can still adver before 9pm. However, smaller businesses and those with less recognisable brand specific products and they are no longer going to be able to do that.

The Advertising Standards Authority (ASA) will take action against businesses tha advertising rules.

Economic

Economic factors are a significant influence on the confectionery industry. These fa final section of this resource, 'Local, national and international economic influences

Social

Consumer tastes change over time. Consumers are always looking for new flavou for these changes is greater than ever. Confectionery companies are continually b ranges of products to satisfy demand.

Currently there is increased demand for luxury and craft chocolates. Consumers a enhanced quality products with distinguishing flavour and experience propositio

A key development in 2025 was the global sensation Dubai chocolate. Dubai cho confectionary filled with pistachio cream, tahini, and shreds of knafeh pastry, wh sensation. The Dubai chocolate trend is inspired by the Arab dessert knafeh. The Knafeh of It', by FIX Chocolatier, has been sold exclusively in the UAE since 2022.

Dubai chocolate products were quickly launched in the UK following the massive social media popularity in spring 2025, particularly after a viral TikTok video showcased it. Lindt introduced a UK version of Dubai chocolate which was sold for about £10 in supermarkets. However, the UK versions became so popular that retailers often sold out within minutes. Dubai chocolate is now sold by supermarkets like Lidl, Tesco, Sainsbury's, Waitrose and Morrisons, and also online at Amazon UK. At the peak of the sensation in 2025 some retailers limited Dubai chocolate to two bars per customer.

Although the comfort of traditional biscuit recipes helps well-established biscuit p popularity, innovation in the market is thriving with new flavours, formats and lin being launched.

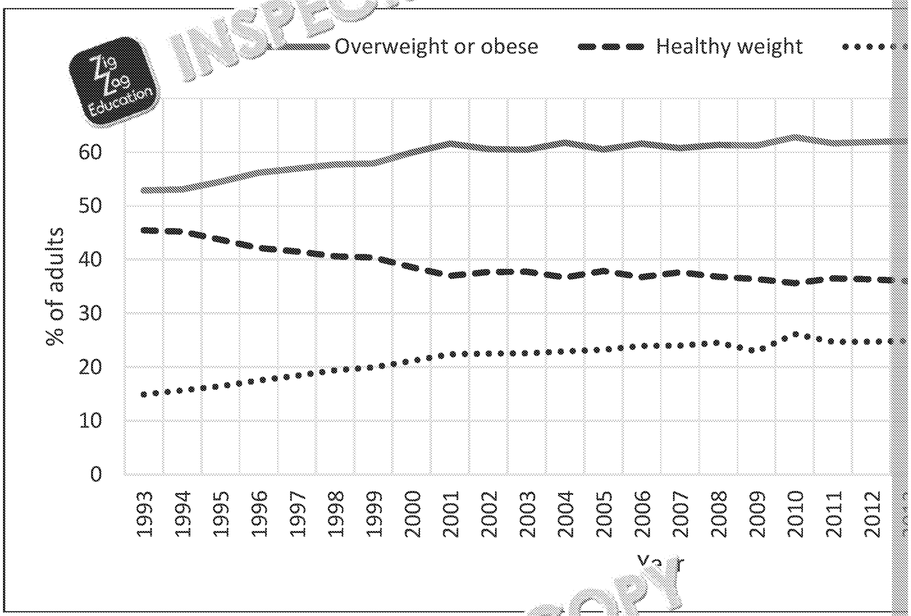
As previously mentioned, the premiumisation of biscuits is an interesting trend a market food, despite financial pressures. Food is often viewed as an affordable tr growth in new and different flavours of confectionery products.

Manufacturers regularly extend brands with new variants of popular products. For were first introduced as an oaty, plain biscuit; however, the brand has been extende such as plain/milk chocolate Hobnobs and orange Hobnobs. Biscuit manufacturers trends and introduce healthier versions of their products to appeal to consumers w treat as part of a balanced diet. McVitie's Digestives Biscuits The Light One is an exa whereby the recipe uses 30% less sugar. Adding new products is a tested way to ex The new product may appeal to a new market or encourage existing customers to

Innova Market Insights stated that 45% of UK consumers prefer milk chocolate in cak
There has been a 3% increase in milk chocolate flavoured product launches over the
chocolate pairings with fruit, nut and caramel offer opportunities for manufacturers

Obesity is a growing issue in the UK and one that the UK government is taking act
businesses in the confectionery industry. Between 1993 and 2021 the proportion
as obese increased from 14.9% to 28.9%, while the proportion who were either ov
52.9% to 63.9% (Commons Library Research Briefing dated 10th February 2025).

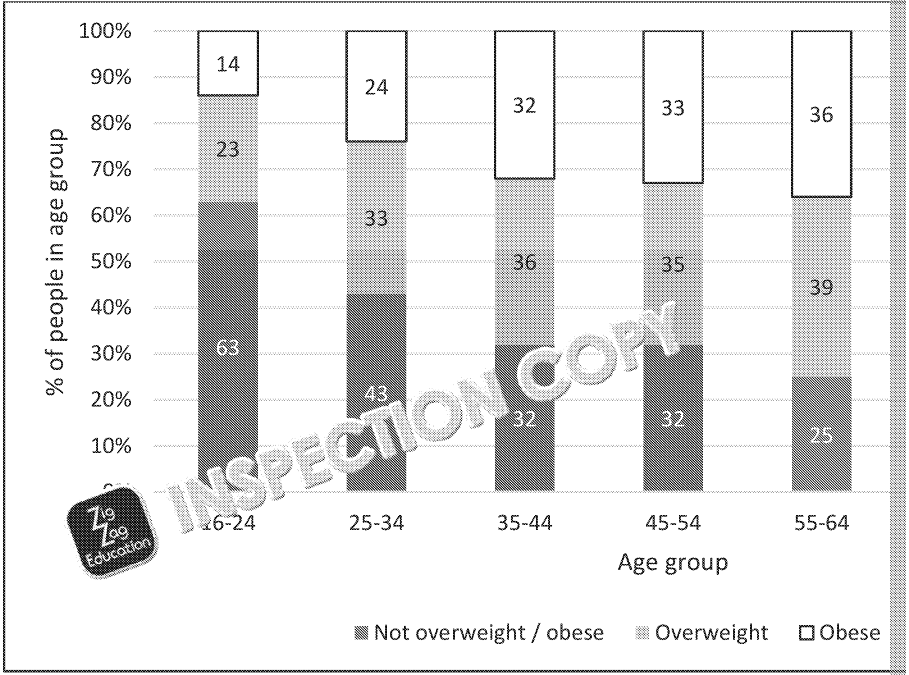
Figure 8: Adult obesity rates in England (1993–202



Source: https://digital.nhs.uk/data-and-information/publications/statistical/h

Obesity is a particular issue in older age groups, with those aged 55 to 74 years be
or obese in 2022 than any other age group. Obesity is measured by an individual's
their weight divided by their height squared (kg/m^2). Some blame the availability
confectionery and biscuits for growing obesity.

Figure 9: The proportion of different age groups in England w



Source: Commons Library Research Brief
https://researchbriefings.files.parliament.uk/docun

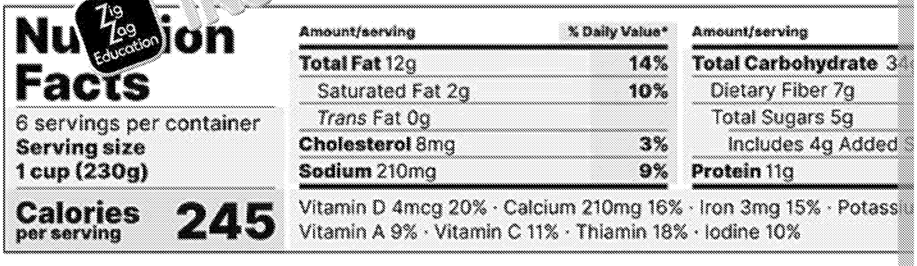
Research by Kantar, a consumer research group, found that the average spend o
last three years. When surveyed, most people stated that the need for a healthy l
their reduced spend on chocolate. This trend therefore represents a threat to co
maintaining current levels of sales/production.

The trend for healthy eating is a response by some people to counter growing ob
more health conscious and their desire to live a healthy and active lifestyle affects
confectionery products. What and how much a person eats can significantly affec
healthily needs to be combined generally with physical activity to maintain a heal
help the individual to look and feel good, supporting their physical and mental we
the risk of serious illnesses [illegible] to obesity such as diabetes, heart disease, str
certain cancers. Being overweight can reduce life expectancy and impact daily life
about the need to eat a healthy diet, how to do so and the ingredients and nutriti
government health campaigns and food labelling. A survey by Statista in 2025 fou
that they attempted to eat healthily.

This trend is affecting the recipes of confectionery products, including a shift tow
and products with added health benefits such as antioxidants.

There is a growing range of customised chocolate products, including those with

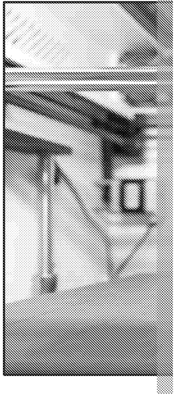
Food producers are under growing pressure to provide detailed information to c
nutritional values and sourcing. Labelling and sugar content regulatory pressures
businesses in the confectionery sector. As discussed in the 'Political' section, the
measures to support increased healthy eating. On 5th January 2026 a ban was int
and drinks high in fat, salt and sugar (HFSS) being advertised on television before
which affects many confectionery and biscuit products. Businesses can still adver
products through which the government hopes will encourage food manufacture
them healthier. This regulatory change along with social trend for healthy eating
businesses to launch healthier ranges.



	Amount/serving	% Daily Value*	Amount/serving
Nutrition Facts	**Total Fat** 12g	**14%**	**Total Carbohydrate** 3
	Saturated Fat 2g	**10%**	Dietary Fiber 7g
6 servings per container	*Trans* Fat 0g		Total Sugars 5g
Serving size	**Cholesterol** 8mg	**3%**	Includes 4g Added
1 cup (230g)	**Sodium** 210mg	**9%**	**Protein** 11g
Calories per serving **245**	Vitamin D 4mcg 20% · Calcium 210mg 16% · Iron 3mg 15% · Potass Vitamin A 9% · Vitamin C 11% · Thiamin 18% · Iodine 10%		

Alongside healthy eating a growing number of individuals are using weight loss in
University College London that 1.6 million adults used them in the last year. New
Wegovy (semaglutide) and Mounjaro (tirzepatide) are rapidly replacing tradition
that suppress appetite affect the amount of food, particularly unhealthy food, th
traditional high-sugar, high-calorie confectionery may reduce as more people use
chain Greggs reported that the use of these medications was affecting its sales a
products accordingly with smaller portion sizes and protein-rich products. Many
use of weight loss medications, including Elon Musk, Gemma Collins and DJ Khale
public demand.

Technological



All businesses within the confectionery industry rely on technological resources. Technological resources are very expensive, require regular maintenance and updating, and can quickly become obsolete. Many chocolate and biscuit producers, especially those creating products for the mass market, use capital-intensive operations. The production of products is automated with the use of robots, machinery and technology such as drones and 3D printers. Human resources are needed to operate and set up the technology, but generally many machines will operate independently.

This type of production can be contrasted with labour-intensive operations, such
chocolate producers who typically make bespoke products by hand. These produc
using job production methods. However, even these producers use technology, e.
quality control/assurance and to promote products.

Traditionally most chocolate products were purchased from a physical outlet, e.g.
supermarket, a tuck shop, or even a vending machine. However, e-commerce is s
future. There is a growing range of direct to consumer business models, especiall
premium chocolate market. This trend increases the opportunities for smaller ind
products. Businesses no longer need to set up a retail outlet or work in partnershi
Individuals can sell from their home to the world via the internet which can signi
entry to the market. This trend will support the increased diversity of the produc

E-commerce enables the growth of subscription services whereby chocolate man
relationship with customers and encourage regular and convenient purchasing.

Marketing and promotion of confectionery products has been revolutionised by
Just under 80% of the UK population used social media as of early 2025, totalling
varies by age group, with younger demographics being the most active. Confec
on social media through highly visual content (Reels, TikToks, enticing photos), in
polls, user-generated content), influencer collaborations, targeted ads, and authe
focusing on entertainment, desire, and community building. The impact of social
by the Dubai chocolate sensation in 2025. This tool can be a really effective way
confectionery product.

Technology is helping producers find new more sustainable ways to package con
advances mean that a great range of materials can be recycled, and local authorit
that they collect from the kerbside of homes.

Technology is also supporting innovation in terms of product development and n
measure the nutritional value of confectionery products accurately so that consu
what they are eating.

Legal

Confectionery businesses are legally required to include specific, mandatory infor
ensure consumer safety and enable informed choices. The exact requirements de
(prepacked, prepacked for direct sale, or loose). Labelling and sugar content regul
operating costs for businesses in the confectionery sector.

Natasha's Law is UK legislation, effective October [illegible], requiring clear, full ingred
allergens) on Pre-Packed for Direct Sale (PPDS) foods, named for Natasha Ednan-L
sesame allergy in 2016 due to hidden sesame seeds in a baguette. Under 'Natasha
same premises from which it is sold (e.g. pick-and-mix packaged in-store before a
label with the name of the food and a full ingredients list with allergens emphasis

As mentioned previously, the government has introduced measures to support in
On 5th January 2026 a ban was introduced which prevents food and drinks high in
advertised on television before 9pm and at any time online. The ban focuses on p
significant drivers of childhood obesity, including confectionery products such as c

Activity 17

Carry out some r
chocolate and bi
following the tel
businesses using

Most confectionery businesses employ people. Employment law is continually changing and businesses must ensure that they meet all legal requirements. Some of these requirements are covered in the final section of this resource which covers economic influences on businesses, e.g. minimum/living wage rates.

Environmental

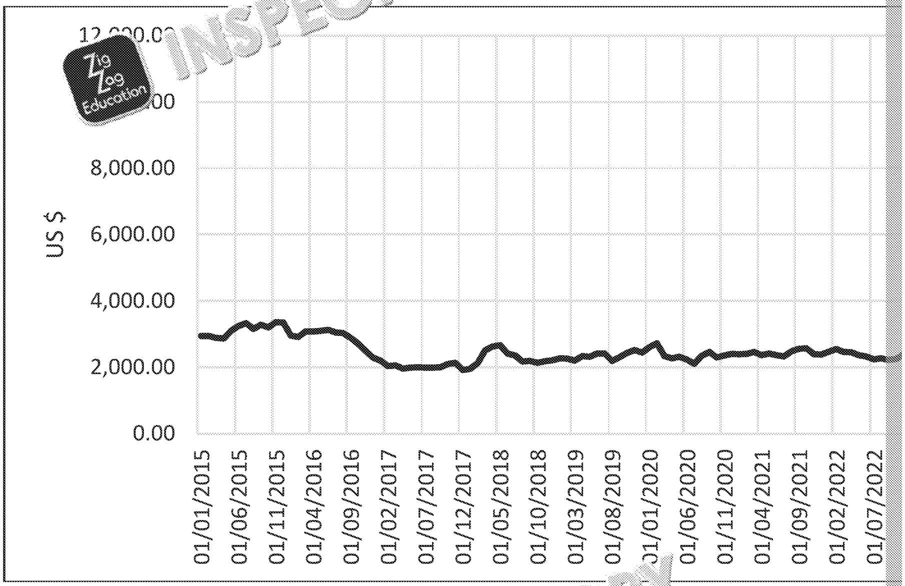
Chocolate manufacturers are particularly sensitive to price volatility of raw materi
sensitive to climate change and political decisions which can affect the prices charg
for chocolate producers to [illegible] and predict budgets.

The chocolate sector has faced particular rises in the cost of raw ingredients, incre
and environmental issues that have led to a decrease in the cocoa harvest. The m
cocoa, which comes from the beans of the cocoa tree. The leading producers of co
as Ivory Coast in West Africa due to their climate. Over the past two to three year
increased in price. A key publication in the chocolate and confectionery industry,
increases in raw material costs have meant that businesses have had to adapt the
and range of products offered. BBC News reported at the start of January 2026 th
15% during 2025 according to the Office for National Statistics (ONS). In comparis
October 2024 to October 2025 show the price of food products rose 4.8% overall.
experienced the second greatest price rise across all food products in the ONS dat
The impact of this can be seen by customers at the supermarket; for instance, BB
price of a 93g of Maltesers at Asda increased from £1.61 to £1.88 over a six-day p

Up to two years ago, cocoa prices had been stable for the previous 25 years. However, two years ago the price increased to £8,000 per metric tonne, which quadrupled the price. Supply remains [illegible]. Due to its high cocoa content this change has affected producers of dark chocolate in particular. John Tordoff is a chocolatier based in Hampshire. He runs a home-based business called The Chocolate [illegible] and spoke to BBC News. The impact of the price increase has resulted in John increasing prices by about 18%. This price increase has not absorbed all of the rising cost of operating as he has had to absorb a large part of the additional costs too. In response to the issue John Tordoff explained that he plans to expand his product range with items that use less chocolate 'but still c
This is an approach used by other manufacturers across the industry.

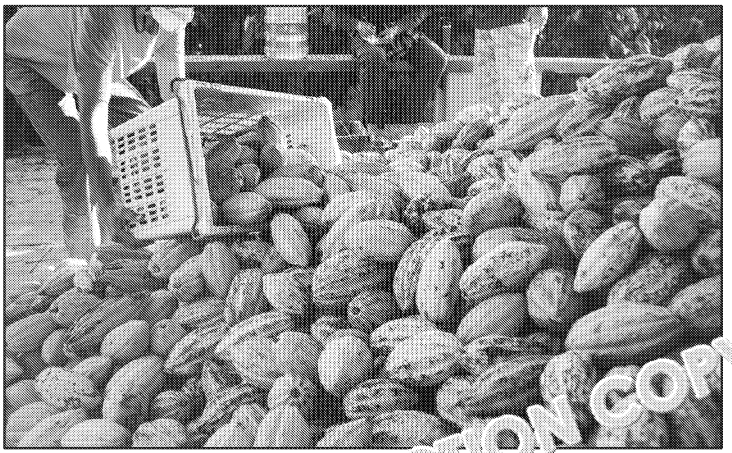
McVitie's Penguin and Club bars are no longer classed as chocolate products afte
McVitie's switching to other ingredients, according to BBC News (2025). Club bar
slogan: 'If you like a lot of chocolate on your biscuit, join our club'. But both prod
'chocolate flavour' as the amount of cocoa they contain has been lowered after
alternatives to the main ingredient in chocolate, such as palm oil or shea butter.
price increase that consumers will accept, and to maintain market share / sales
ingredients in this way. For milk chocolate to be classified as 'chocolate', UK regu
about 20% cocoa solids, slightly lower than EU regulations which demand a mini

Figure [illegible]: Price of cocoa in US$ from 2015–202



Source: htt

One of the reasons for the rise in the price of cocoa is climate change as it is mak
grow, leading to poor harvests. Extreme weather events have led to a global sho
such as the cocoa swollen shoot virus affecting production too. The amount of co
by over 14% according to BBC Newsround (2025). Supply and demand shape pric
available, the price rises.



Climate change is l
temperatures in Iv
of 1.7°C to 3.7°C by
vulnerable, leading
rainfall variability,
threatening coasta
cocoa. The country
increases of 0.5°C

In the long term th
to fall. High prices
experts as the imp
to be reversed.

Increasing prices for [illegible] ingredients such as sugar are also affecting the pri
2023 / earl[illegible]. The increase in the price of sugar also affected the price of bis
products such as sweets and toffees. The weather has also affected the price of s
as droughts in India/Thailand and floods across Europe severely limiting harvests.
increases the price of sugar. However, it is hoped that the market for sugar has st
in 2025–26.

Alongside health concerns, consumers are increasingly concerned about sustaina
choosing to follow a vegan diet, and chocolate producers are responding by offer
More consumers are placing greater value on ethical sourcing of ingredients whic
more responsible. The management of their supply chain is an important conside
manufacturers. Some chocolate products carry the Fairtrade logo which reassure
supporting farmers and workers as they improve their lives and their communiti
meet the internationally agreed social, environmental and economic Fairtrade St

Chocolate businesses are focusing more [illegible] environmentally friendly packa
neutral certifications. Many businesses are finding ways of reducing the amount
eggs now have less packaging than a few years ago to reduce the impact on the e

Brands that [illegible] embrace responsible sourcing and sustainable packaging may
they risk losing market share to competitors who are viewed more sustainable.

Section 5: Global marketin confectionery business

Specification focus:

1.1.1 The market
1.1.3 Market positioning
1.2.3 Markets
1.3.1 Product/service design
1.3.2 Branding and promotion
1.3.5 Marketing strategy
4.1.3 Factors contributing to increased globalisation
4.3.
4.3.
4.3.

There are hundreds of businesses that make cocoa, chocolate and sugar confectio sector of the confectionery market includes some large global companies such International, Nestlé, and Lindt & Sprüngli. Similarly the biscuit sector of the indus companies such as pladis (owner of McVitie's, Carr's), Mondelez International (Ca Burton's, Maryland Cookies) which is owned by Ferrero after acquiring Burton's. T businesses must make decisions about how to market their products across the w

Globalisation has increased the range of products offered in all countries across the more homogenous. Global confectionery brands offer their product ranges through have become global. The internet has facilitated this change as customers see the b trends in other countries. Influencers are also linked to leading brands, fuelling dem

There are different global marketing strategies that a business can take which are

- An ethnocentric marketing strategy is where a business markets its products the same way that it does in domestic markets.
- A polycentric approach is when different products are marketed to different recognise different local tastes and needs.
- A geocentric approach is a world-oriented approach and does not show a bia preferences. It focuses on integrated strategies that work universally while al variations where appropriate.

Confectionery businesses which sell products globally, such as Mars, need to sele

Activity 18

What are the advantages and disadvantages to a confectionery business of implementing each of the three strategies? Make a list of the different advantages and disadvantages and then share with another student. Can you add any more?

Mars uses aspects of approach, which blen local adaptation to m different regions. Ins global (ethnocentric) Mars operates as a d from local teams who global products and approach. While core products are standardised, Mars adapts tastes. For instance, brands such as Dove chocolate (known as Galaxy in the UK) a various markets, targeting different consumer motivations. Mars-owned Dove an the same product, but sold under different names in different regions, with Galax brand and Dove being the US brand, though some subtle formulation differences

Other confectionery businesses use an ethnocentric marketing strategy. Many hig chocolatiers rely on their country's reputation for quality and craftsmanship to sel marketing focuses on this heritage, and they follow traditional production metho who perceive these origins as superior or who are looking for an authentic taste. positive country of origin effect, a key part of an ethnocentric or 'made in' strateg

Activity 19

Visit **zzed.uk/1298** range offered by Roy mass-market chocola

The Japanese chocolate brand Royce' highlights Japanese craftsmanship and high-quality production standards at its factory in Hokkaido. When expanding internationally, this unique Japanese identity and quality focus create a core

selling point, leveraging the home country's image to attract consumers who valu
The product sold is a key element of the marketing mix of any confectionery busi
and recipes can vary for different markets/countries.

Bar weights vary. Chocolate bars in the US are generally larger than other markets
Bars in Malaysia are typically narrower and much smaller than typical US or UK ve
tend to vary the product that they sell according to the specific market. This helps
products sold there and also reflect cultural differences.

One of Mars' popular products is Snickers, which is sold in 70 countries around th
remains consistent there are different formats and flavours.

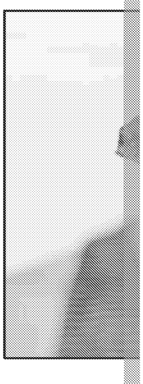
Cadbury changes its product recipes for different countries. The brand may appea
and quality may vary due to different ingredients and the proportion of key ingre

In the UK and Europe, Cadbury uses cocoa butter and vegetable fats (palm/shea)
Milk which creates a meltier and creamier texture. However, the US Cadbury bars
satisfy US FDA rules, using only cocoa butter and sometimes soy lecithin/PGPR w
describe the taste as more crumbly or waxy than the version in other countries. T
so that it sustains higher temperatures. Australian Dairy Milk has higher cocoa sol
cream milk, avoiding palm oil, making it close to the taste of the UK version.

The recipes differ for a range of reasons:

- **Laws and regulations** – different countries have individual food regulations. F vegetable fats in chocolate products whereas the EU and other regions allow t for chocolate imposed in the US and the European Union affect the taste. Milk 30% cocoa powder and cocoa butter, whereas in the US it need only contain 1
- **Climate** – the temperature ranges have to be considered to ensure that high- customers. For instance, Australian versions of chocolate products include m product melting in hot climates.
- **Cost** – the economic condition can affect the price that individuals can pay. T countries includes different ingredients to adapt the price to suit the market. cheaper palm oil in some markets is used to reduce the cost. However, this c texture of the chocolate.
- **Manufacturing** – local sourcing of ingredients can lead to variations in the fi differences in the crumb base of some products.

In 2015 the BBC carried out a 'taste test' whereby people from Britain and Ameri
difference between Cadbury Dairy Milk and Hershey's milk chocolate.



> *'They used terms like 'harder', 'more bitter', and 'not as rich' to describe Hershey's, even when they liked it. None of the tasters selected it as their favourite of the three samples and two said they would not choose to eat it at all.'*
>
> *'In a test conducted by BBC Newsround, British and American children tasted the two types of Cadbury chocolate. Surprisingly, most of the American children preferred the British-made Cadbury chocolate, while most of the British children liked the US-made version better.*

Lawrence Allen, a former executive at Hershey's and Nestlé, and author of *Chocol*
Hearts, Minds and Wallets of China's Consumers, identified three factors that affe

- the amount of cocoa
- how long it is mixed
- the flavour of the milk

Activity 20

Read the BBC News article from 2015 and
chocolate products sold in different countr

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[6] BBC News, 2015, source: *https://www.bbc.co.uk/news/magazine-31924912*

Section 6: Local, national and int
economic influences on confectione

Specification focus:
1.3.3 Pricing strategies 2.5.1 Economic influences 3.1.
2.3.1 Profit 2.5.3 The competitive environment

Businesses in the confectionery sector are affected by local, national and internat
These factors can significantly influence the profitability of the business.

Economic growth

Economic growth has been volatile and weak over the past 10 years. The UK expe
2009 which created economically challenging times during the immediate years t
economic climate was seen globally, and growth since that recession was very slig
coronavirus pandemic created unprecedented economic volatility not seen durin
These economically challenging times led to lower disposable incomes which has
ability when it comes to buying luxuries and non-essential goods.

The latest available data as of the time of writing was for quarter 3 of 2025. The e
that quarter. The predictions for the final quarter of 2025 are not optimistic, espe
consumer/business confidence in the lead-up to the chancellor's November budg

Predictions for economic growth during 2026 are around 1.2% to 1.4%. Easing inflation and the impact of interest rate reductions such as the reduction in December 2025 and any further reductions during 2026 may help to encourage business investment. However, the employment market is forecast to remain weak during 2026 which impacts economic growth.

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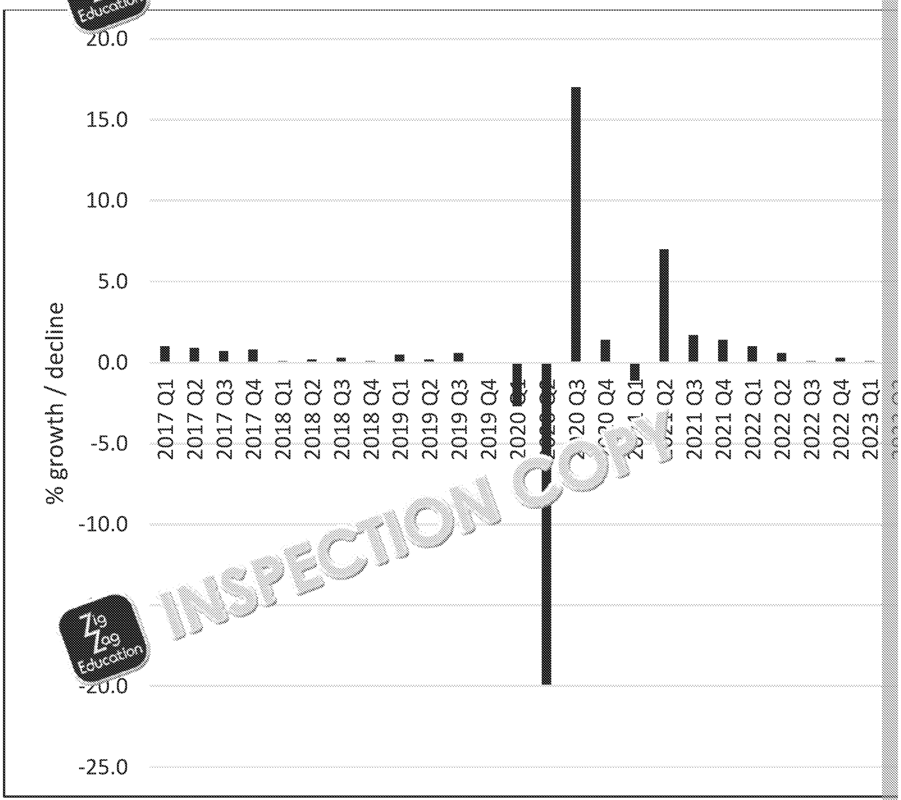
dur

e 21: Gross Domestic Product: Quarter on Quarter Growth – 2



Sourc

Did you know?

Economic growth has been volatile and weak over the past 10 years. The economy fell by 19.4
the start of the coronavirus pandemic (the UK locked down in March 2020) and then grew by a
restrictions were eased in quarter 3 of 2020.

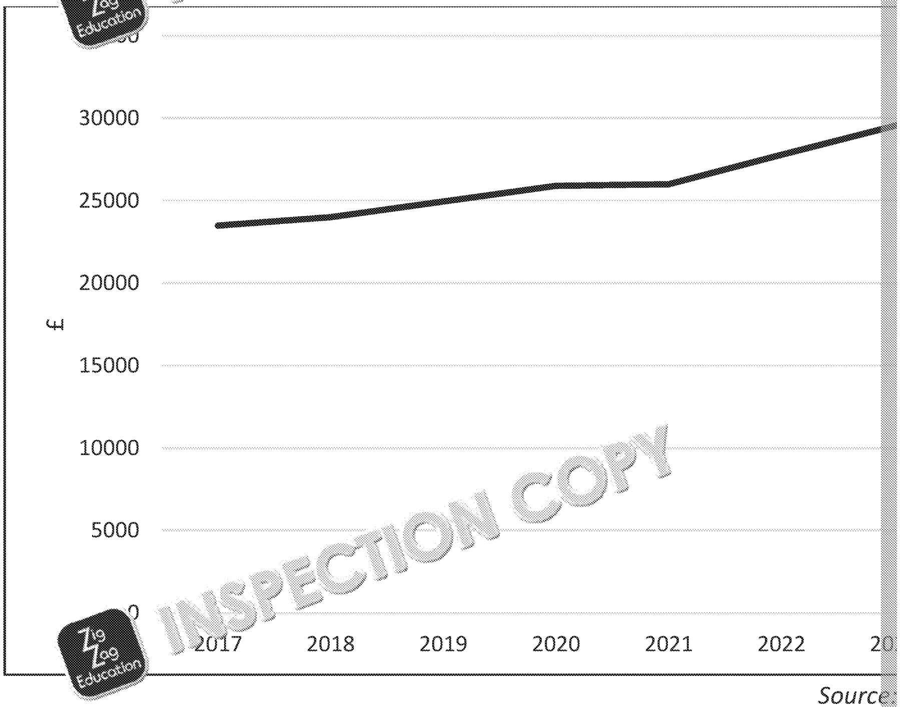
Weak economic growth is generally not good for businesses in the confectionery i
growth generally correlates with reduced confectionery sales, primarily because it
incomes and reduced consumer spending power. Despite this, confectionery prod
affordable luxuries, which can helps sales remain resilient even during economic
effect' is the economic theory that proposes that during financial hardship consu
increase spending on small, affordable luxuries like lipstick to feel good and indul
as a mood booster. Many chocolate products, especially affordable products aime
put into the same category as lipstick as an affordable luxury. Chocolate can also b
which some people may turn to when feeling low, such as during economically ch

However, there is a growing sector for high-market chocolate and biscuits. Econo
to impact consumer spending on these products. Consumers may choose to switc
when their disposable incomes are under pressure. This could affect the future g
the market.

Income levels

Several years of wage freezes or small wage increases, and the impact of high infl
employees seeing their 'real' disposable incomes declining. This has resulted in in
including the public sector occupations such as healthcare and education. Since 2
earnings have increased more rapidly; however, the cost of living pressures / infla
and the need to 'catch up' after years of real disposable incomes declining has m
significantly better off.

Figure 12: Median gross annual earnings – 2017 to 2025 (all indus



Source:

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[7] *https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghou 2015selectedestimates*

Individuals' income levels can affect the amount they have available to spend on
Non-essential products are often the first to be reduced when income levels decl
considered a non-essential product. However, as mentioned earlier, confectioner
affordable luxuries, which often helps sales remain resilient even during economi
chocolate or a packet of biscuits is not a large purchase compared to items such a
individuals may cut back on.

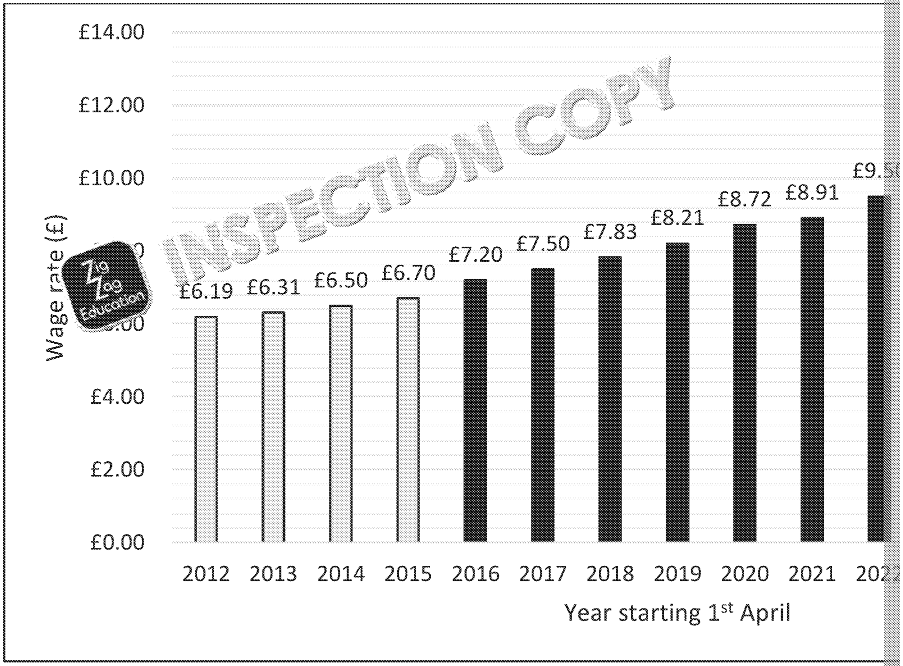
National Minimum/Living Wage

Businesses that operate in all parts of the UK confectionery industry have experie
over the past 10 years. The increases to National Minimum Wage and launch of th
increased labour costs dramatically. This change has impacted businesses in the s
proportion of production employees at this level.

The increased costs may lead to confectionery businesses having to pass on the in
of higher prices. Profit margins may also reduce due to the increased costs, if the
full cost increase to the consumer. Some businesses may also reduce the number
reduce wage costs, which can put more pressure on the employees that remain.

The bar chart below shows the National Minimum/Living Wage rates for adult wo
rates quoted were for adult employees, which is currently those aged 21 years an
the National Living Wage rates, and the grey bars show the National Minimum W

Figure 13: National Minimum Wage and National Living W



Source: gov.uk, 2025, www.gov.uk/nat

Activity 21

1. Research the different rates (National Minimum Wage and National Living Wage) currently offered for each of the age brackets:
    - 21 and over
    - [illegible]
    - 16–17
    - Apprentice (under 19 or in first year)
2. Explain why the rates for National Minimum Wage and National Living Wage increase as employees become older.

Di
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The cost of employing people has not only been affected by the increase in minim
The Chancellor announced an increase to employer National Insurance (NI) contri
2024 which took effect from April 2025. There was an increase to the rate of emp
contribution rates from 13.8% to 15.0%. The government also reduced the per-em
employers become liable to pay National Insurance (the Secondary Threshold) fro
£5,000 a year. These changes increased the costs of employing people for all busi
more expensive for confectionery businesses. Collectively, with the changes to mi
confectionery businesses were significantly affected.

Minimum/living wage rates also affect the amount of money that consumers hav
confectionery products. The increase in National Minimum Wage is positive for e
higher pay. The increasing minimum/living wage rates mean that those paid at th
disposable income to spend on items. As confectionery is an affordable product, i
will be purchased more by individuals earning minimum or living wage rates.

Utility costs

The cost of living crisis has been widely reported in the media, especially the impact on households. However, all businesses operating in the confectionery industry are also affected by rising utility costs, e.g. gas and electricity, as these services are required to operate their businesses, e.g. machinery and equipment on the production lines to produce chocolate or biscuit products. Factories are typically capital-intensive. Manufacturers rely on automation and need utilities to operate and heat/light the workplace.

Rising utility costs are one of the factors reducing the profit margins of businesse
sales has to cover high operating costs. Many businesses will seek to pass on part
the customer; however, with customer incomes also squeezed by rising utility cos
action may reduce customer demand/sales. BBC News reported at the start of Jan
chocolate r[illegible] 15% during 2025 according to the Office for National Statistics.
manufactur[illegible] increase prices is contributing to many confectionery business
manage increasing costs without affecting financial viability.

The pressure on utility prices is a global issue caused by rising demand for gas/ele
reopened after the lifting of COVID-19 restrictions. This also clashed with Russia's
subsequent squeeze on gas supplies into Europe. A large increase in the wholesal
price that energy providers pay for gas and electricity – and that cost has been pa
households and businesses) over the past few years. Although various policy inter
during the peak of the rises in 2022–23 attempted to cushion the extent of this im
very apparent. Government intervention has now largely ceased.

The cost of living crisis also impacts food choices. Statista (2025) reported that 28
eat less healthily to save money.

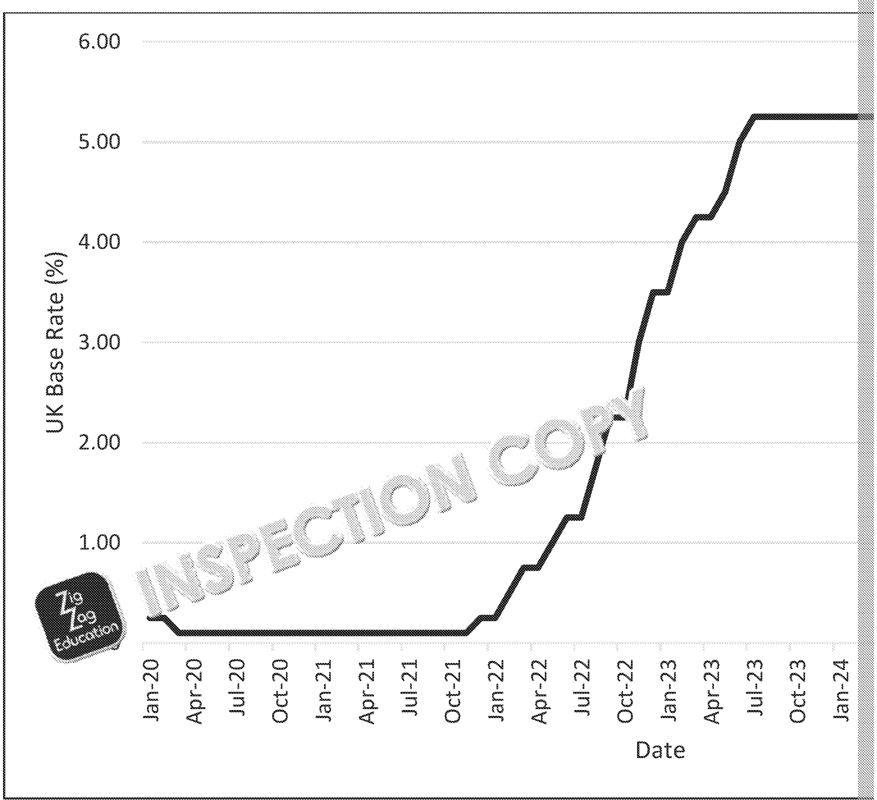
Cost of living pressures can also lead to some individuals comfort eating. Economi
losing their jobs and struggling to pay their bills. This can increase individual stres
instances, people might eat more as they find comfort in sweet and unhealthy op
Over time this is likely to make the individual feel worse due to the impact of a po
However, the short burst of enjoyment from a chocolate bar is one way that some

Interest rates

UK interest rates change in response to economic conditions. The cost of borrowi
influenced by the Bank of England base rate. Banks and building societies typicall
bank base rate in the rates that they charge borrowers and pay savers.

UK base rate reached an all-time low of 0.10% at the start of the coronavirus pand
to rise from December 2021 due to growing inflationary pressures. A series of inte
during 2022 and 2023. The final interest rate rise was in August 2023 when rates p
remained at this level for a year, but since August 2024 the Bank of England has gr
inflationary pressures eased. The latest interest rate reduction was in December 2
3.75%. This is the sixth reduction of 0.25% since August 2024. The last time that in
in 2022.

Figure 14: UK base rate (January 2020 – December 2



Source: Data tak

Although interest rates as of December 2025 are still relatively high when compared to the historic lows of 2020–21 (0.1%), it should be noted that base rate at 3.75% is relatively low. Base rate reached 17% in November 1979 until mid-1980 and 15% in late 1989 to early 1990.

Did you k
The Bank o
rates twice
economic u
coronaviru
time reach

Higher interest rates make it more expensive to borrow money, which negatively affects many homeowners with increased monthly mortgage payments, thereby reducing their disposable income and the funds they
essential purchases like confectionery. Higher interest rates also mean that anyon
can gain a higher return on their savings which provides an incentive for savers to
spend the f[illegible]

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8 *https://www.bankofengland.co.uk/monetary-policy/the-interest-rate-bank-rate*

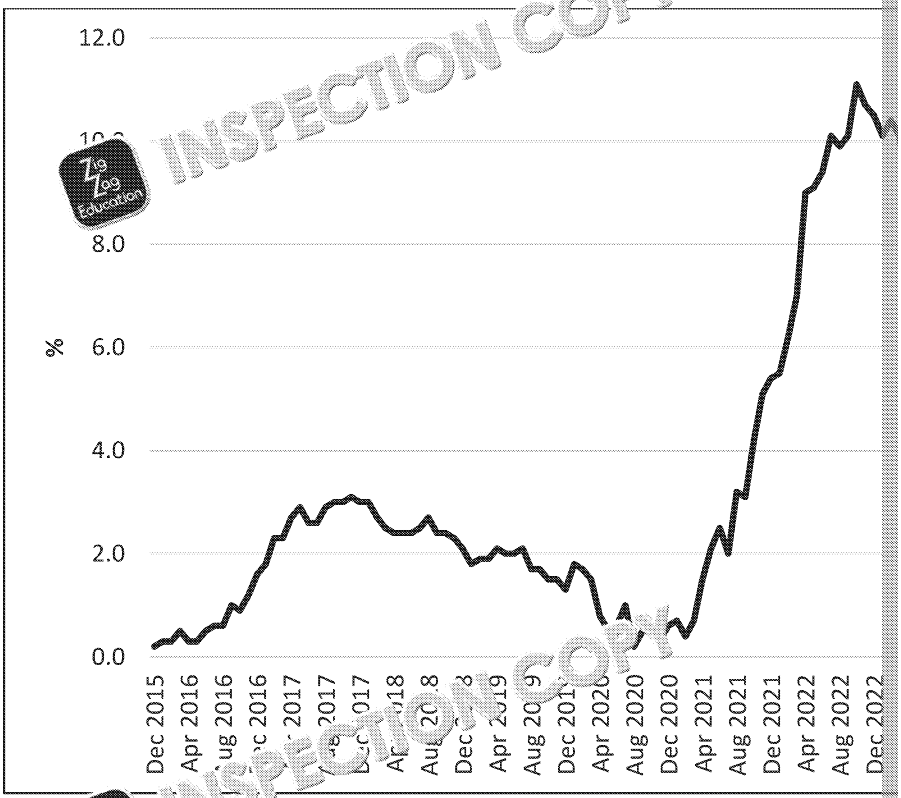
Many homeowners choose mortgages set term, e.g. 2-, 3- or 5-year perio are popular, and many homeow historically low interest rate their mortgage rates in 202 homeowners are expected rat... ortgages in 2026 an increases as they remortga competition and falling rat may see their monthly mo several hundreds of pound mortgage. Th... a l... increase in monthly outgoings on top of inflation increas purchases a... ng energy costs. It will mean less money is available for non-ess

Alongside the impact on sales, many businesses in the UK confectionery industry expansion or general operations. The cost of such loans will increase which will sq

Inflation

Inflation measures the rate at which prices across the economy increase over tim (CPI) is the general measure of inflation, although there are others. It provides an although specific product prices may increase at different rates. After a period of have started to increase at a slower pace. However, the most recent monthly figu in inflation again. The government has a target of 2% and it is currently higher tha

Figure 15: UK inflation (CPI) from December 2015 to Nover



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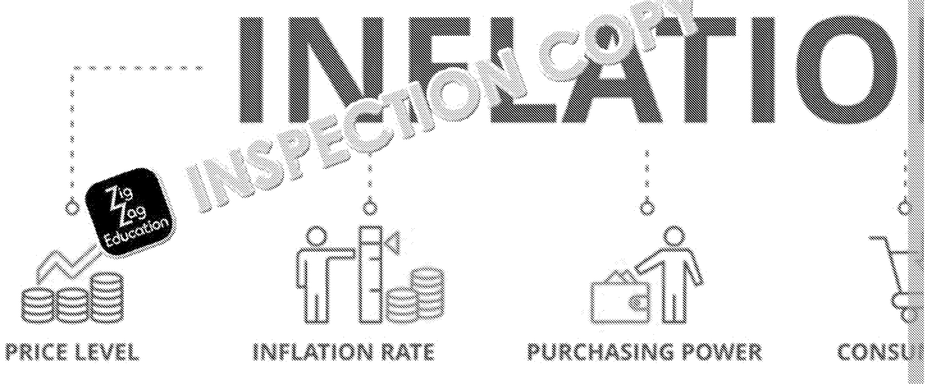
[9] *https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/novem*

Figure 15 shows that the rate of inflation increased steadily during 2021 to a peak inflation reached levels not seen since the late 1970s / early 1980s. There are sev which include:

- **The war in Ukraine** – the war created uncertainty and restricted supply of gas nations which increased the price due to supply and demand.
- **Rising fuel costs** – the cost of petrol/diesel increased during 2021 as demand many countries recovered from the impact of COVID-19.
- **Rising gas prices** – the wholesale price of gas rose sharply which was partially businesses. This increased gas bills for users, thereby reducing household disp business operating expenses such as to make confectionery products, which price rise in order to protect profit margins.
- **Increased demand** in the economy as UK government coronavirus restriction
- **Increased wage pressures** on business led to many passing on the increase in a price rise to consumers to protect profit margins. The pressure on wage lev industrial unrest in the UK from strike action in many sectors, e.g. nurses, am rail, teachers and postal workers.
- **Suppliers** of key items, such as ingredients to make confectionery, increased the rising costs, and in turn retailers passed on the price rise to consumers – distribution was affected by rising prices.

During the final months of 2025 inflation started a downwards trend which made enough to reduce interest rates in December 2025 to 3.75%. Interest rates are a this change is a sign of lower inflation forecasts for 2026.



Inflation does not just affect the price of confectionery products. It will also affec available to spend on non-essential items such as food treats. Inflation impacts th during periods of high inflation each pound will buy fewer goods, i.e. inflation ero money. Inflation can leave people feeling 'poorer', especially if prices are rising fa reduced demand for confectionery products as people prioritise essential items s clothing and housing costs.

Activity 22

With reference to the CPI figures, explain some of the reasons for the changing rate of inf

Recommend what confectionery businesses should do in response to inflation above the

The inflation rates measure price rises across the whole economy. However, spec specific price changes due to the type of production and cost of raw materials. Th been particularly affected by the increasing price of key raw materials.

Cost of raw materials

A key publication in the chocolate and confectionery industry, Confectionery News, stated that increases in raw material costs have meant that businesses have had to adapt their pricing and reduce the size and range of products offered. BBC News reported at the start of January 2026 that the price of chocolate rose by 15% during 2025 according to the Office for National Statistics (ONS). In comparison, the ONS figures from October 2024 to October 2025 show the price of food products rose 4.8% overall. The price of chocolate experienced the second [illegible] price rise across all food products in the ONS da

Did you
BBC New
2026 tha
during 2
National

Up to two years ago, cocoa prices had been stable for the previous 25 years. How
increased to [illegible],000 per metric tonne, which quadrupled the price. Due to its high
affected producers of dark chocolate in particular, although all chocolate produce

One of the reasons for the rise in the price of cocoa is climate change as it is maki
grow, leading to poor harvests. Extreme weather events have led to a global shor
such as the cocoa swollen shoot virus affecting production too. In the long term t
predicted to fall. High prices are here to stay according to the experts as the impa
to be reversed.

Increasing prices for other key ingredients such as sugar is also affecting the price
2023 / early 2024. The increase in the price of sugar also affected the price of bisc
products such as sweets and toffees. The weather has also affected the price of su
as droughts in India/Thailand and floods across Europe severely limiting harvests.

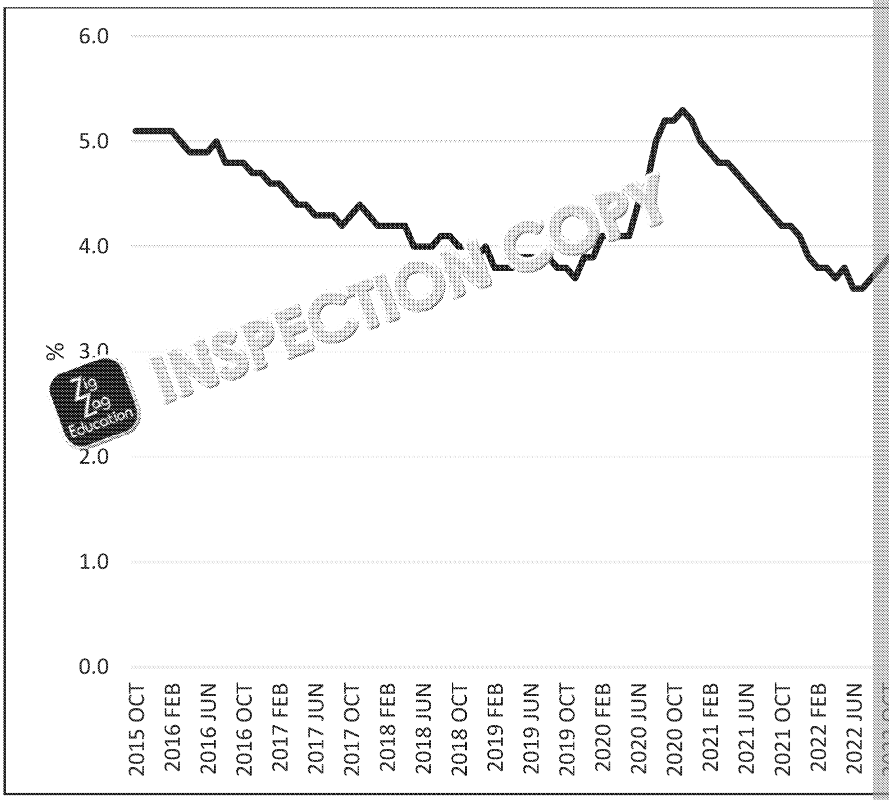
Unemployment

Unemployment data measures the proportion of working age people not in emplo
e.g. studying. Unemployment levels fell in 2019 to the lowest level in the UK since
However, after the coronavirus pandemic reversed this trend with unemploymen
labour market remained much stronger than many feared at the start of the coro
The government introduced a number of measures to protect jobs during the pa
arguably saved many jobs; for instance, the furlough scheme enabled employees
wages even if unable to work when lockdowns forced non-essential retailers to cl
have otherwise been forced to make affected employees redundant as they woul
to pay wages/salaries while no/limited sales could be made.

The unemployment statistics also do not show the growth in less permanent form
zero-hour contracts, short-term contracts and the 'gig' economy.

Since 2024 unemployment rates have crept up and reached 5.1% of the workforce

Figure 16: Unemployment rate (aged 16 and over, seasonally adju



Sourc

Unemployment statistics have a large impact on confectionery businesses due to
spend on treats. However, unemployment data also affects the pool of people lo
confectionery businesses may find it relatively easier to find new employees duri

COVID-19

The coronavirus pandemic was a time of significant economic strain for many fam
reported that during the pandemic many people ate more chocolates as comfort
and fear. Many people were forced to work from home or furloughed at that tim
the temptation to raid the kitchen cupboard for sweet treats.

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[10] *https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/times*

Case Study A: Cadbur

Cadbury is a multinational confectionery company. It is the second largest confectionery brand in the world, after Mars. Cadbury was founded in 1824 in Birmingham by John Cadbury when he opened a grocer's shop which sold tea, coffee and drinking chocolate. Over its 200 years of operation the business has developed, and the business is now owned by Mondelez International.

Cadbury products are sold in over 50 countries globally. The Cadbury brand extends across more than just chocolate and includes cakes, biscuits, drinks, ice cream, and desserts.

Popular Cadbury brands include:

- Bournville
- Buttons
- Caramilk
- Cream Egg
- Crunchie
- Dairy Milk
- Double Decker
- Flake
- Freddo
- Heroes
- Milk Tray
- Mini Eggs

Cadbury's head office is Cadbury House in Uxbridge which it shares with Mondelez's
production site in Bournville, about four miles south of Birmingham. About 1,000 peo
The Bourneville site serves as a Global Centre of Excellence for chocolate R & D. The
Cadbury Dairy Milk plus other products such as Heroes, Buttons, Roses, Wispa and C
that as part of its 200th anniversary celebrations Mondelez confirmed that the Bourne
'home and heart' of the business for many years to come. Managing director Louise S
was viewed by the firm as the 'crown jewels'.

Cadbury's operations are capital intensive. Although the production of most Cadbury
Bourneville there are other manufacturing sites in the UK, including Marlbrook in Her
and a Global Science Centre in Reading.

Cadbury products are also made outside of the UK, including in European countries s
have different recipes for overseas markets such as the US. Cadbury products for the
Hershey's under licence.

Cadbury has not always been owned by Mondelez. The company was subject to a ho
Kraft Foods which was completed in 2010.

This takeover affected many stakeholders.

- Cadbury's board of directors and many shareholders resisted the takeover as the
  undervalued the company (£7.45 per share) and if it was to be bought they want
  buy it such as Nestlé and Hershey.
- The trade union, Unite, feared that the takeover would lead to large job losses. T
  marches, which attracted much media attention at the time to raise awareness o
  public protests may lead to Kraft Foods' bid being rejected by Cadbury sharehold
- Lord Mandelson, who was Business Secretary at the time of the takeover, confirm
  fight any takeover which did not respect the 'historic confectioner'. The Labour g
  legislation, the Cadbury Law, which would stop traditional British businesses bec
  company and it was even included in its election manifesto.
- The takeover attracted a lot of media coverage as many national UK newspapers
  they felt Cadbury was a key part of British history which would be lost if it becam

In January 2010 the European Commission gave its permission for Kraft Foods to bu
British company's brands in Poland and Romania. The takeover was not considered t
anywhere in Europe and that consumers would not be worse off as a result.

The takeover by Kraft Foods was competed in February 2010. Cadbury shareholders agreed to sell the company for £8.40 a share.

More negative media stories followed the takeover. Prior to the takeover Kraft Foods stated that no British factories would close; however, one month after the deal was signed it was announced that the Bristol manufacturing site would close with th

In 2012 Kraft was split into two areas to create a more focused business. The split w
Foods demerged to create two smaller companies. One company was responsible fo
would operate under the Kraft name, whereas the other company would be called Mo
snacks and confectionery.

The Cadbury brand was moved to Mondelez after the demerger.

Cadbury products are sold around the world. The company changes its product recip
brand may appear the same, however the taste and quality may vary due to different
key ingredients by country.

In the UK and Europe, Cadbury uses cocoa butter and vegetable fats (palm/shea) wi
which creates a meltier and creamier texture. However, the US Cadbury bars (license
FDA rules, using only cocoa butter and sometimes soy lecithin/PGPR which changes
taste as more crumbly or waxy than the version in other countries. The recipe in Aus
sustains higher temperatures. Australian Dairy Milk has higher cocoa solids (27%) a
avoiding palm oil, making it close to the taste of the UK version.

The recipes differ for a range of reasons:

- **Laws and regulations** – different countries have individual food regulations. Fo
  vegetable fats in chocolate products, whereas the EU and other regions allow th
  for chocolate imposed in the US and the European Union affect the taste. Milk c
  30% cocoa powder and cocoa butter, whereas in the US it need only contain 10
- **Climate** – the temperature ranges have to be considered to ensure that high-qu
  customers. For instance, Australian versions of chocolate products include mor
  product melting in hot climates.
- **Cost** – the economic condition can affect the price that individuals can pay. The
  includes different ingredients to adapt the price to suit the market. For instance
  in some markets is used to reduce the cost. However, this change affects the fla
- **Manufacturing** – local sourcing of ingredients can lead to variations in the final
  differences in the crumb base of some products.

In 2015 the BBC carried out a 'taste test' whereby people in Britain and America w
between Cadbury Dairy Milk and Hershey's milk chocolate.

> *'They used terms like 'harder', [illegible], and 'not as rich' to describe Hershey'*
> *None of the tasters said it was their favourite of the three samples and two sai*
> *eat it at all.'*
>
> *'In a test conducted by BBC Newsround, British and American children tasted the*
> *chocolate. Surprisingly, most of the American children preferred the British-mad*
> *most of the British children liked the US-made version better.'*[11]

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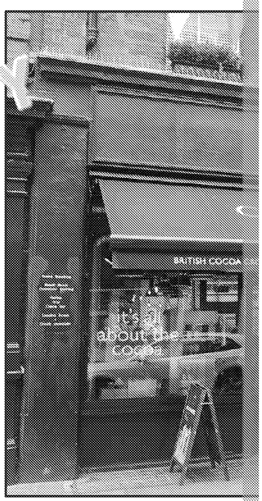
[11] *BBC News, 2015, source:* ***https://www.bbc.co.uk/news/magazine-31924912***

Discussion questions

The following questions aim to develop your understanding of some of the key ar research topic. You are recommended to carry out research to support your furth points and make notes that can be referred to when preparing for the exam.

1. Explain **two** benefits of producing products for a mass market for Cadbury.
2. Explain the interests of **two** of Cadbury's external stakeholders.
3. Analyse the advantages to Cadbury of the acquisition by Kraft and then Mond
4. Evaluate Cadbury's global product strategy.
5. Assess the barriers that may affect Cadbury's success globally.
6. Assess the advantages and disadvantages to Cadbury of capital-intensive oper

Case Study B: Hotel Choc
– a different kind of choc



In the early 1990s, entrepreneurs Angus Thirlwell and Peter Harris started to sell mints under the name Mint Marketing Company. After about six years, the entrepreneurs moved into chocolate under the name Geneva Chocolatiers and Chocolate Express brand. The early businesses were early e-tailers as products were sold exclusively online.

The Hotel Chocolat brand name was introduced in 2003, and the entrepreneurs opened the first Hotel Chocolat store in North London in 2004. The business produces premium chocolate and cocoa products. Today, products are sold direct to customers through its 150 stores (approx.) throughout the UK. The business also partners with other retailers such as John Lewis, Next, Amazon and Sainsbury's, all of which sell selected Hotel Chocolat brand products through their websites and s
include traditional shops, cafés and restaurants in shopping centres and busy high s
outlet stores that sell discounted chocolates and factory seconds in locations includi
Gloucester Quays and York Designer Outlet. Hotel Chocolat also offers a luxury eco-h
the Caribbean.

Although the company is mainly UK-based, the entrepreneurs always wanted to expa
It has previously entered the US and Japan via a joint venture. The company's interna
has been mixed, with some US stores having to close a few years ago. The timing of s
coincided with the COVID-19 pandemic, which some believe impacted its success.

Hotel Chocolat has a comprehensive online website and customers can buy its product fro
products delivered to their address. Customers can check in-store stock of specific p

Hotel Chocolat strives to offer a differentiated cocoa-rich taste which customers ca
The entrepreneurs set up the business with the mission of making chocolate excitin
operated differently to its rivals. They wanted chocolate to give their customers esca
place in their minds'.

The company is unique as it is one of the world's few chocolate makers to grow coco

Hotel Chocolat's product range

Hotel Chocolat products are different from rival options. When the business started t
experts to make them as thin as possible and put the chocolates on the outside. Hot
made its shells very thick with all of the chocolates hidden inside. It did this to add a
its customers.

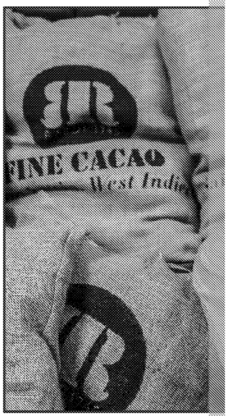
The business was also told that a slab of chocolate should be regular and divided int
Hotel Chocolat ignored this view and makes its 'Grand Slabs'. When melted chocolate i
it naturally sets into a curvy, fluid shape and this inspired the design of the Grand Sl

Hotel Chocolat's slogan is 'More Cocoa, Less Sugar' which highlights the focus on q
of cocoa used in its products is well above the industry average:

- Milk chocolate contains 40% or 50% cocoa
- White chocolate is 36% cocoa

The high cocoa content means that it takes just a small portion to satisfy someone's chocolate craving. The smooth, creamy flavour lingers on while the cocoa makes customers feel focused and energised.

'Be Brave, Be Kind' is the business's mantra for its company culture, emphasising respect, equality, and inclusion for its employees.



Ar

The product range is vast and includes traditional chocolate bars, blocks, loose chocolates and an exciting range of seasonal and gift products such as Easter eggs, Advent calendars, hampers and assorted chocolate gift boxes. The brand also offers drinks such as hot chocolate and some liqueurs. A chocolate subscription service was launched in 2022. Velvetiser is a hot chocolate machine to make barista-grade drinking chocolate at ho

The product range includes milk, white and dark chocolate; plus innovative flavours s cherry chocolate, liqueur chocolate, chilli chocolate and ginger chocolate to name bu also caters for specialist dietary needs including chocolate without alcohol, low suga chocolates. A range of centres are also offered, including fruit and traditional carame

Chocolate Selectors are packs of six individual chocolates, or a slab. Customers can Selectors feature every style of chocolate that Hotel Chocolat makes, with a range of flavours including pink champagne chocolate truffles, lemon chocolate cheesecake, 2025 there were about 107 different products in the Selector range, which retail at u

Customers can create their own gift collection. They can select a bag or box and fill products. A special personal message can be added and the business will ribbon-tie address or to the address of the individual that the gift is purchased for.

There are special ranges for various occasions. All-year-round occasion products ar including birthdays, weddings, anniversaries, retirement, new baby, thank you, and g added throughout the year to reflect the season such as Valentine's Day, Mother's D Summertime, Graduation, Halloween, and Christmas.

There are products to suit all budgets with items for under £10 to a range for those Gift cards are also sold.

Hotel Chocolat makes shopping an experience and runs special events throughout t tasting and talks to explain the journey of chocolate from tree to bar. The in-store ca for customers.

Vertically integrated business model

Hotel Chocolat is different from many competitors as it is a vertically integrated busi suppliers including a cocoa plantation (the Rabot Estate in Saint Lucia) through to it UK (Cambridge) to direct-to-consumer sales via its own stores, cafés, and digital ch helps the business to manage the quality of its products closely, support innovation, and can reduce cost. Chocolate products sold in the UK can now be traced back not from, but also to the specific area within the estate where the beans were grown.

Cocoa farming across Saint Lucia was in decline when Hotel Chocolat purchased th being left to rot, rather than harvesting, drying and transporting the beans, without a costs would be covered by the market price.

Growth

Prior to 2016 Hotel Chocolat operated as a private limited company and it grew orga

In May 2016 the company was floated on the London stock market, raising £50 milli became known as Hotel Chocolat Group PLC. The two founding entrepreneurs, Angu maintained two-thirds of the shares after the floatation. Angus Thirlwell continued a

> *'It seemed like a good time to float', explained Angus Thirlwell. 'The flotation give capital, but Peter and I, as founders, can continue to protect the brand. We are de independence of Hotel Chocolat.'*

Since 2016 Hotel Chocolat has doubled its revenues to £205 million in the financial y

Over the years Hotel Chocolat has attracted a lot of media interest. It has been the fo including Channel 5's *Inside Hotel Chocolat* and Channel 4's *Hotel Chocolat at Easte Chocolate Factory*, and *Hotel Chocolat: Unwrapped.*

In 2023 the American confectionery company Mars, Incorporated announced that it h acquire Hotel Chocolat. The acquisition was completed in 2024. Angus Thirlwell con Executive after the Mars acquisition, but Peter Harris retired at that time.

Mars, Incorporated is planning to support Hotel Chocolat's future growth in the UK a confirmed that it does not plan to change Hotel Chocolat's UK manufacturing base o that the acquisition will enable Hotel Chocolat to grow quicker, especially overseas.

Discussion questions

The following questions aim to develop your understanding of some of the key a research topic. You are recommended to carry out research to support your furth points and make notes that can be referred to when preparing for the exam.

1. Explain the benefits of a large product range for Hotel Chocolat.
2. Explain the interests of **two** of Hotel Chocolat's internal stakeholders.
3. Analyse how local and national economic factors affect Hotel Chocolat.
4. Evaluate the impact of the acquisition by Mars, Incorporated on the continue
5. Assess the barriers that may have hindered Hotel Chocolat's international ex
6. Discuss the impact of being a vertically integrated business on Hotel Chocola

Essay

With reference to your own research, discuss the key trends in the UK and world market and the strategies that Hotel Chocolat should use to maintain its success next 10 years.

Case Study C: Walker's Shortb

Walker's Shortbread Ltd was founded in 1898 by Joseph Walker in the village of Aberlour, Speyside. The Scottish company is well known for its range of biscuits, shortbread, cookies and crackers. The business is currently a significant exporter of food products and has over 1,200 employees. The company has a production site in Elgin and its head office is still located in Aberlour. This production site relies on modern equipment to meet demand for its products.

Walker's Shortbread Ltd's product range carries a distinctive branding with tartan packaging to emphasise the link to Scotland. This is important as shortbread is often
originated there. The product developed from mediaeval Scottish biscuit bread into
Mary, Queen of Scots in the sixteenth century.

The company's name emphasises its shortbread biscuits which are based on an all-
product range includes shortbread fingers, Highlanders, chocolate chip shortbread,
shortbread. The products are sold in a range of sizes including tins, snack packs, mi
The key ingredients for its shortbread are pure creamery butter, sugar, flour and salt.
investigated, including a vegan version of its butter-based biscuits. A key trend amo
and flavour innovation, and producers need to react to these requirements.

Shortbread is a popular product in the UK market, especially with older generations.
carried out research which found that over 49% of its residents said that shortbread
top choice of biscuit.[12] Another survey by Breville found that shortbread was top of i
lists shortbread among the UK's most favourite biscuits along with chocolate digesti

An extensive range of biscuits are also produced by Walker's Shortbread Ltd includi

- White chocolate and raspberry biscuits
- Belgian chocolate chunk biscuits
- Stem ginger biscuits
- Fruit and lemon biscuits

Other products include traditionally based oatcakes which are produced from fine or
specific nutty flavour. The company also makes a Scottish fruit cake which includes
a moist texture and rich taste.

Special products are also available for celebrations, get well, Mother's day, Father's da
and back to school. These products include gift tins, boxes and bags filled with a range

The company has the Royal Warrant as it is an approved supplier to the King, which i

The business is a private limited company and is still owned by the Walker family.

Over the years the business has experienced many challenges including wars, recess
the pandemic has affected the business, and the raised price of butter (a 50% increa
profits as butter is one of the key ingredients of shortbread.

The company's annual turnover increased by 16% in 2022, but profits decreased by
pressures of inflation in the cost of raw materials and the conflict in Ukraine which
increase in turnover was supported by strong demand in the US and UK markets.

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[12] Caring UK, 2023, *https://caringuk.co.uk/shortbread-proves-to-be-the-most-popular-biscuit-wit*

[13] Breville, 2026, *https://www.breville.co.uk/service-and-support/blog/What-is-the-UKs-Favourit*

Shortbread is traditionally a popular product for Hogmanay (New Year) and Christma
therefore traditionally affected by seasonal demand. However, shortbread is increasi
product. This has supported growth in the product over recent years.

Products are sold through the Walker's Shortbread Ltd's website and delivered direc
helped the company to expand its customers globally. Its products are also sold in s
and Waitrose, and also online retailers. The products are often included in hampers a
distributed by companies such as corporate gifting and hamper company, Simply Th

The company is a major employer with over [illegible]50 different job roles. Several of them a
production line operators and packers. The work environment includes strict rules d
workplace, such as no jewellery. There is free transport for staff to its Aberlour s
Staff are also offered a 25% discount on products sold by its Walker's shops, a subsi
three months' membership with PureGym, and a Christmas bonus and hamper offere

Job roles are also available in key business functions such as marketing, human reso

Apprenticeship opportunities are offered in diverse areas such as engineering and hu
These opportunities enable employees to gain a qualification alongside their job role
different apprentices are included on the company website.

Discussion questions

The following questions aim to develop your understanding of some of the key a
research topic. You are recommended to carry out research to support your furt
points and make notes that can be referred to when preparing for the exam.

1. Explain **two** benefits of selling products online for Walker's Shortbread Ltd.
2. Explain the benefits for Walker's Shortbread Ltd of offering employee develo
   such as apprenticeships.
3. Analyse how the profitability of Walker's Shortbread Ltd is affected by its ext
4. Evaluate Walker's Shortbread Ltd's branding decisions.
5. Assess the barriers that may affect Walker's Shortbread Ltd's success globall
6. Assess the advantages and disadvantages to Walker's Shortbread Ltd of rema

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- https://www.bbc.co.uk/news/articles/c20g11y4d[illegible]
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