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Strategic market evaluation of the South Korean market for the Godiva chocolates

Inge Bynens

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Strategic market evaluation of the South Korean market for the Godiva chocolates

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STRATEGIC MARKET EVALUATION OF THE SOUTH KOREAN MARKET FOR THE GODIVA CHOCOLATES



By

INGE BYNENS

A Senior Thesis Submitted to the Eastern Michigan University

Honors Program

In partial Fulfillment of the Requirements for graduation with Departmental
honors.

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Supervising Instructor

Honors Advisor

Department Head

Honors Director

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I. INTRODUCTION



Godiva is a well known chain of chocolate shops (chocolatier), founded in Belgium and later centralized in the United States. They have many stores in both countries, and international locations as well. Godiva's chocolates are very high quality and, consequently, very expensive.

This project is an attempt to successfully introduce Godiva to the South Korean market. In doing this, I will analyze "Godiva" general approach to international marketing and design an international marketing program for one of the product lines of the company in South Korea.

My expansion proposal begins with an overview of *Godiva* as a company. I will present its corporate objectives, product lines, and global coverage. I will also discuss Godiva's different forms of franchise agreements and its production facilities among other things. The paper progresses by describing the South Korean market and by explaining current trends within that market. Finally, based on my research in the previous material, I will recommend a strategy for Godiva to successfully enter the South Korean market.

II. HISTORY OF GODIVA



Godiva's history began more than seventy-five years ago in Brussels, Belgium when master chocolatier Joseph Draps founded a chocolate company that was named in honor of the legend of Lady Godiva.

At the age of fourteen, Joseph Draps, went into the family business. It was in Belgium that he developed both his ability and creative talent as a master chocolate maker as well as his business sense. He then decided to create a prestige range of chocolates and to give it an evocative name.

It's not surprising that Godiva Chocolatier, Inc., one of the creators of the world's most elegant, hand-crafted chocolates, originated in Brussels, Belgium. For generations, Belgium has had a tradition of perfectionism, from its Rubens paintings and gothic architecture to products made of intricate lace, glittering crystal and its fabulous cuisine.

In keeping with this tradition, the Draps family introduced Belgium to Godiva Chocolate in 1926. Later, Joseph opened the doors to his shop on a cobblestone street on "The Grande Place" in Brussels. He named his family's chocolate company "Godiva". Draps perfected a unique formula of rich chocolate with unparalleled smoothness. With a remarkable eye for detail, he set forth the standard for Godiva's innovative selection of elegant, European shell-molded designs and beautiful packaging.

Through the years, these standards have been maintained as assiduously as Draps' recipes have been guarded. As a result of this adherence to Draps heritage, Godiva chocolates evoke the greatest in confectionary excellence. The same careful attention to quality is apparent in the exquisite European-style gold balloting and handcrafted seasonal packaging that has earned Godiva a reputation for design excellence.

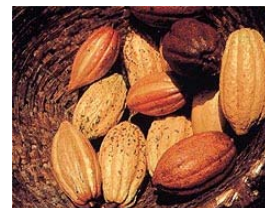
Since its introduction to America in 1966, Godiva continues to be the leader in the premium confectionary category. There are more than two hundred Godiva specialty boutiques in major U.S. cities, as well as over 1,000 additional outlets in fine department and specialty stores. From Brussels to New York to Paris to Tokyo, it is Godiva that brings the best of Belgium to the world.



III. THE LEGEND OF GODIVA

In the year of the Belgian Lord 1040, the people of Coventry were crushed by heavy taxed imposed by their Lord, Leofric the Dane, Count of Chester, to finance his wars. His young wife, moved by the poverty of the people, implored him to reduce the charges. Knowing that she was extremely prudish, he threw down a challenge which he was sure she would never accept. To cross the town on horse back, covered by nothing but her long hair. Lady Godiva agreed on condition that her husband should never impose a tax again and that the people stayed cloistered at home with doors and shutters closed. This legendary tale has been illustrated many times in paintings, tapestries, sculptures and literature.

IV. THE HISTORY OF CHOCOLATE



Chocolate is born in the pre-Columbian America (600). The first traces of the use of cocoa appear from the Mayan civilization in the seventh century. The

Mayans make a religious tonic drink out of cocoa beans which they would christen 'Chacau haa' or 'Xocoatl'.

After the crumbling of the Mayan empire, the Toltecs (1200) continue with the cultivation of cocoa under the name of the tree of paradise. The beans become a unit of currency in the whole of Central America. The Aztecs also give great importance to cocoa, claiming it gives them wisdom and strength.

Christopher Columbus discovers chocolate, but it is the conquistadors who will be the first to be aware of the value of "the silver which grows on trees". In 1513 Hernando de Oviedo y Valdez reports that he has bought a slave for a hundred cocoa beans. Chocolate, a bitter drink which he convinced has aphrodisiac properties. The Spanish conquer Cortes goes back to Europe – Spain with cocoa beans and the equipment needed for preparing chocolate. It made its way into Belgium in 1671. The chef of the Duke of Plessis-Praslin accidentally spills boiling melted sugar on ground almonds. The Duke would give his name to the preparation. The praline is born; a mix based on almonds or shelled nuts, covered in caramel and then ground together. Later, its Belgian chocolatiers who improve on the recipe by putting it in the center of a bouchée coated in chocolate. Belgium was in 1697 already a reputed chocolate centre; the mayor of Zurich (Switzerland) discovers the chocolate in Belgium and introduces it in Switzerland. The Germans, Austrians, English all introduce it into their countries.

In 1926, the Belgian praline from Godiva filled with delicious creams, gnashes, marzipan and other pralines is born. The Draps family opens a craftsman

workshop in Brussels supplying the best establishments of the capital. Joseph Draps would develop his talents as a master chocolatier there as well as his vision for a top luxury brand for connoisseurs the world over.



V. CORPORATE OBJECTIVES

Godiva's objective is to further enhance the expansion through the opening of more chocolate shops in the world.

In the United States, The Pennsylvania plant supplies more than 3,000 points of sale spread across the whole North American market; ninety-five percent of the chocolate is supplied in stores and five percent are franchises (Godiva boutiques). A number of the Godiva chocolate is directly imported from Belgium to the Pennsylvania plant.

Additionally, it has begun franchising which is discussed below. There are currently 300 places in Michigan where you can buy *Godiva*. The store locators can be in Godiva Boutiques (Total of 23 franchises) as well as fine department stores, duty free locations and other gourmet shops that carry Godiva pralines (total of 277 stores).

VI. MISSION STATEMENT

Godiva's mission statement is to "go global and to promote a high quality product and service". Godiva chocolate is made to bring sheer delight to their customers. Their slogan sounds like: "Look, smell, listen, feel and taste that's what Godiva chocolate is all about."

VII. PRODUCTION FACILITIES AND GLOBAL COVERAGE

Godiva products are to be found in the United States, Canada, Europe, The Middle East, South-Africa, Hong Kong, Taiwan, Singapore and Japan; distributed from the two production units in Belgium and the USA. The US production goes out to markets in the United States. The Brussels production goes out to markets in Europe, The Middle East, and Asian market; very soon into South-Korea. In these regions, Godiva has developed three distribution channels: its own shops, counters in big stores (Harrods in London, KDW in Berlin and Galleries Lafayette in Paris) and an ever increasing network of franchisees in the United States.

The Brussels unit also supplies the fast growing sector of international travel and duty free shops for destinations outside the EU. Godiva chocolates are to be found in the main international airports and on board the most popular airlines. Special packaging has been developed to respond to the specific needs of this market.

Stores in the world	
Europe	52
North American market (includes Canada)	3,000
Canada	136
Middle East	4
Japan	193
Hong Kong	8
Singapore	3
Taiwan	4
S-Africa	1

VIII. PRODUCT POLICY

Godiva sells its famous chocolate in a variety of flavors: Truffels, caraques, croquants, fresh creams, marzipans, caramels, liquors, fruits, chocolate bars, bouchées, etc...

More than seventy different freshly made chocolate pieces are available for customers who wish to create their own ballotin assortments or simply wish to indulge in a personal treat. The company also offers an even wider range of more than 100 pieces for gifting, special occasion and personal indulgence, along with its home entertaining lines of Café Godiva gourmet coffees, Godiva hot chocolate, Biscotti, Mini-Biscotti and Godiva Biscuits. Many of the chocolate collections have traditionally been packaged in Godiva's classic Gold Ballotin.

Throughout the year, however, the company emphasizes stylish seasonal packaging for both its customized collections and its prepackaged selections.

It also sells complimentary items to these chocolates such as Godiva Ice cream, Godiva Cappuccino liqueur, Godiva white chocolate liqueur, etc.

Godiva is not an unknown product; many countries have their own Godiva stores. Godiva is however tweaking their product lines to fit local cultures; chocolate offerings are adapted local tastes. The taste of Godiva chocolate in the United States is different as in Europe; more sugar and different milk products are put into the American Godiva chocolate.



Pralinés



Ganaches



Truffles



Caracques



Croquants



Fresh Creams



Marzipans



Caramels



Liqueurs



Fruits



Godiva & JOY



Bars



Bouchées

Source: www.godiva.be



How are these pralines and chocolates made, which manage to produce so many taste surprises inside a shell which is both creamy and crisp? They are using fresh, natural ingredients and by respecting the Godiva tradition



The enrobing chocolate, dark, milk or white is specially prepared for Godiva following their own recipe. Everything is decided by Godiva: the choice of cocoa beans, the degree of roasting, the fineness of grinding, the purity and the homogeneity of the chocolate paste. It is refined by conching and despite the relaxation of rules in the new European directive. Godiva uses only chocolate made from 100 percent cocoa butter and without vegetable fats. Real chocolate!

The fillings - fine creams, delicate marzipan, fruit and nuts - are prepared in the mixers in the Godiva kitchens. Only genuine, fresh products are brought into this workshop, which is the real heart of Godiva quality. Fresh butter and real cream

are delivered several times a week. The hint of alcohol, notably in the fresh cream pralines, comes from top brand liqueurs and three stars Cognac.



The praline is always made in-house. This is one of the Godiva strong points. Turkish hazelnuts, selected and calibrated to give an even roasting, are heated to develop their aroma and peeled to avoid any bitterness. Cooled, they are mixed with an equal quantity of sugar, then heated again and caramelized. Ground between two enormous granite millstones, they then pass between cylinders, which grind them even more finely to just 20 microns in size. The powder and the oil from the grinding are mixed to form the praline paste- smooth and sweet smelling.



The nougatine is also made in a traditional way at Godiva. Roasted, crushed nuts are mixed with a sugar caramel without adding water. This preparation is rolled out on a marble table and cooled. Broken into little squares using a caramel roller, it will be used to create, for example, a taste contrast between the crispness and the creaminess of certain fillings.

The Preparation of Pralines and Chocolates

Five production techniques are used to produce the variety of shapes and the subtle taste associations in Godiva chocolates. These are molding, extrusion, enrobing by hand or under a curtain of liquid chocolate, dipping and hand piped decoration.



The molded pralines are made after the chocolate has been tempered, which brings it up to a temperature to give it the most stable, crystal clear form, with a beautiful shine and clean breaking quality. The liquid chocolate is poured into moulds where the shape of the chocolates is imprinted. The moulds are laid out on vibrating tables where the tapping brings bubbles of air to the surface to ensure the homogeneity of the chocolate. The moulds are then turned over and the excess chocolate runs off. There is just one hollow shell into which the cream or filling is poured. After it cools, the base is protected by a layer of chocolate. But Godiva does not just produce flat bottomed pralines. Symmetrical moulds, filled separately and then assembled, allow the creation of double sided chocolates and the marriage of several flavors. *The Coeur de Bruxelles* (Brussels Hearts) for example.



Extrusion consists of passing a quantity of paste through a plate with a predetermined hole in it which then produces a roll. After cooling, this is cut in pieces to pre-form what, after enrobing, becomes the centre of a chocolate. The Gianduja is prepared in this way, but is not coated afterwards. It consists of mainly praline (hazelnuts and caramelized sugar) to which is added a portion of chocolate and cocoa butter to obtain the consistency and the melting which give it its distinctive character. The paste is homogenized, extruded, cooled, cut and wrapped in aluminum paper to preserve freshness.



Enrobed chocolates are made by passing a ready cut, cooled interior under a curtain of liquid chocolate and then through a refrigerated tunnel. They are decorated ways: with a fine jet of chocolate, sprinkling, placing a nut on top or a film made with a mix of cocoa butter and food colorants. Pallets, with a ganache base, are made in this way.



Pralines - hand made or hand decorated are another Godiva specialty. You cannot fail to admire the dexterity of the artistic worker who produces her sixty kilos of *Manos* every day with a two pronged fork. She plunges a little dome of fresh cream, garnished with a kernel of a Grenoble nut, into a bath of melted sugar heated to 60 degrees. And with a simple flick of

the wrist she creates the characteristic drapé. The fine chocolate calligraphy which decorates other specialties is done with little paper piping bags. That's certainly the case with the leaf which decorates the Autant chocolate. (For the history books, this leaf is a stylized version of the feather which Scarlet O'Hara wore in her hat. Autant was originally called "Autant en imported le vent" (Gone with the Wind), created for the release of the film in Brussels in 1949). (1)

IX. DISTRIBUTION POLICY

The company's retailing philosophy has its roots in Godiva's original Brussels stores (boutique) where a knowledgeable sales staff first created customized assortments of freshly made luxury chocolates for each customer. This Old World approach to selling luxury chocolate remains the foundation of Godiva's store (boutique) operation, even as the company has adapted to a modern day retail environment with the addition of self-service areas in the boutiques.

Their retail distribution network in Europe and Asia is made of shops owned by the Campbell Company (95 %) and franchisees (5 %). In all Godiva stores, they want their customers to receive an exquisite shopping experience every time. To do so, they offer the finest product range, the most beautiful packaging, merchandising and Store Layout that works. Godiva's employees are dedicated, innovative, and committed to delivering the "Gold Standard" every

day. Their slogan is: “If you have what it takes to produce high volume sales and provide exceptional customer service, our stores may be the right place for you”.

Godiva Company is looking for franchisees in South Korea that are dynamic, entrepreneurial, looking for a well-established brand and an investment of 50,000 Euros (\$ 6,287.96) to invest in a Godiva franchise. Godiva will offer then a superior quality products; a support in marketing, merchandising, sales and product techniques; as well as training sessions.

South-Korea is open to franchisees; the Coca-Cola Amatil is the sole coca-cola franchisee in South Korea.

X. PROMOTION & PRICING POLICY

Worldwide, Godiva Europe standardized prices in Europe to comply with the European Union. In the United States standardized prices also apply. Godiva wants to unify its advertising message into a global and common campaign, which leans towards the standardization end of the continuum.

XI. MARKET ANALYSIS – MACRO FACTORS

South-Korea can be an interesting market to penetrate through franchising or direct sales. Before going into South-Korea, macro factors have to be analyzed.

A) LOCATION



<http://www.cia.gov/cia/publications/factbook/geos/ks.html>

South Korea is situated in Eastern Asia on the southern half of the Korean Peninsula. It borders North Korea in the north, the Yellow Sea in the west, and the Sea of Japan in the east. The capital of the republic of South Korea is Seoul. This has turned out to be a geographic advantage; South Korea, in the center of North East Asia, connects the Pacific with Eurasia. It also sits right in-between two other very important markets in the world economy: China, which is the world's largest market, and Japan, which is the world's second largest economy.



B) TOPOGRAPHY

www.lonelyplanet.com

The poetic interpretation of the word Korea is "Land of High Mountains and Sparkling Streams".¹ As described by its name, South Korea is mostly made up of hills and mountains with wide coastal plains in west and south. South Korea is slightly larger than Indiana, U.S with a total land area of 98,480 sq km.

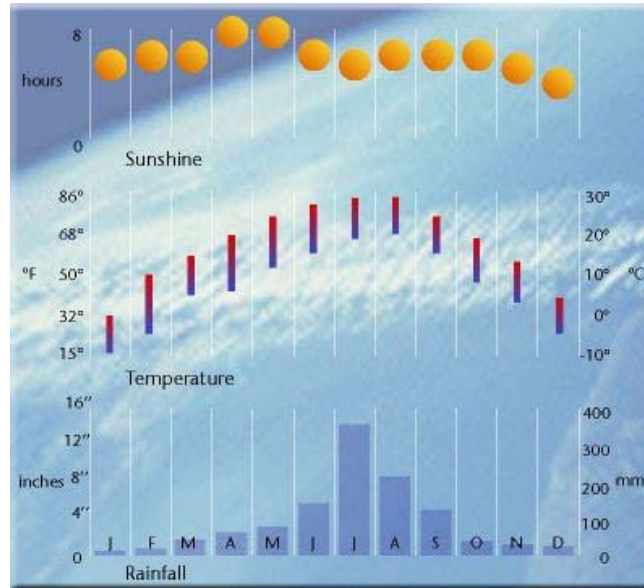
Early European visitors to Korea remarked that the land resembled "a sea in a heavy gale" because of the large number of successive mountain ranges that crisscross the peninsula. The tallest mountains are in North Korea. The tallest mountain in South Korea is Mount Halla (1,950 meters), which is the cone of a volcanic formation constituting Cheju Island. There are three major mountain ranges within South Korea: the T'aebaek, and Sobaek ranges, and the Chiri Massif.

C) CLIMATE

South Korea enjoys a temperate climate with rainfall heavier in the summer than in the winter. Judging from the diagram below, the nicest weather typically occurs from September through November. These are the months

¹ www.worldbank.com

during which temperatures are not too high and there is relatively little rainfall with lots of sunshine. Typhoons occasionally strike the country from late June through September.



www.oxfordtravels.com/asia/southkorea/weather.html

SOUTH-KOREAN CULTURE

A) POPULATION

South Korea's has a population of about 48,598,175 people with an estimated yearly growth rate of 0.62%. The median age of the population is 33.7 years old and the life expectancy for women is 79.54 years and 71.96 years for men. 73% of the population lives in urban areas.

B) LANGUAGE

The official language is Korean. English is widely taught as a second language in junior high and in high school.

C) RELIGION

No affiliation 46%, Christian 26%, Buddhist 26%, Confucianism 1%, other 1%.

D) GENERAL CULTURE

South Koreans are a people obsessed with nature in general, and with mountains in particular. With China to the west and Japan to the east, the country has been unwilling host to centuries of war games. However, no matter how many times its larger neighbors have tried to conquer it, South Korea has managed to stay independent. South Koreans attribute their tireless culture to the uniting forces of Confucianism, language and pride. The topography and geography have also contributed to creating a cohesive Korean identity.

Generally, Koreans are very proud of their country and its history. It is important that you do not to confuse the history and culture of Korea with other Asian countries, especially Japan. Some older Koreans who grew up during the time of the Japanese occupation may not appreciate gifts from Japan or comparison of Korea with Japan.

E) BUSINESS CULTURE

Extremely personal questions regarding your age, salary, education, religion, and family life are not uncommon. Always remain polite but try to gracefully side step those questions if you do not feel comfortable giving out this type of information. In most cases, people make these inquiries because they think that they can establish rapport by finding common denominators. Also, status means everything in the South Korean business culture. It is important that approximate age or relative status of counterparts be established.

Modesty is very important in South Korea. If you are paid a compliment during a business conversation, it is appropriate to say that you are not worthy of the praise. However, you can compliment another person, since these comments are still very much appreciated. Singling out one person in a group is never a good idea, though, since this may embarrass the receiver. Also, modesty is also the rule as far as hand motions and facial expressions go. Being too animated is frowned upon.

Negative information should always be communicated in the most positive way and if a request for a favor must be declined, it is important to sound very apologetic.

However, a box of chocolate as a gift would be very much appreciated by the South-Koreans.

F) LIVING CONDITIONS

Higher incomes led to significant shifts in consumption patterns. For example, in 1963 the average family spent 57.4 percent of its budget on food. Twenty years later, the share going to food had fallen to 40 percent and was expected to continue to fall (but not as rapidly as in the past). Despite the decreasing share of food in the consumer budget, the absolute value of food consumed grew regularly in the 1970s and 1980s and was expected to continue to do so in the 1990s. Rising incomes, the increased mobility of the average person, and a high literacy rate demonstrated evident socio-economic progress. The Godiva chocolate would be seen as a luxury but well-known quality product for South-Koreans to buy and the chocolate can be priced the same as in other western countries represented by Godiva.

G) CUSTOMERS & END USERS

South Koreans enjoy many different types of desserts, but there is at least one example that suggests that chocolate may be received favorably. South Koreans enjoy European style waffles, which are usually eaten with honey, apple jam or chocolate.

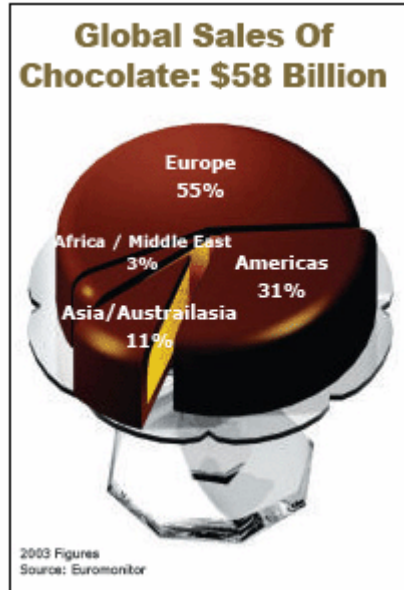
Kids love chocolate, South-Korean women send it to men on Valentine's Day and give it as gifts to couples at their weddings.

The appeal of luxurious chocolate is recovering strength among South-Koreans after the region's debilitating financial crisis slashed incomes and made thousands jobless, experts at an Asian cocoa and chocolate conference claim.

A steady rise in private consumption and incomes in the next five years will feed through into unspectacular growth in sales of food, although certain areas, particularly luxury goods/products, could see faster growth. The expected rise in incomes during the forecast period will contribute to the gentle fall in the proportion of expenditure devoted by households to food and essential items in the five years to 2009. South Koreans are expected, however, to still spend more on food, beverages and tobacco (around 14% of household expenditure) than will Americans (around 9%) or Japanese (12%).

Food - Reflecting the rapid pace of South Korea's economic development, daily calorie consumption has risen from around 2,470 per head in the early 1970s to more than 3,000 currently. Despite the dramatic increases in wealth over the past two decades, South Koreans have yet to develop a noticeably sweeter tooth.

This is suggested by confectionery sales of just over 80,000 tones in 2003, compared with more than 460,000 tones in Japan, nearly 860,000 tones in the UK and 3 million tones in the US. Although South Korea's continued exposure to foreign influences will ensure demand in riche areas, the particularities of the country's national cuisine. There is a market for Godiva in South-Korea with the rise in private consumption and income, starting out with a Godiva boutique (franchise) in the Seoul Airport and later on if the product is successful, stores will get interested to import the product.



Source: Euromonitor

XII. GOVERNMENT AND POLITICS

System of Government – Constitution of Sixth Republic approved October 1987; effective February 1988. Strong presidency; president elected for one five-year-term by direct popular vote. Two hundred twenty four members of two hundred ninety nine member National Assembly elected by popular vote for four-year-term in April 1988; rest appointed by political parties according to proportional formula.

Justice – Administration of justice as function of courts established under constitution and amended Court Organization Law of 1949; Supreme Court highest organ of court system; appellate courts and district courts. Constitution court decides constitutionality of a law, dissolution of a political party, impeachment, petitions relating to constitution, disputes between state agencies,

or between state agencies and local governments. Family Court adjudicates domestic affairs and juvenile delinquency. Courts-martial have jurisdiction over offenses committed by armed forces personnel and civilian military employees.

Administrative Divisions – Nine provinces and six provincial – level cities.

Provinces divided into countries and ordinary cities; counties into townships and towns; townships into villages. They are mostly part of the central government and increasing self-government.

Politics – Multiparty system, but political parties with contrary aims or activities may be dissolved by Constitution Court.

Foreign Affairs – Member of most international organizations but no formal membership in United Nations in mid 1990. The mutual defense treaty they have with the United States, which along with Japan, one of the two most important foreign policy partners. Relations with Democratic People's Republic of Korea (North Korea) treated as 'internal' rather than 'foreign', public and private contacts increasing.

XIII. MACROECONOMIC SITUATION

Although South Korea is a small country, it is nevertheless a key economic force in Asia and it is also becoming an economic player to be reckoned with worldwide. It is the thirteenth largest economy in the world in terms of GDP and it is home to many big international corporations such as Samsung and LG. South Korea's economic upswing has been going on for a couple of

decades and the country is commonly referred to as one of the “Asian Tigers”. Economic growth was especially fast in the 1990s, but came to a screeching halt in 1997 when the South East Asian economic crisis hit the area.

The economic crisis was a difficult period and led to many reforms in the structure of South Korean business. The traditional business structure in South Korea has revolved around the Chaebol (Korean translation of the Japanese word zaibatsu, or business conglomerate - A group of specialized companies with interrelated management servicing each other.)

These are a web of intertwined businesses that are tied together around the founding father. Like the Japanese Keiretsu, the Chaebol are huge corporations that have long-term and already established business relationships. Since personal relationships are very important, it is hard for an outsider to break in and do business with the Chaebol members. Many of these Chaebol were unprofitable, and as a result were dissolved or taken over by profitable entities during and after the economic crisis. The economy now operates according to democratic and market principles with a focus on core business activities and, maybe most importantly ‘profitability’.

In the past, South Korea’s attitudes toward foreign direct investments were very negative. Foreign direct investments played a key role, however, in overcoming the crisis. As a result, capital inflows from foreign investors are now very much welcomed into the country. All these reforms have proven to be successful; South Korea has recovered from the economic crisis faster than any other Asian country. Interest rates and unemployment have decreased and

stabilized at much lower levels, whereas foreign direct investment has increased. In terms of its credit risk, as assessed by Moody's credit rating agency, South Korea is back to pre-crisis levels.

In an article from Forbes magazine, retail sales have been very strong in recent years with sales through food retailers making up 30% of total retail sales in 2003. It is a strong market for confectionery retailers, one that is suitable for Godiva.

Retail entry strategies – Almost half of the South Korean population resides within a 25-mile radius of Seoul. This nucleus forms a huge retail market, where congestion and high land prices adversely impact large-scale distribution and food sales. So, traditional markets and mom-'n'-pop stores still play a big role there.

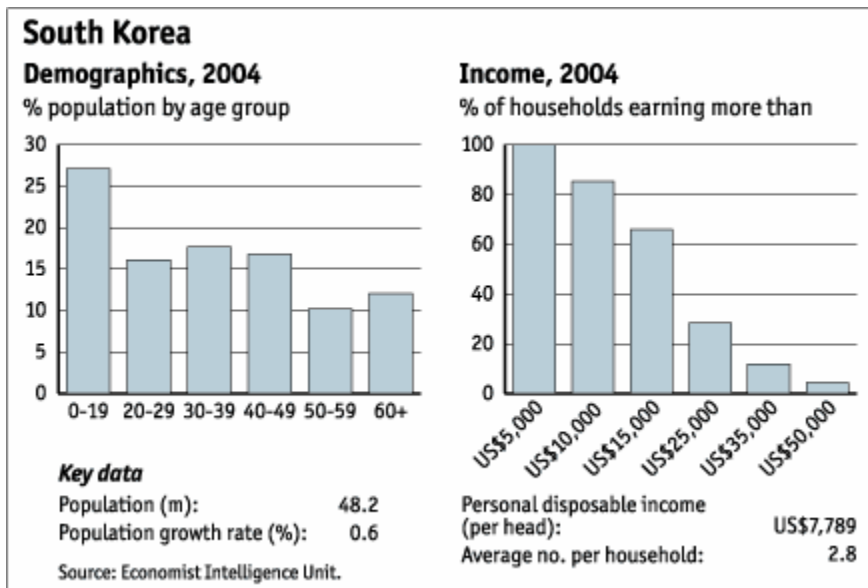
Growth in the number of large stores is more pronounced in the newer metropolitan communities encircling Seoul. But supermarkets and hypermarkets are making inroads traditional markets at the outskirts of established residential areas in Seoul.

A distinct best strategy for export chocolate in to South-Korea would be working with a reputable importer. Established importers provide an array of services and information:

- Market knowledge
- Guidance on business practices and trade-related laws, rules and regulations
- Sales contacts

- Market development expertise
- Distribution logistics

Franchising would be another strategy to start with in the metropolitan city of Seoul.



Source: Economist Intelligence Unit

Market opportunities

	2004	2005
Population (m)	48.2	48.5
GDP (US\$ bn at market exchange rates)	663.4	721.7
GDP per head (US\$ at market exchange rates)	13,760	14,885
GDP (US\$ bn at PPP)	1,049	1,117.6
GDP per head (US\$ at PPP)	21,770	23,051
Personal disposable income (US\$ bn)	374.6	401.7
Median household income (US\$)	18,674	19,711
Household consumption (US\$ bn)	346.1	371.2
Household consumption per head (US\$)	7,180	7,660
Exports of goods & services (% change)	20.8	11.3
Imports of goods & services (% change)	14.4	12.3

Source: Economist Intelligence Unit

The market opportunities will grow in South-Korea, where the Economist Intelligence Unit expects market opportunities to grow rapidly during the forecast period. As they become richer, South Koreans will not only spend more on education, health and other social services—government welfare provision is and will remain limited—but will demand better quality. Dissatisfaction with schooling and medical care is already strong after a recently botched healthcare reform, and in a rapidly ageing society, inadequacies in the official pension system and the decline of the Confucian three-generation family norm create new challenges.

Business services, including both law and accountancy, are also increasingly seen as below par, to the detriment of financial modernization and corporate governance. The current Doha round of trade negotiations under the auspices of the World Trade Organization (WTO) means that South Korea must propose plans for the opening of the services sector. Thus, new opportunities for foreign investment are expected, especially in education, as well as in healthcare and legal services.

XIV. FINANCIAL RISK ASSESSMENT

RISK OVERVIEW

RISK RATINGS	Current	Current	Previous	Previous
	Rating	Score	Rating	Score
Overall assessment	B	31	B	31
Security risk	B	29	B	29
Political stability risk	B	35	B	35
Government effectiveness risk	C	54	C	54
Legal & regulatory risk	B	35	B	35
Macroeconomic risk	A	10	A	10
Foreign trade & payments risk	B	21	B	21
Tax policy risk	B	31	B	31
Labor market risk	C	43	C	43
Financial risk	B	29	B	29
Infrastructure risk	B	25	B	25

Note: E=most risky; 100=most risky.

The risk ratings model is run once a month.

Source: Economist Intelligence Unit

Overall the risks of operating in South Korea are low. Although North Korea remains a potent military threat to South Korea, the risk of major inter-Korean conflict over the short term is small. Despite a volatile party political scene, democracy is firmly entrenched. Macroeconomic risk is judged to be low, reflecting the country's solid fiscal position and the benign inflationary environment. Government effectiveness risk is the riskiest category, due mainly to concerns about the impact of continued political flux on the formation and implementation of policy and the lack of transparency and flexibility of the bureaucracy. Government influence on the legal and regulatory environment is also a risk. Union activity has risen since the president, Roh Moo-hyun, took office in February 2003. Infrastructure risk is heightened by severe road congestion.

SECURITY RISK

Security risk is low. Complications arise from the threat from North Korea with its more than 1 million soldiers, huge stockpiles of biological and chemical weapons and nuclear weapons development programmer. While the risk of a major direct attack from North Korea on the South may be small, a full-scale conflict between the Koreas would be devastating, particularly for the heavily-industrialized Seoul

area, which lies near the demilitarized zone (DMZ, the de facto border between the two Koreas). But for the North Korean threat, South Korea's security risk score would be considerably lower. Like Japan, South Korea is one of the world's safest societies: the incidence of street and petty crime is small, as is the risk to foreign investors from organized crime.

POLITICAL STABILITY RISK

Although South Korea's young democracy is not at risk, the political scene will continue to be volatile, particularly at the party political level; this will often impede policy formation and implementation. With regional antagonism likely to remain deep, the tone of political debate will be correspondingly bitter and reductive. The clear split in party fortunes in the general election in April 2004 underlines how deep the divisions remain--the Uri Party won most of the seats in the south-western and central-western Jeolla and Chungcheong provinces, and the opposition Grand National Party won most of the seats in the south-eastern Gyeongsang provinces. The reinstatement of Roh Moo-hyun as president in May 2004 should in theory have stabilized the political scene. However, the ruling pro-Roh Uri Party's lack of a parliamentary majority and Roh Moo-hyun's volatile public support continue to leave the government vulnerable.

GOVERNMENT EFFECTIVENESS RISK

This is South Korea's riskiest category. While the general quality of the bureaucracy is high, it is let down by its rigidity and lack of transparency, which

can hamper business efficiency for foreign investors. Battles between the highly turf-conscious ministries can also exacerbate general problems of opacity, for example by delaying the granting of approvals. Chains of communication between the bureaucrats and the politicians are also unclear, which often results in delays in the implementation of central government policies. Instability in the Uri Party may also impede political effectiveness, further retarding the pace of policy implementation.

LEGAL & REGULATORY RISK

Although improvements are being made to the quality of the regulatory environment, it lacks transparency. The government's highly interventionist stance is also a concern, particularly with regard to economic reforms. This can result in firms being forced to take decisions that are at odds with corporate strategy. With memories of the end-1997 financial crisis fading, the government's attitude towards foreign capital is becoming more ambivalent, with the result that only limited progress in dismantling informal barriers to inward foreign direct investment (FDI) is likely to be made. Despite some recent changes to the legal framework, intellectual property rights are not well protected.

MACRO ECONOMIC RISK

Despite low overall macroeconomic risk, South Korea is exposed to adverse movements in world demand for information-technology products owing to its high dependence on exports of electronic goods. Export performance is also

heavily reliant on the US, Japanese and, increasingly, the Chinese, economies. Mitigating the risk of weak export markets is South Korea's strong fiscal position. This gives it considerable room for maneuver to use public spending to boost growth in the event of external shocks, notwithstanding its traditional preference for fiscal conservatism. The excellent fiscal position contributes to the benign inflationary environment.

FOREIGN TRADE & PAYMENTS RISK

South Korea's foreign trade and payments risk is low. Not only do we expect the current account to remain in surplus over the forecast period, but the external debt maturity profile has also improved considerably since the end-1997 financial crisis, with short-term debt accounting for around 40% of the total compared with nearly 70% in the run-up to the crisis. Barriers to trade in goods and services are an on-going problem for foreign business. Attempts to protect local companies from foreign competition bring South Korea into frequent dispute with the US and the EU, but the risk of trade embargoes as a result is low.

TAX POLICY RISK

South Korea's tax risk is low. While corporate tax and value-added tax rates are low by the standards of other countries in the region, the rapid ageing of the population and the eventual need to fund economic reconstruction in North Korea suggest that the government will have little choice but to raise taxes in the not too distant future. In particular, social security contributions by employees and employers, which are currently low by the standards of many other OECD

countries, are likely to rise. Personal tax rates, meanwhile, are high by the standards of the region, particularly for high-income earners.

LABOR MARKET RISK

South Korea boasts one of the region's best-educated workforces. Most white-collar workers are computer literate, and turnover and absenteeism pose few difficulties for foreign companies operating in the country. Nevertheless, labor laws remain restrictive, despite reforms since the end-1997 financial crisis, and there are considerable skills shortages in areas such as information-technology, telecommunications and bioengineering. There is also a limited pool of experienced accountants able to help foreign-invested companies with complex local accounting and taxation procedures. Labor relations often veer towards the confrontational, and union militancy has increased since Roh Moo-hyun's inauguration as president in February 2003.

FINANCIAL RISK

With foreign-exchange reserves of just over US\$ 200 billion, the second-highest level in the OECD after Japan, South Korea is unlikely to suffer a repeat of the end-1997 currency collapse. With one of the region's largest stock and bond markets, financing sources in South Korea are diversified, albeit with the caveat that generally larger companies have easier access to financing than do small and medium-sized companies. Considerable progress has also been made in reforming the banking sector since the end-1997 financial crisis; at end-2004

non-performing loans at the banks stood at just 1.9% of the total. Nevertheless, concerns remain about the health of some of the credit card companies following the recent bursting of the consumer credit bubble. Government control of some large financial institutions following post-crisis nationalizations is seen as an impediment to full sectoral reform.

INFRASTRUCTURE RISK

As South Korea is one of the world's most densely populated countries, upgrading infrastructure systems to keep up with economic growth is a constant challenge. Transport and telecommunication links are good by regional standards, although the road network is highly congested. The government's active embrace of information technology has contributed to high rates of Internet and mobile phone usage. Concerns remain, however, in the area of energy provision. Not only is South Korea heavily dependent on oil, but attempts to promote alternative energy sources such as nuclear powers are increasingly triggering environmental protests. (2)

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Source: Economist Intelligence Unit

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XV. MAJOR COMPETITORS

The South-Korean market is occupied by several very successful brands such as Leonidas (Belgian chocolate brand - who carries 43 % of the market share in Europe), Barry Callebaut (Swiss chocolate – world's leading cocoa and chocolate products group), Nestlé (biggest confectionery market) followed by Mars, the chocolate maker owned by US food group Master foods.

The domestic chocolate makers are also expanding, at a faster pace than their foreign rivals. Their edge is lower cost! Godiva does not have the production capacity that some of its competitors have. The ecommerce is used widely in South Korea and impact the chocolate customers.

Regarding “eMarketer” who provides business statistics for online marketers and internet based businesses; “ecommerce in South-Korea is a billion businesses (2000-2004)”.

Godiva is on the right path in that it wants to unify its image into South-Korea. Having conflicting brand images can cause confusion and miscommunication between markets as well as within the company itself. It would be unprofitable and unsuccessful to take a “middle of the road” stance by appealing to each separate market in the same way without respecting cultural differences. Each major market can appeal to its target audiences with the same blanket message and then expand on it to fit different cultures.

By doing this, Godiva will attract individual market as South Korea while at the same time unify the International corporation under the same concept.

XVI. SWOT ANALYSIS – GODIVA

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - Globally / well known product. - Recognized since 1845. - Good reputation among customers in Europe, U.S. . . . - Established marketing systems in Europe, U.S., and Middle East. - Quality product. 	<ul style="list-style-type: none"> - No formal mission and vision statement. - Targeting a new and unknown market. - High production cost - Not enough advertising - sales decline
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> - Increased demand for chocolate. -Open market restructuring for chocolate. - Changing diets & western lifestyles. - Higher disposable incomes. - Everybody likes chocolate. 	<ul style="list-style-type: none"> - Increased government regulation. - Price conscious customers may cut back on “unnecessary” purchases. - Stringent rules/restrictions for foreign firms as Godiva. - Major competitors as Nestle, Callebaut... - Price inflation.

XVII. KEY FACTORS TO GO GLOBAL

Godiva already has successful operations in the U.S., Canada, Europe, Middle East, and Hong Kong. The South Korean economy has a growth rate that can result in a profitable market to penetrate.

The European Union, the United States and Japan are the main sources of FDI. EU countries invested a combined US\$ 3.1 billion in South Korea in 2003, according to the MOCIE. Flows from the US came to US\$ 1.2 billion and those from Japan to US\$ 541 million.

South Korea offers a more open and capitalistic philosophy, offers significant benefits to a company such as Godiva. With a population of almost 49 million, Godiva would have easy access to shoppers. The emerging middle class and trend toward privatization offer a target market that would definitely be interested in Godiva chocolate.

To enter this market, Godiva has several options available and needs “to evaluate the pros and cons of” foreign direct investment through, “joint ventures, franchising, subsidiaries, or a mix of these as a mode of future involvement.



XVIII. PROPOSED MARKETING STRATEGY – 4 Ps

Godiva was first to create the concept of premium chocolate. They did this by combining a fabulous product, stimulating advertising, sophisticated packaging and selective distribution. Godiva's standards of excellence include maintaining their product's high quality by requiring special handling during storage and display. Their growing popularity as a premium product is due to their innovative approaches in manufacturing, advertising and packaging.

Advantages and Challenges facing Godiva for the first year in South-Korea:

ADVENTAGES

- Reach 47 million affluent consumers in densely populated area, with per capita income of \$10,000
- Reliance on imports for 70 percent of food and agricultural needs, falling import barriers and free trade talks that are likely to improve market access
- Younger generation's affinity for Western foods as chocolates
- General acceptance of U.S./European foods products

CHALLENGES

- Low recognition of imported goods outside the metropolitan areas.
- High markups, coupled with income tariffs and taxes

Larger Stores Challenging Traditional Markets in South Korea

Traditional markets	67%
Direct sales	1%
Convenience stores	2%
Supermarkets	8%
Hypermarkets	16%
Department stores	6%

Their objective would be to open the first Godiva Boutique (franchise) in the Seoul Airport for the first year and see how the customers will respond. The market will probably be very seasonal, with 75 % of consumption around Valentine's Day. In the second year, Godiva hopes to open approximately 5 more Godiva boutiques and direct sales into the stores.

MARKETING MIX

A) PRODUCT – CHOCOLATE

Godiva boutiques offer a comprehensive selection of Godiva super-premium chocolates, including the company's five newly introduced chocolate innovations: Romaine, Noix Macadamia, Creole, 72-Percent Cocoa Demitasse

and Nippon. As chocolate lovers, we all have favorite Godiva pieces. But do we always know where to find them? The Godiva website invites you to use their Godiva Chocolate Guide to find out which Godiva ballotins and gift boxes contain your favorite pieces. Godiva has eight chocolates on this page to view all the pieces in that category.



Packaging differs from one country to another to meet consumption needs. For instance, in the U.S., chocolates come prepackaged while in Europe and Japan chocolate assortments are custom-made. In South Korea, Godiva will follow the same philosophy as in Europe and Japan as that the chocolate assortments are custom-made. Godiva's newest packaging strategy is to sell chocolates in

collections, which are hand-made in order to ensure innovation and differentiation from competition.

B) PRICE

Worldwide, Godiva Europe standardized prices in Europe to comply with the European Union. Before the Union was established, Godiva franchises only buy their necessary supplies of chocolate within that particular country. After the Union was established it could no longer be possible to keep franchises from purchasing directly from Belgium. This is a form of standardization. Prices have also increased by 10%, which the market has not easily accepted.

As taking a cue from wine tasting held at local wine shops, Godiva hopes the classes will educate consumers about why it's worth paying \$35 a pound for chocolate in South-Korea.

In South-Korea, we will keep the same price as in the U.S., Europe and the Middle East; \$ 35 a pound for chocolate will cost in South-Korea 3,469.375 KWR (\$ 1 = 999.125 KWR).

C) PLACE – SEOUL



Godiva boutiques (franchise) emphasize the personalized service and customized product assortments which consumers have come to expect from Godiva, including delivery service, corporate discounts, and customized ribbons and messages on party and wedding favors or corporate gifts. Godiva boutiques offer ballotin assortments, seasonal collections and home entertaining products, which customers may purchase, pre-packed, or create themselves with the assistance of Godiva's knowledgeable and friendly sales staff.

The Godiva Company will penetrate into South-Korea and we will start out in the city of Seoul. Seoul is an intriguing city transforming itself from the “Yi Dynasty” capital of the Hermit Kingdom to a major mover and shaker on the international

scene, especially in the field of commerce and sports. Nowhere else is the Korean drive to come to terms with a turbulent and fractured past so evident. Despite being home to 10 million residents, Seoul is a safe and friendly city with a low crime rate. The people from Seoul work long hours but also enjoy socializing and are generally more than a kind to foreign visitors. If you look lost, someone is bound to offer to help you.

We suggest opening a new Godiva store in the Seoul International Airport. Having our store in this location offers tremendous advantages. There is always heavy foot traffic in an airport, which will ensure that thousands of people see and smell the fresh chocolate every day. Also, in an international airport, many different nationalities pass through each day. Therefore, we do not have to rely solely on the South Koreans to buy the chocolate, since many different people who may already be familiar with, and hopefully fans of, Godiva will be exposed to the store.

In markets such as South Korea, finding a space to design a franchise in heavily crowded, congested and highly priced city areas is rather difficult. I recommend locating the production facility in a nearby low cost region. South Korea has good infrastructure so this should not pose a particular problem. The production facility will support fresh shops and kiosks located in high traffic shopping malls, office buildings and airports. The distribution will be in form of truck shipments directly to the airport store. The production facility will be modeled on existing European facilities, but more compact to respect space constraints.

With the South Korean market serving as a port of entry, we plan to ultimately be able to penetrate the whole Asian region. We suggest a goal of opening around 25 directly managed branches in the next five years.

D) PROMOTION

Godiva wants to unify its advertising message into a global and common campaign, which leans towards the standardization end of the continuum. This task will be difficult due to the differences in the individual markets around the world. In the United States, for instance, promotion strategies have always leaned towards luxury and prestige and in South-Korea we will have the same effect, while in Belgium such advertising portrays a traditional and aged look. The U.S. must form a downward and more accessible theme to advertising as we will copy into South-Korea but in Belgium for example Godiva must take an upward approach.

The new goal for Godiva is to “increase the frequency of the purchase of chocolates for gifts as well as for self consumption” and to give the brand a more youthful appearance.

The main problem facing Godiva International, towards South-Korea is how to maintain the prestige of the brand name while unifying its image despite cultural barriers. Their main advertising challenge is to create a common message. At first the possibility of an experimental and transition period was examined, but there was no time. Competition is a particularly prevalent challenge. Women do

most of the purchasing because they are the giver, not the receiver, of chocolates, so a focus on woman magazines advertising would be the first goal as on billboards.

Although Godiva will focus on the product and its promotion, an efficient strategy to follow when a new market is first entered into. Therefore, Godiva should develop an initial promotion strategy to faster gain some market share in South Korea.

The first step is to give out free samples to create “free” publicity.

Another marketing strategy that Godiva can introduce is the Godiva Theater. Godiva Theater is a domestic growth strategy that we want to use for promoting Godiva chocolate in South Korea. Customers can watch their chocolate being made through the glass viewing area and can enjoy chocolate fresh made.

Godiva is on the right track in that it wants to unify its image globally. Having conflicting brand images can cause confusion and miscommunication between markets as well as within the company itself. The South Korean culture is very much focused towards the American cultures. Since the South Korean society is technologically advanced, I suggest that Godiva also designs advertising campaigns to be shown on TV and as pop-up ads on the Internet. The culture, in general, takes favorably to cartoon characters and the use of these in the advertisements may prove successful. Godiva should also try to get a South Korean celebrity to be its spokesperson. Having a role model promoting

the chocolate and the company name will hopefully increase the interest for Godiva and its products.

Once the brand is widely accepted and recognized, Godiva has the option of going back to its traditional word of mouth advertising. An emphasis on the local community has also propelled the brand.

Another part of their promotion; Godiva uses two production methods to manufacture the various sizes and shapes of their chocolate; enrobing and shell-molding. Enrobing involves coating a formed center, like rich caramel, with smooth, melted chocolate. The shell-molding process is practiced extensively in Europe, and it is the method used to manufacture most Godiva chocolates.

The shell-molding process has enabled Godiva to design unique molds, resulting in stylish, sophisticated confections easily recognized as “Godiva”. When assortments of these shell-molded chocolates are then packed into Godiva’s distinctive gold ballotins and seasonal boxes, they are sought by discerning customers everywhere.

XIX. FINANCIAL EVALUATION OF THE COMPANY

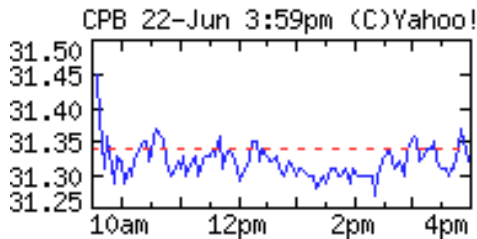
Godiva became a successful subsidiary of the Campbell Soup Company in the 1990’s. Campbell Soup Company is founded in 1989 and one of the leaders in manufacturing & marketing branded consumer food products with approximately 24,250 employees’ world wide, total revenues of 6.7 billion, 36

manufacturing plants in 10 nations, and over 2000 products on the market. Over the years, Campbell Soup Company has diversified into number of businesses – from frozen dinners to retail garden centers. However soup has been its core business. Some major brands of Campbell Soup Co. include Flagship red-and-white canned soup, Prego Spaghetti sauces, “Godiva Chocolates”, Pepperidge Farm baked goods, V8, etc. In addition, since 1980, Campbell Soup Co. has undergone three different strategies under three different CEOs who brought their own agenda in order to build value for the company and its shareholders. For example, under Gordon McGovern’s leadership (1980-1989), Campbell’s strategic focus was on developing and introducing new products and expansion of the business portfolio through acquisitions.

Each strategy was implemented under the leadership of three different CEOs:

- 1980 – 1989, Gordon Morrison: o Expansion through acquisitions and development of new products.
- 1990 – 1997, David Johnson: o Increase sales growth, increase market share & share holder value.
- 1997 – Present, Dale Morison: o Continue to increase sales growth, market share & share holder value.

The Campbell soup company



<http://finance.yahoo.com/q?s=CPB>

INCOME STATEMENT

	All numbers in thousands		
PERIOD ENDING	1-Aug-04	3-Aug-03	28-Jul-02
Total Revenue	7,109,000	6,678,000	6,133,000
Cost of Revenue	4,187,000	3,805,000	3,443,000
Gross Profit	2,922,000	2,873,000	2,690,000
Operating Expenses			
Research Development	93,000	88,000	77,000
Selling General and Administrative	1,682,000	1,652,000	1,550,000
Non Recurring	32,000	(16,000)	1,000
Others	-	2,000	78,000
Total Operating Expenses	-	1,726,000	1,706,000
Operating Income or Loss	1,115,000	1,147,000	984,000
Income from Continuing Operations			
Total Other Income/Expenses Net	6,000	(37,000)	4,000
Earnings Before Interest And Taxes	1,121,000	1,110,000	988,000
Interest Expense	174,000	186,000	190,000
Income Before Tax	947,000	924,000	798,000

Income Tax Expense	300,000	298,000	273,000
Minority Interest	-	-	-
Net Income From Continuing Ops	647,000	626,000	525,000
Non-recurring Events			
Discontinued Operations	-	-	-
Extraordinary Items	-	-	-
Effect Of Accounting Changes	-	(31,000)	-
Other Items	-	-	-
Net Income			
	647,000	595,000	525,000
Preferred Stock And Other Adjustments	-	-	-
Net Income Applicable To Common Shares			
	\$647,000	\$595,000	\$525,000

The Campbell soup company is a successful company with an increase in revenues, and net income. Godiva is a privately owned company, so no financial information is found.

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XXI. APPENDIX

Chocolate Trivia

View our [Glossary of Chocolate and Baking Terminology](#)

How much do you really know about chocolate? Did you know it might make you feel like you're falling in love? Or how much less caffeine it has than coffee? Next time you're sharing a ballotin of Godiva with friends (you do share, don't you?) impress them with your knowledge of this wonderfully delicious indulgence. Read on for fascinating trivia and a useful glossary of chocolate terms.

- There are about 5 to 10 milligrams of caffeine in one ounce of bittersweet chocolate, 5 milligrams in milk chocolate, and 10 milligrams in a six-ounce cup of cocoa; by contrast, there are 100 to 150 milligrams of caffeine in an eight-ounce cup of brewed coffee. You would have to eat more than a dozen Hershey Bars, for example, to get the amount of caffeine in one cup of coffee.
- Chocolate has long been heralded for its value as an energy source. Think of it this way: a single chocolate chip provides sufficient food energy for an adult to walk 150 feet; hence, it would take about 35 chocolate chips to go a mile, or 875,000 for an around-the-world hike.
- Although chocolate is not an aphrodisiac, as the ancient Aztecs believed, chocolate contains phenyl ethylamine (PEA), a natural substance that is reputed to stimulate the same reaction in the body as falling in love. Hence, heartbreak and loneliness are great excuses for chocolate overindulgence.
- It is reported that Napoleon carried chocolate with him on his military campaigns, and always ate it when he needed quick energy.
- While solid chocolate certainly is high in fat, just over half the calories in bittersweet, semisweet, and milk chocolate come from fat. And even though the cocoa butter in chocolate is mostly saturated fat, studies have shown that it doesn't appear to raise blood cholesterol.
- It's a common myth that chocolate aggravates acne. Experiments conducted at the University of Pennsylvania and the U.S. Naval Academy found that consumption of chocolate -- even frequent daily dietary intake -- had no effect on the incidence of acne. Professional dermatologists today do not link acne with diet.
- Ten percent of U.S. Recommended Daily Allowance of iron is found in one ounce of baking chocolate or cocoa. Chocolate also contains Vitamins A1, B1, B2, C, D and E as well as calcium, potassium, sodium and iron.
- Lecithin is an emulsifier used to reduce the viscosity of chocolate. It serves to lessen the amount of cocoa butter required in the manufacturing process.
- Chocolate can be lethal to dogs. Theobromine, an ingredient that stimulates the cardiac muscle and the central nervous system, causes chocolate's toxicity. About two ounces of milk chocolate can be poisonous for a 10-lb puppy.
- Consumers spend more than \$7 billion a year on chocolate. More than \$1 billion in boxed chocolate sales are estimated between Thanksgiving and New Years.
- US consumers eat 2.8 billion pounds of chocolate annually, representing nearly half of the world's supply.

- Annual per capita consumption of chocolate is 12 pounds per person.
- American chocolate manufacturers use about 1.5 billion pounds of milk -- only surpassed by the cheese and ice cream industries.
- Most Americans prefer milk chocolate, approximately 92 percent, but dark chocolate's popularity is growing rapidly.
- Chocolate syrup was used for blood in the famous 45 second shower scene in Alfred Hitchcock's movie, "Psycho" which actually took 7 days to shoot.
- Chocolate has over 500 flavor components, more than twice the amount found in strawberry and vanilla.
- Our national passion for chocolate has spawned a 12 year-old magazine, [CHOCOLATIER](#) devoted exclusively to America's favorite flavor.
- GODIVA was founded over 70 years ago in Brussels, Belgium by master chocolatier Joseph Draps in honor of the legend of Lady Godiva.
- GODIVA offers over 200 different chocolates from our elegant shell-molded pieces to our renowned truffles and most recently introduced Dessert Chocolate.
- Our Open Oyster, which is a shell-molded chocolate filled with hazelnut praline, continues to be our best-selling individual chocolate piece.
- One click of a mouse burns 0.0000024 scales of energy, so if you eat a chocolate bar, you'll need to click your mouse 765,551,000 times to burn it off.
- Over 60 million chocolate rabbits are sold and 36 million boxes of chocolate are sold for Valentine's Day.

A Glossary of Chocolate and Baking Terminology

Commercial chocolate comes in many forms, but not all chocolate foods are real chocolate. The food and drug ordinances do not protect us from substitutions of artificial flavoring. Read labels: real Chocolate, real vanilla, real butter, real flavorings in general are what you should look for in packaged or baked chocolate goods, and what you should use when you bake your own.

Angel Food Cake

Unique because of its light texture, angel food cake is a supreme example of the tremendous leavening power of egg whites. The batter is made with just egg whites, sugar and flour and is baked in a tube pan.

Baba

Babas are small cakes made from yeast dough containing raisins or currants. They are baked in cylindrical molds and then soaked with sugar syrup usually flavored with rum.

Baking Blind

This term refers to baking an unfilled [tart](#) shell to produce a partially or fully baked crust. It is done

by lining the dough with parchment paper or foil and filling it with pie weights or dried beans to hold the shape during baking.

Bavarian Cream

This molded cream is made from custard sauce or sweetened fruit puree that is bound with gelatin and lightened with whipped cream. Bavarian cream can be served on its own or used as a filling for cold [charlottes](#) or molded cakes.

Bitter or Unsweetened chocolate

[Chocolate liquid](#) which has been cooled and molded into blocks, the best for baking or cooking.

Boiled Icing

This icing, which is similar to [Italian meringue](#), is used as a filling and frosting for a number of old-fashioned American layer cakes such as devil's food cake.

Breakfast Cocoa

[Cocoa powder](#) with at least twenty-two percent [cocoa butter](#).

Butter Cakes

These cakes are made by first creaming butter with sugar to incorporate air. Whole eggs or egg yolks are added and flour is stirred in alternately with the liquid (often milk) at the end. When made with whole eggs, baking powder is often used as the leavener. When only the yolks are added at first, the beaten whites are folded in at the end. Most American layer cakes are butter cake-based.

Butter cream

Butter cream is basically a flavored mixture of butter, sugar and eggs that is used to fill and frost cakes. Whole eggs, yolks or whites may be heated with sugar over simmering water and whipped cold before adding the butter and flavoring, or a sugar syrup cooked to the firm-ball stage can be poured over the eggs, then whipped until cold before the butter and flavoring are added. Butter cream can also be made by combining butter with [pastry cream](#) in a 1-to-2 ration or with [custard sauce](#), 1-to-1.

Caramel

See [Sugar Cooking](#).

Charlotte

This molded dessert is composed of a filling surrounded by ladyfingers or bread. **Apple charlotte** is a golden crusted dessert made by baking thick apple compote in a mold lined with buttered bread. **Cold charlottes** are made in a [ladyfinger](#)-lined mold and filled with a [Bavarian cream](#); for frozen charlottes, a frozen soufflé or mousse replaces the Bavarian cream.

Chocolate Liquid

Sometimes called "chocolate liquor," the basic material of all chocolate and cocoa products comes from ground [nibs](#).

Cocoa Beans

Source of all chocolate and cocoa, cocoa beans are found in the pods (fruit) of the cocoa tree, an

evergreen cultivated mainly within twenty degrees north or south of the equator.

Cocoa Butter

The yellowish-white vegetable fat, removed from [chocolate liquid](#) under high pressure.

Cocoa Powder

General term for the portion of [chocolate liquid](#) that remains after most of the [cocoa butter](#) has been removed. The term includes [breakfast cocoa](#), [medium](#) and [low fat cocoas](#), and [Dutch process cocoa](#).

Cookies

Cookies can be prepared in myriad shapes and textures and are usually categorized by the way they are formed. **Drop cookies** are dropped from a spoon. **Rolled cookies** are made from chilled dough that is rolled out and cut into shapes. **Bar cookies** are baked in sheets and then cut into squares or bars. **Molded cookies** can be shaped by hand, stamped with a pattern before baking or baked directly in a mold. **Bagged** or **pipéd cookies** are shaped with a pastry bag or a cookie gun.

Cream Puff Paste (*Pâte à Choux*)

Somewhere between a batter and dough, cream puff paste is made by beating flour and then eggs into boiling water and butter. Once shaped and baked, it is crisp on the outside, almost hollow inside and forms a convenient container for whipped cream, [pastry cream](#) or ice cream (cream puffs, éclairs and profiteroles, e.g.). The dough can also be deep-fried and rolled in sugar to make sweet fritters (beignets).

Custard Sauce (*Crème Anglaise*)

Often served as an accompaniment to sweet soufflés, fruit desserts and cakes, custard sauce is also the foundation for [Bavarian cream](#) and for frozen desserts such as rich ice cream. Sometimes called stirred or pouring custard, it is a mixture of egg yolks, sugar and milk and/or cream that is cooked only until the yolks coagulate to thicken the custard. The mixture must not boil or else the yolks will scramble; if this does happen, whirl the custard in a blender to emulsify it.

Dacquoise

This classic French cake is composed of baked nut [meringues](#) layered with [butter cream](#). There are many names for nut meringues and meringue-based desserts -- *success*, *progress*, *japonais* among them -- and the proportions, size and type of nut(s) used varies from one to another.

Dock

This term refers to piercing pastry dough's before baking. The holes allow the steam to escape, preventing the dough from bubbling and becoming distorted.

Dutch Process Cocoa

[Cocoa powder](#) which has been treated with alkali to neutralize the natural acids; darker in color and slightly different in flavor from natural cocoa.

Foam Cakes

In these cakes, air is beaten into whole eggs and sugar before the other ingredients (starches) are gently folded in. [Genoise](#) is an example of a foam cake, and some other sponge cakes fall in this category as well.

Ganache

Ganache is a rich chocolate mixture made by combining chopped [semisweet chocolate](#) and boiling cream and stirring until smooth. The proportions of chocolate to cream can vary, and the resulting ganache can be used as a cake glaze or beaten until fluffy and used as a filling or as the base for truffles and other chocolate confections.

Gateau

The French word for cake (pl. *gateaux*).

Genoise

Genoise is the classic, fine-crumbed French sponge cake made by beating warm whole eggs with sugar until the mixture more than triples in volume, then folding in the flour and sometimes melted butter too.

Glazes

Glazes are used to give desserts a smooth and/or shiny finish. **Cake glazes** can be water icing (confectioners' sugar mixed with liquid), melted chocolate in combination with cream, butter and/or sugar syrup, or fondant (a thick shiny opaque icing). [Caramel](#) is used to glaze some cakes and small pastries; and sugar cooked to the hard-crack stage can be used to give pastries sheen but no color. **Tart glazes** are made from sieved jam, preserves or jelly, or a combination of the above. **Pastry glazes** (brushed on dough before baking) can be an egg glaze made with whole eggs or yolks; milk, cream and/or butter glaze (these produce a duller finish); sugar glaze (sugar sprinkled over milk or cream glaze), or any combinations of the above.

High-Altitude Baking

Altitude does not begin to affect baking until above 2,500 feet. Higher than that, the altitude will dry out ingredients, make dough and batters rise faster, and make liquids boil faster. Generally speaking, pans should be greased more heavily, oven temperatures increased slightly, leaveners and sugar reduced and liquid increased. The actual adjustments needed will depend on the altitude.

Ladyfingers

Ladyfingers are small sponge cakes, about 3 1/2 inches long, used primarily in making [charlottes](#). They can be formed with a pastry bag with a plain tip, in a ladyfinger pan or with two spoons.

Lemon Curd

This cooked mixture of lemon juice (and sometimes grated zest), sugar, butter and egg yolks makes a rich, tart spreading cream that can be used as a filling. Many variations exist using other citrus fruits.

Low Fat Cocoa

[Cocoa powder](#) containing less than ten percent [cocoa butter](#).

Medium Fat Cocoa

[Cocoa powder](#) containing between ten and twenty-two percent [cocoa butter](#).

Meringue

Meringue, a beaten foam of egg whites and sugar, can be used as a pie topping, to lighten other

mixtures and, after being baked to a crisp layer or shell, as the foundation of various cakes and desserts (see [dacquoise](#)). Simple, uncooked meringue is made by beating egg whites, then beating in the sugar until very stiff, shiny peaks form. Cooked meringue is more stable. Two forms are: **Swiss meringue** -- egg whites and sugar heated over simmering water, then beaten until long, tall peaks form and the meringue is cold; **Italian meringue** -- sugar syrup cooked to the firm-ball stage, beaten into whipped egg whites, then whipped until cold.

Milk Chocolate

The best known kind of eating chocolate. Milk chocolate is made by combining the [chocolate liquid](#), extra [cocoa butter](#), milk or cream, sweetening, and flavorings.

Nibs

Nibs are the "meat" of the [cocoa bean](#).

Pastry Cream (*Crème Pâtisserie*)

Pastry cream is a cooked mixture made with egg yolks, sugar and milk thickened with flour and/or cornstarch and finished with a little vanilla. Butter is often beaten in at the end to give it a silkier consistency. It is used as a filling or as the creamy layer in a fruit [tart](#). It can be flavored with liqueurs, chocolate or coffee; when flavored with almonds or macaroons, it becomes a frangipane; with the addition of gelatin and [Italian meringue](#), it becomes *crème chiboust*. Lighten pastry cream by folding in 1 part whipped cream to 2 parts pastry cream.

Pastry Dough

Pie dough or flaky pastry is the standard American dough for pies. It can be made with butter, vegetable shortening or lard, but most often a combination of butter and shortening is used. Whatever fat is used, it is rubbed or cut into the flour and then moistened with water to form the dough. Salt is either dissolved in the water or added to the flour at the start. The more finely the fat is rubbed in, the less flaky and mealier the baked dough will be. **Pâte brisée**, the French equivalent of our pie dough or flaky pastry, uses the same proportions of ingredients, but the fat is always unsalted butter and the liquid may be water, water and egg or all egg. When well made, the pastry is flaky. **Sweet dough**, or *pâte sucrée*, is made in a similar way with the addition of sugar and sometimes baking powder. It is often used for small [tarts](#) where the filling is baked directly in the raw dough. **Cookie dough**, or *pâte sablée*, is delicate dough that is usually made by beating the fat with sugar, then mixing in eggs, with the flour (often cake flour) added at the end. This dough is usually [baked blind](#) and then filled after it has cooled.

Petites Fours

Petites Fours Secs ("dry" petites fours) are usually thin, delicate cookies often sandwiched with preserves, [ganache](#) or [praline paste](#), although plain butter cookies could also fall under this heading. **Petites fours glacés** are tiny iced cakes sandwiched with preserves, ganache or butter cream and delicately decorated. **Petites fours frais** are miniature pastries like fruit tarts or éclairs that are filled either with [pastry cream](#) or with [butter cream](#).

Phyllo Dough

Phyllo is tissue-thin pastry dough cut into sheets that is used in Middle Eastern desserts, such as baklava, and is similar to strudel dough. Sheets of phyllo are brushed with melted butter and layered before baking. Phyllo is increasingly available in the freezer section of supermarkets.

Pound Cake

This is the ultimate butter cake. It gets its name (and texture) from the traditional proportions of its ingredients -- one pound each of butter, sugar, eggs and flour -- although over the years cooks

have tinkered with the original formula and baking powder is sometimes added to the batter.

Praline Paste (*Praline*)

This smooth paste is made by adding equal proportions of skinned hazelnuts (or hazelnuts and almonds) to hot [caramel](#), letting it harden and then pulverizing until creamy. A perfectly smooth praline paste is difficult to make at home, but is available in specialty food shops.

Puff Pastry

This is the multilayered buttery pastry in napoleons and *palmiers*. The thin, crisp, flaky layers are formed when the dough and butter are rolled together, then folded in thirds like a letter and rolled again in a process called a turn; classic puff pastry is "turned" six times, which creates over 1,000 layers of dough (thus the French term *mille-feuille*, which means 1,000 leaves). Well-made puff pastry rises to 5 times its original volume during baking. As it bakes, the water in the dough converts to steam, filling the places previously occupied by the butter, which has already melted and been absorbed by the dough. Preparing the dough from scratch is an exacting process and many people prefer to buy the dough ready made. **Quick puff pastry** is made by tossing large cubes of butter with flour before the water is added to form the dough; the dough is then rolled and folded like puff pastry. Although it does not rise so high as classic puff dough, the quick pastry has the same delicate, flaky texture and can be used for any desserts where the pastry doesn't have to rise as tall.

Royal Icing

This icing is a mixture of confectioners' sugar and egg whites, and it dries hard. It is the traditional icing for English Wedding Cake and is often used to make filigree designs.

Savarin

Made from yeast dough, like [babas](#), but without the currants, savarins are baked in large or small ring molds, soaked with syrup usually flavored with rum or kirsch and then painted with a fruit [glaze](#). The center of the ring is filled with whipped cream or [pastry cream](#), and sometimes fresh or poached fruit is added.

Semisweet and Sweet Chocolate

Prepared by blending [chocolate liquid](#) with varying amounts of sweetening and added [cocoa butter](#). Flavorings may be included. After processing, the chocolate is cooled. Sweet chocolate is usually molded into bars. Semisweet chocolate is also available in bar form, but most popularly as pieces. This is the generic term. Different manufacturers use different names such as *blocs*, *squares*, *bits*, etc. Chocolate is also granulated and known as "shot," used for decoration by candy makers and confectioners.

Sponge Cake

Sponge cakes are leavened by beating air into whole eggs and sugar or by beating the sugar with the yolks and whites separately. The cakes tend to be fairly lean, even when they contain butter, and are often split into layers, moistened with flavored sugar syrup and filled.

Strudel Dough

Traditional Viennese strudel dough contains more fat (oil) than [phyllo dough](#) and is stretched to a large tissue-thin sheet before being rolled around a filling to make one strudel. Although prepared strudel dough is sometimes hard to find, phyllo can be used in its place to make small strudels (both can be mail-ordered).

Sugar Cooking

When sugar is dissolved in water and brought to a boil, it forms a solution called syrup. **Simple syrup** is made with equal quantities of sugar and water. As the syrup boils, the sugar becomes more concentrated and the syrup more dense. The various stages of the cooked sugar solution can be measured with a candy thermometer. Simple syrup is used to moisten cakes, and sugar cooked to various stages is used in the making of fondant, [butter cream](#), [boiled icing](#), and [Italian meringue](#). Sugar cooked to between 320 and 350 degrees becomes **caramel**, which is used for glazing and making spun sugar, caramel cages and praline paste.

Tart

Tarts are shallow and straight sided (as opposed to sloped-sided American pies) and usually have only a bottom crust, but this is by no means the rule. They are baked in pans with removable bottoms or in flan forms (frames that support the sides of the tart as it bakes on a baking sheet) and are usually served unmolded. Tarts can also be baked free-form on a sheet.

Torte

Torte is the Eastern European name for a cake (pl. *torte*).

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