

# Mondelēz International: Pricing Chocolate Through a Cocoa-Cost Shock

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*A strategy case for MBA students and working professionals*

**Information cutoff: April 30, 2024, 4:30 p.m. EDT.** The Q1 results release, published at 4:06 p.m., is included. The 5:00 p.m. earnings call and the Q1 Form 10-Q, accepted by the SEC at 5:17:38 p.m., are outside the cutoff and excluded. This case does not use later results.

## The decision

Imagine Mondelēz International's commercial leadership is preparing its next developed-market chocolate pricing cycle. Cocoa costs have become a source of pressure, while recent reported results show pricing growth alongside weaker volume/mix. The team must choose how to balance shelf prices, pack options, promotions and productivity.

The assignment is hypothetical. Mondelēz has not publicly disclosed this decision, a particular proposed price action, or the budget behind it. The public information available to the team does not reveal the chocolate-specific economics needed to calculate a single correct answer.

Three paths frame the discussion:

1. **Seek further list-price realization.** Apply another broad or selective list-price increase to recover expected costs, while monitoring units, mix and retailer response.
2. **Redesign pack/price architecture.** Preserve selected familiar consumer outlay points with different pack sizes or a clearer price ladder, while managing price per gram, margin and cannibalization.
3. **Use more targeted promotion and productivity.** Limit additional shelf-price increases in sensitive items or markets, target promotion where evidence supports it, and rely more heavily on feasible manufacturing and operating productivity.

The team may combine these paths by product, country or channel. No path can be evaluated from the reported regional bridge alone.

## What the latest results say

On April 30, 2024, Mondelēz reported first-quarter net revenue of \$9.29 billion and 4.2% organic net revenue growth. Its release attributed 6.3 percentage points of company-wide organic growth to pricing and negative 2.1 points to volume/mix. For developed markets, organic growth was 1.4%, with +5.0 points from pricing and –3.6 points from volume/mix. Europe reported +4.4% organic growth (+7.9 points pricing, –3.5 points volume/mix); North America reported +1.3% (+3.4, –2.1). [P1]

These are **portfolio-level regional measures**, not chocolate-only results. They are components of a company-defined organic-revenue bridge, not a standalone change in shelf price, unit demand, or a causal price elasticity. The simultaneous positive pricing and negative volume/mix leaves the source of the volume/mix decline unresolved.

Management said Q1 adjusted operating-income improvement reflected higher net pricing, lower manufacturing costs from productivity and favorable mix, partly offset by input-cost inflation and higher advertising and consumer-promotion costs. The company's 2024 outlook was 3-5% organic net revenue growth and high-single-digit adjusted EPS growth at constant currency. The outlook is a target, not evidence that any particular pricing move will work. [P1]

### Exhibit 1. Selected Q1 2024 reported revenue measures

| Scope             | Net revenue     | Organic net revenue growth | Pricing contribution | Volume/mix contribution |
|-------------------|-----------------|----------------------------|----------------------|-------------------------|
| Mondelēz total    | \$9,290 million | 4.2%                       | +6.3 pp              | −2.1 pp                 |
| Developed markets | \$5,557 million | 1.4%                       | +5.0 pp              | −3.6 pp                 |
| Europe            | -               | 4.4%                       | +7.9 pp              | −3.5 pp                 |
| North America     | -               | 1.3%                       | +3.4 pp              | −2.1 pp                 |

*Source: Q1 results release. "Organic net revenue" is a company-defined non-GAAP measure; the pricing and volume/mix components are descriptive portfolio bridges, not chocolate-specific estimates. "pp" means percentage points. [P1]*

### Why the pricing problem is difficult

Mondelēz sells chocolate, biscuits and baked snacks alongside local adjacent categories. It identifies consumer-centric growth, operational excellence, growth culture and sustainable snacking as strategic priorities. The company also warns that input-cost volatility, retailer bargaining power and lower-priced alternatives can pressure results. Its disclosures identify hedging and purchasing as tools to manage commodity volatility, while noting that these tools cannot eliminate exposure and that price actions may lag cost changes. [P2]

That timing matters. A market cocoa quote does not flow one-for-one into current reported expense. Contracting, derivatives, inventory, recipe and product mix, and the timing of cost recognition can separate a market-price movement from the cost actually realized in a given quarter. The pre-cutoff public record does not provide the chocolate-specific 2024 hedge coverage, cocoa cost share, or cost schedule needed to quantify that gap.

Each response has potential trade-offs. Further list pricing may improve net price per unit, but consumers may switch brands, choose a lower-priced pack, buy less, or wait for a promotion. A redesigned pack/price ladder may preserve selected out-of-pocket price points; its results depend on grams per pack, unit costs, consumer response and whether buyers shift from another Mondelēz item. Targeted promotion can support trial or frequency, but a discount may subsidize purchases that would have occurred anyway, shift purchases across time, or consume margin and retailer funding. Productivity could offset costs, but the public record does not quantify additional savings available for the products and period at issue.

## Competitor context is only a reference point

Hershey's 2023 North America Confectionery segment reported 9.0% favorable price realization and a 1.9% volume decline; it also reported that average cocoa product market prices were about 32% higher in 2023. That segment includes chocolate and non-chocolate confectionery, gum, licensing and retail. Its geography, portfolio and reporting definitions differ from Mondelez's, so the figures are context-not a matched control or a demand estimate for either company. [P3]

Mondelez's Cocoa Life program reported that roughly 85% of cocoa volume for its chocolate brands was sourced through the program at year-end 2023 under a mass-balance approach. This is a company-reported sourcing metric; it does not establish physical segregation of cocoa in a particular product or show that its costs are hedged. [P4]

## A research lens on price response

Price response depends on what is measured and how the estimate is constructed. Bijmolt, van Heerde and Pieters reviewed observed brand- and SKU-level price elasticities from 81 studies. Their analytical sample contained 1,851 estimates, with a pooled mean of  $-2.62$ . Estimates were more negative in studies that accounted for price endogeneity ( $-3.74$  versus  $-2.47$ ); SKU-level and absolute-sales estimates also differed from brand-level and relative-share estimates. The authors' underlying studies largely used data from 1956-1999 and varied across goods, settings and methods. The pooled mean is not a Mondelez chocolate parameter. [A1]

Lowe and Alpert's experiment with 276 marketing students found that expected-price and fair-price measures related differently to value judgments for existing and innovative products. It suggests that consumers' reference prices and fairness perceptions may matter, but the hypothetical sunscreen and earphone tasks do not measure actual chocolate purchases. [A2]

These studies support asking how price response will be measured; they do not answer how Mondelez shoppers will respond. The available evidence does not identify whether the developed-market volume/mix decline came from price, consumer budgets, category demand, product or country mix, availability, competitors, retailer actions or other forces. Those explanations may also interact.

## What should the team learn before committing?

The public record does not disclose chocolate-specific sales, net price, units, share, margins, promotions or price response by country, SKU, pack or channel. Before selecting a broad move, the team could ask for:

- weekly units, net price after trade spending, grams sold, distribution and share by SKU, pack, market and channel;
- competitor and private-label prices, promotions, shelf placement and assortment over the same periods;
- promotion funding, baseline sales, incremental lift, post-promotion dips and contribution after discounts;
- cost and hedge realization by product and period, separated from current market cocoa prices;
- manufacturing capacity, feasible productivity savings, service and quality risks, and timing;

- consumer panel or controlled-test evidence on price points, pack sizes, switching, purchase frequency and perceived value.

## Your assignment

Recommend a next-cycle approach for developed-market chocolate. You may choose one path or a defined combination, but state where and why the approach would differ across products or markets. Identify the evidence you would require, the outcomes you would monitor, and the conditions that would cause you to expand, pause or change the approach.

Make assumptions explicit. Separate company-reported facts, management explanations and your own hypotheses. Do not infer chocolate elasticity from the regional pricing and volume/mix figures or transfer the academic pooled estimate to Mondelēz. Address how you would distinguish revenue growth from units, mix, market share and contribution after trade spending.

## Selected source notes

- **[P1]** Mondelēz International, “Mondelēz International Reports Q1 2024 Results,” published April 30, 2024 at 4:06 p.m. EDT. [Company release](#).
- **[P2]** Mondelēz International, 2023 Form 10-K, filed February 2, 2024, including strategy, risk factors, MD&A and commodity/derivative accounting notes. [SEC filing](#).
- **[P3]** The Hershey Company, 2023 Form 10-K, filed February 20, 2024, including North America Confectionery results and commodity risk. [SEC filing](#).
- **[P4]** Cocoa Life, “MDLZ 2023 Snacking Made Right Report,” progress page dated April 22, 2024. [Program update](#).
- **[A1]** Tammo H.A. Bijmolt, Harald J. van Heerde and Rik G.M. Pieters, “New Empirical Generalizations on the Determinants of Price Elasticity,” *Journal of Marketing Research* 42(2) (2005): 141-156. [DOI](#).
- **[A2]** Ben Lowe and Frank Alpert, “Measuring Reference Price Perceptions for New Product Categories: Which Measure Is Best?” *Journal of Product & Brand Management* 16(2) (2007): 132-141. [DOI](#).