Tootsie Roll Industries, Inc

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# Tootsie Roll Industries, Inc

## Section I: Overview

## I-A Name of Company

Tootsie Roll Industries, Inc (TR) operates in the confectionary industry. The company was founded in 1896 in New York City, by Austrian-born Leo Hirshfield. The company first began producing a variety of candy products, but the product that put Tootsie Roll Inc. on the map was of course the tootsie roll. In a little over a century’s time, the candy enterprise has grown into a multinational corporation. Tootsie Roll Industries currently operates in over 75 different countries, with its primary markets comprising the United States, Canada, and Mexico, makes TR one of the country’s largest candy companies.

## I-B Principle Industry in Which the Company Competes

Tootsie Roll Industry, Inc operates in the confectionery industry. Table 1 shows the primary and secondary industries in which Tootsie Roll competes.

Table 1

|  |  |
| --- | --- |
| **Principal Industries in Which Tootsie Roll Industry Competes** | |
| **SIC** | **NAICS** |
| Primary SIC Code: | Primary NAICS Code: |
| (2064) Candy and other confectionary products | (311330) Confectionary manufacturing from purchased chocolate |
| Other SIC Codes: |  |
| (2066) Chocolate and cocoa products |  |
| (2067) Chewing gum |  |
| (5145) Confectionary |  |

*Note: Information retrieved from LexisNexis Academic*

*Industry Classification www.lexisnexis.com.proxy-tu.researchport.umd.edu/hottopics/lnacademic*

## I-C Principle Products/Services Provided by the Company

The company produces and sells candy, including caramel, chocolate, taffy, and nougat. The company produces over 27 different products globally, but the primary production facility is located at Tootsie Roll headquarters in Chicago, Illinois. Tootsie Roll Industries produces such popular candies as Tootsie Rolls, Andes mints, Charleston Chew, Junior Mints, Mason Dots, and Sugar Daddy. The company is also one of the leading lollipop and cotton candy producers in the world with its Charms and Tootsie Pops brands.

## I-D Principle Competitors in Each Industry

The primary competitors of the company include Nestle, Mars Incorporated, Mondelez International, and Hershey. In October, 2012 Mondelez International completed a spin-off after acquiring Kraft Foods, Inc. Mondelez is comprised of several billion-dollar brands such as Cadbury and Milk Chocolate. The world leader for the confectionery industry is the privately held company Mars, Incorporated. Mars produces numerous household brands including M&M’s, Snickers, Milky Way, Dove, & Twix. The Nestle Company is the third largest in the confection industry, and it owns and licenses The Willy Wonka Candy Company. Nestle produces many recognizable brands including; Baby Ruth, Smarties, Nestle Crunch, and Raisinets. The Hershey Company is the third largest in the confectionery industry, producing such global brands as Reeses’ Hershey bars, Kit-Kat (USA only), Twizzlers, and Almond Joy.

## I-E Market Share of the Company and Principle Competitors

**Figure 1: Global Confectionery Market Share: % Share 2011**

*Note: Information retrieved from MarketLine Industry Profile*

*Figure 1– Market Share*

## I-F Industry Trend

The trend for the confectionery industry illustrates a continued growth throughout the world. The industry is fragmented and more than 50% of the market share is made up of small companies. The other 50% belongs to the big four company’s (Mars, Mondelez, Hershey, and Nestle.) According to Lucintel, “The global confectionery industry revenue is estimated to reach $176 billion by 2018 with a CAGR of 3.0% over the next five years” (Services, G. R). An increase in the global economical standings, over the next five years, will increase disposable income, driving an increase in confectionery purchases.

## I-G Challenges Facing the Industry

* Gas prices continue to rise, making it costly for companies to ship and transport products throughout the world. Milk, Corn, and Sugar prices have continued to rise. Since many of the products in the confectionery industry are comprised of those three commodities, this could cause price increases for those products.
* Health issues pose a major challenge for the confectionery industry. Over the past decade, the world has taken a stronger standing on health and wellness awareness. Since the confectionery industry is primarily sugar based product, the industry will be challenged to appeal to a health conscious world.
* Reduced economic growth throughout the world is an issue since many consumers do not have the disposable income to purchase confectionery products.

## I-H Opportunities for the Industry

* The holiday seasons are great opportunities for the confectionery industry. During the five month span, many of the companies in the industry will generate more than half of their annual sales. As long as Halloween, Christmas, Valentine’s Day, and Easter continue to be holidays that feature the consumption of candy, the confectionery industry will continue to prosper.
* A major opportunity that Tootsie Roll Industries has taken advantage of during the summer season, when candy sales are typically low, is the implementation of many of their major brands in movie theaters. With the release of many summer blockbusters, Tootsie Roll has taken advantage of a niche market. Tootsie Roll produces both “the number one selling (Junior Mint) and number two selling (Dots) movie theater candy” (Herald).

## Section II: Financial Analysis

## II-A Gross Revenue of the Company

Tootsie Roll’s gross revenue has been steadily increasing along with the industry as a whole. According to Tootsie Roll’s annual report, gross revenue in 2011 was $528 million—up almost 35 million from 2009 when gross revenue was $495 million.

## II-B Gross Revenue of the Total Industry

The 2012 MarketLine Global Confectionary Industry Profile states total industry revenue to be $157 billion in 2011—up over $60 billion from 2009 when total industry revenue was $148 billion.

## II-C Gross Revenue of the Principle Competitors

Table 2 shows the gross revenue of Tootsie Roll and its major competitors in 2009, 2010 and 2011. Because Mars, Inc is not a publicly owned company their financial data is not publicly available.

**Table 2**

|  |  |  |  |
| --- | --- | --- | --- |
| Company | 2011 | 2010 | 2009 |
| Tootsie Roll | 528.369 | 517.149 | 495.592 |
| Mars | n/a | n/a | n/a |
| Nestle | 121,382.8 | 104,912.0 | 94,340.2 |
| Kraft | 38,754.0 | 49,207.0 | 54,365.0 |
| Hershey | 5,298.7 | 5,671.0 | 6,080.8 |

Note: Information from MarketLine Industry Profile: Global Confectionary Industry 2012

Table 2: Gross Revenue of Tootsie Roll and Principle Competitors. (In Millions)

## II-D Profit Margins for the Company and Principle Competitors

The profit margin serves to represent how much of the gross revenue the company gets to keep after paying all necessary costs. The higher the profit margins the more revenues being retained. Table 3 shows the profit margins for Tootsie Roll and its main competitors over the last three years.

**Table 3**

|  |  |  |  |
| --- | --- | --- | --- |
| Company | 2011 | 2010 | 2009 |
| Tootsie Roll | 8.3% | 10.3% | 10.7% |
| Mars | n/a | n/a | n/a |
| Nestle | 11.3% | 36.8% | 11% |
| Kraft | 7.8% | 8.4% | 6.5% |
| Hershey | 10.3% | 9% | 8.2% |

Note: Information from MarketLine Industry Profile: Global Confectionary Industry 2012

Table 3: Profit Margin of Tootsie Roll and Principle Competitors

## II-E Trend: Chart the Company’s Revenue, Profits and Stock Price

**Figure 2**

Note: Information from Tootsie Roll 2012 Annual Report

Figure 2: Revenues and profits of Tootsie Roll (In thousands)

**Figure 3**

Note: Information from Yahoo Finance

Figure 3: Stock Price for the Previous 36 Months.

## Section III: Bases of Competition

## III-A Principal bases on which firms in this industry compete, e.g. price, brand, etc.

The confectionery market consists of retail sales of chocolate, gum, cereal bars and sugar confectionery. This industry is expected to experience continuous, moderate growth through 2016 (Hoover’s Inc. 2013.). Companies main competition comprise of brand recognition as well as fair price for its products at various retail price points (Hoover’s Inc. 2013). Other forms of competition consist of meeting the interests and needs of an aging population while acknowledging health concerns. Customers want cheap, quality candy available everywhere.

## III-B Competitive Advantages of the Company and principal competitors

Tootsie Roll Industries is considered to be an iconic American confection. The name Tootsie is associated with respect, fun, quality taste, and meaningful memories. Therefore it not only applies to Americans, but it’s a treat for every age group, culture and demographic. In order to keep this core competency, Tootsie only invests itself in companies that fit them, “a sub-category that has an old franchised brand name, something we believe that we can build on,” (Pacyniak, 2009). For example, they bought Sugar Babies and Sugar Daddy in 1993, Andes Candies in 2000, and Concord Confections in 2004 (Pacyniak, 2009). In addition to requiring a respected brand, these acquired companies needed to have their own manufacturing facilities that lent itself to automation; allowing Tootsie to apply their low cost production strategy through their high tech equipment. Although they’re old fashioned, Tootsie is kept up to date with society’s concern of healthy foods. All of their products are gluten, nut and peanut free (Healthy Living, 2012). Most products are less than 100 calories per serving and some products are kosher certified (Healthy Living, 2012). They still create new appealing products with desirable flavors. Tootsie products are available online for the growing online shoppers. They recently expanded their digital marketing and social media initiatives to keep up with the competition. They constantly have promos and contests, especially during Halloween and Christmas peak seasons, to engage their current consumers and attract new consumers. All of this would not be possible without the effective leadership of Tootsie’s CEOs’ Mr. and Mrs. Gordon who were the first couple to receive the Candy Industry’s Kettle award in 2009 for their strategic business skills (Pacyniak, 2009). Table 4 compares Tootsie Roll’s strengths to its top competitors:

**Table 4**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| TRI Strengths vs. Top Competitors Strengths | | | | |
| Tootsie Roll | **Mars Inc.** | **Mondelez Int’l Inc.** | **Hershey’s Food Corp.** | **Nestle** |
| Focus of long term goals & effective management | Product portfolio with strong brands | Strong market position worldwide | Strong corporate reputation in US confectionery | Strong brands in diversified product portfolio |
| Expanded advertising & marketing | Diversified geographic presence | Diversified product offerings w/ strong brands | Robust portfolio of licensed & owned brands | Strong R&D to meet consumer needs. |
| Acquisition of old fashioned brand name products | Developing & offering nutritious prodcuts | Strong global distribution network | Focus on R&D for healthier snack options |  |
| Robotics & reengineering | Acquisition of Wrigley Jr. Comp. |  |  |  |
| Strong iconic brand | Sustainability initiatives |  |  |  |
| New products |  |  |  |  |
| Healthy candies |  |  |  |  |

Note: Information retrieved from Tootsie Roll, Mars Inc., Nestle S.A., Hershey Company and Mondelez Int’l Inc., 2012.

Table 4: Strength Comparison of Tootsie Roll and Principle Competitors

## III-C Role of technology and intellectual property in this industry

Tootsie Roll is well known for their state of the art equipment that helps maintain the company’s strategic positioning by creating valued treats and distributing them on time in an efficient manner. Their automated sorting consists of, “smart conveyors, UPC readers, pallet stackers and wrappers, the system sorts and prepares loads for the shipping dock’s 30 doors,” (Paycniak, 2009). The Enterprise Resource Planning (ERP) software implemented a few years ago, “ensure customers receive what they want, when they want it,” (Paycniak, 2009).The ERP system provides key information technology ranging from, “financial analysis tools to time saving voice picking technology in distribution centers,” (Annual Report, 2012).

Tootsie Roll’s intellectual property is just as important as the ingredient sugar for their success. They own many trademarks in the U.S. and internationally. All of them are aggressively known brands such as Charms, Blow Pops, Junior Mints, Razzles, Sugar Babies, Charleston Chew, Dots, etc. They believe in carrying values of their trademarks because the trademarks have indefinite lives if marketed properly and if the quality remains the same, if not better.

They have patents for their shipping and display containers, candy jars, wrapper colors and candy dispensers (Hoover’s Inc., 2013). By patenting their wrapper colors from the introduction phase of their product, it was hard for imitators to even emerge. Recently, they applied to patent an invention that will, “provide a packaging system for factory production line assembly, shipping, and retail display of a number of like boxed items using a minimum of store labor and store handling,” (Hoover’s Inc., 2013). These are just a few examples of property they value enough to patent.

## Section IV: Logistical Management and Value Chain

## IV-A Mission of the Company

Unfortunately for Tootsie Roll Industries Inc. they do not have a mission statement. They do have a list of corporate principles (see below) but no specific mission statement. This should be addressed as soon as possible as mission statements help drive companies in every decision made.

Tootsie Roll Industries Corporate Principles as stated in the 2012 Annual Report:

* We believe that the differences among companies are attributable to the caliber of their people, and therefore we strive to attract and retain superior people for each job.
* We believe that an open family atmosphere at work combined with professional management fosters cooperation and enables each individual to maximize his or her contribution to the company and realize the corresponding rewards.
* We do not jeopardize long-term growth for immediate, short-term results.
* We maintain a conservative financial posture in the deployment and management of our assets.
* We run a trim operation and continually strive to eliminate waste, minimize cost and implement performance improvements.
* We invest in the latest and most productive equipment to deliver the best quality product to our customers at the lowest cost.
* We seek to outsource functions where appropriate and to vertically integrate operations where it is financially advantageous to do so.
* We view our well-known brands as prized assets to be aggressively advertised and promoted to each new generation of consumers.
* We conduct business with the highest ethical standards and integrity which are codified in the Company’s ‘‘Code of Business Conduct and Ethics.’’

## IV-B Core Competencies of the Company

Tootsie Roll Industries Inc.’s core competencies are the manufacturing and sale of Non-chocolate confectionary, candy, chocolate and cocoa products, and chewing gum products. Tootsie Roll buys all their raw goods from vendors and contracts their goods with suppliers. This leaves only the manufacturing and the selling of the goods as competencies of Tootsie Roll.

## IV-C Inbound Logistics and Supplier Dependencies

Tootsie Roll has established itself with numerous suppliers for its materials. They claim that they are all established, reputable vendors with the best reputations, but they do not audit them or have a way of checking on vendors currently. Now because the candy market is so big and Tootsie Roll holds such a small portion of it, it does not appear as though these vendors are dependent on Tootsie Roll although no definitive information could be found for this. (California Transparency Supply Chain Act of 2010)

## IV-D Outbound Logistics and Principal Distribution Channels of the Company

Tootsie Roll has established contracts with over a hundred distributors in North America. As with the suppliers they all have established reputations but Tootsie Roll does not currently audit them. (California Transparency Supply Chain Act of 2010)

## IV-E Comment to the Extent to which the Company Uses: Vertical Integration, Outsourcing and Offshoring.

Tootsie Roll does not use any vertical integration or outsourcing. All of their supplies are bought from the vendors and the finished product is sold to the distributors. Tootsie Roll simply manufactures and sells their product. Tootsie Roll does however do a bit of offshoring. Tootsie Roll has set up manufacturing plants in both Mexico and Canada but these were set up to manufacture Tootsie Roll products for those markets. So the Canadian plant supplies Canada and the Mexico plant supplies Mexico. (LexisNexis)

## Section V: Markets and Marketing

## V-A Primary Geographical Markets: Identify geographical markets and level of business by market.

Tootsie Roll Industries’ main office is in Chicago, Illinois USA. The products are marketed to USA, Canada and Mexico markets. The operations of Tootsie Roll are throughout North America, and have distribution channels in approximately 75 countries (tootsie.com). The company also has four production plants in USA, one in Mexico, and one in Canada (vault.com). To distribute the products in North America, the company has a network of around 100 grocery and candy brokers. The US market itself counts for 15,000 customers. The customers are US military, supermarkets, warehouse and membership club stores, and many more (lexisnexis academics).

## V-B Marketing Strategies: Identify primary marketing strategies of the Company and competitors.

The main strategy of tootsie roll is that, they never revealed the secret recipe of their product. The company tried to stay focused, bought commodities for cheap and spent money inside. It did not bought anything which did not fit their candy business, said Howard Pines, who the consultant of Tootsie Roll Industries in 1980’s (wsj.com). This company tried to remain a high quality producer in the industry with a market share of 2% – 3%. One of the main reasons behind the success of the company was how it made its consumer aware about the brand name and brand loyalty (wsj.com). According to the company’s annual report, “the competitive advantage of the company is in their brand, which offers high dollar volumes for retailers and attractive volumes for customers.”(tootsie.com) The Company is targeting its export growth in order to increase its foreign demand, and decreasing the international trade barriers. It is also focusing on worldwide market penetration.

.Recently, Hershey Company has announced that they realigning their marketing communications agencies to capitalize on changing consumer and media trends. They now have a new relationship with Arnold Worldwide, to expand their relationship with North Castle Partners. The company creates advertisements to aware customers about their brand and products. Hershey’s had integrated marketing systems, for example Bubbles of Fun, which was used to promote their brand of new chocolate Air Delight. It is made up of air bubbles which provide a whole new sensation in your mouth. This is a classic kind of promotion done by Hershey’s for its chocolates.

Mars has a marketing code that they follow. One of their major marketing strategies is that they do not market to the children directly under the age of 12. In the advertisement they do not use any celebrity, instead they use M&M characters. These are the advertisements which target children that are of 12 years and above. Mars is trying to ensure that they online and other new media channels responsibly and in ways that respect and maintain consumer trust in our brands. (Mars.com).

## V-C Product Life Cycles: Comment on the life cycle of the Company’s Primary products.

**Embryonic (Introduction):** Tootsie Roll’s new frooties passion fruit flavored candy fill the embryonic stage of the product life cycle. The company introduced this flavor this year.

**Growth:** Andes falls into the growth stage, as the company is expanding its product line. For example, Andes introduced Crème de Menthe Cookies in 2009 (tootsie.com).

**Maturity:** Junior Mints falls into the maturity stage of the product life cycle.

**Decline:** Tootsie roll candy fall into the decline stage of product life cycle, due to its less demand among kids and other generations.

## Section VI: Strategic Analysis

## VI-A Comment on the extent to which the Company utilizes each of the following strategies:

1. **Horizontal Integration** – Tootsie Roll, Inc. is using a horizontal integration strategy. They have done this by acquiring many competitors throughout the years. These acquisitions included: The Candy Corporation of America's Mason Division, Cella’s Confections, The Charms Company, The Warner–Lambert Company, Andes Candies, and Concord Confections (Welcome to Tootsie Roll Industries, 2013). By implementing a horizontal integration strategy, Tootsie is able to gain market share while at the same time reduce the number of competitors it has.
2. **Related Diversification** – Tootsie Roll, Inc. is using a related diversification strategy to move into other products in the confectionery industry. They are doing this through the acquisitions of other candy and confectionery companies. In 1972 Tootsie acquired The Candy Corporation of America’s Mason Division, which included the Mason Dots and Mason Crows candy line (Welcome to Tootsie Roll Industries, 2013). This allowed Tootsie to enter the gumdrop industry within the entire confectionery industry. Also, in 1985 Tootsie acquired Cella’s Confections, which included the chocolate-covered cherries confections line (Welcome to Tootsie Roll Industries, 2013). This allowed Tootsie to move from just making Tootsie Rolls into making chocolate-covered cherries, which was considered something totally different. Then in 1988, Tootsie acquired The Charms Company. This acquisition brought over the Blow Pops, Charms Mini Pops, Charms Pops, and Blow Pop Bubble Gum (Welcome to Tootsie Roll Industries, 2013). Through this acquisition, Tootsie was able to enter the lollipop and bubble gum industry. In 1993, The Warner-Lambert Company was acquired by Tootsie. With this acquisition came the Junior Mints, Sugar Daddy, Sugar Babies, and Charleston Chew lines (Welcome to Tootsie Roll Industries, 2013). This allowed Tootsie to move into the mint and caramel industry. Then in 2000, Andes Candies was acquired and brought over Andes Mints. Soon after, Tootsie expanded the Andes Mints line to include Andes Baking Chips, and Andes Cookies (Welcome to Tootsie Roll Industries, 2013). This allowed Tootsie to enter the baking chips and cookie industry in a small way. Finally, Concord Confections was acquired by Tootsie in 2004. This acquisition brought over the Double Bubble line to Tootsie (Welcome to Tootsie Roll Industries, 2013). Throughout all these acquisitions Tootsie has been able to move from just providing the original Tootsie Rolls to providing bubble gum, caramels, gumdrops, lollipops, mints, cookies, baking chips, and chocolate-covered cherries.
3. **Unrelated Diversification** – At this time Tootsie is not using an unrelated diversification strategy. They are just focusing on the confectionery industry and nothing else.
4. **Strategic Alliances/Joint Ventures** – At this time Tootsie is not using a strategic alliance or joint venture strategy. Instead, they are just acquiring their competitions and buying them out completely.

## Section VII: Strategic Recommendations

1. Currently, Tootsie Roll Industries, Inc is seen as an antique company that produces visually dual packaging for its candy. The Tootsie Roll packaging hasn’t changed much since the birth of the company over a century ago. The problem with that, along with the lack of marketing, has caused many young consumers to look past the boring Tootsie Roll products in order to find a more vibrant and exciting candy bar down the candy isle. Tootsie Roll should perform a corporate refocus and begin implementing new product designs and packaging in order to compete with the big name companies (Mars and Hershey). Over the next year, the company should begin focusing on brighter, more appealing, packaging designs that will draw the attention of consumers. Once the company has made the transition to the new packaging design it should begin creating new advertisements and commercials, almost like a re-launch of the products. By creating a new product design, over the next five years Tootsie Roll Industry, Inc “could build a value association for a new candy by promoting a new interaction with consumers by breaking with traditional designs and providing a visual performance that invokes a unique interpretation” (Kremer). The days of being able to purchase a Tootsie Roll for a penny are long gone. If the company hopes to survive for another century in the heavily competitive confectionery industry, a revamped packaging design could give Tootsie Roll a fighting chance.
2. Tootsie Roll, Inc. is currently focused on the confectionery industry only. In order for Tootsie to gain more market shares, they will have to expand their portfolio by focusing on other industries not just the confectionery industry. To do this they must implement an unrelated diversification strategy. This type of strategy has been shown to create success in two of our biggest competitors, Mars, Inc. and Nestle. Mars, Inc. not only produces chocolate, candies, and chewing gum, but they also produce entrees, sauces, beverages, and pet food. They have seen much success in using an unrelated diversification strategy, since they are able to reach a wider audience. Nestle on the other hand produces food, beverages, ice cream, and pharmaceutical products along with their confectionery products. They have also been able to see success in implementing an unrelated diversification strategy because they are able to reach a significantly bigger target audience. So, after seeing the success that an unrelated diversification strategy brings our competitors, it only makes sense for us to implement the same strategy at Tootsie. To do this, Tootsie should first enter the beverage industry since both of our competitors are also in that industry. Since both Mars and Nestle created their own chocolate milk, I believe that Tootsie should do the same and create some sort of chocolate milk product. Then from there Tootsie can create soft drinks with famous Charms Pop flavors. Another industry that Tootsie should consider entering would be the ice cream industry. Just like Mars and Nestle, Tootsie should create ice cream using their different types of confectioneries. For example, they can create a Junior Mint or Andes Mints ice cream, as well as Sugar Daddy ice cream. By implementing an unrelated diversification strategy and entering both the beverage and ice cream industry, Tootsie will be able to make their target audience bigger and will gain more market share in the near future.
3. Although Mr. and Mrs. Gordon are the beloved founders and current presidents of Tootsie Roll Industries, they should allow room for an outside perspective. Their entire board consists of seniority based executives who have remained with the company for quite some time. They have done an outstanding job with keeping Tootsie Roll alive for so long, but neglect the changing times within corporate culture. Therefore we recommend hiring a younger, experienced CEO to collaborate with while running their business.

According to Glass Door, website providing an inside look at jobs and companies, reviews from previous management positions advise senior management to “keep up with the times!,” (Glass Door, 2012). Employees are not allowed to carry any smart phones or lap tops to work. If they want to use them, they must do so on their lunch break outside or in their car. Managers explained everything must be approved by Mrs. Gordon: it’s as if you always have an older sibling watching you twenty- four seven. Production or deadlines were pushed back or extended; they were more concerned with the bottom line instead of the actual process. The environment seemed to resemble the 70’s (Glass Door, 2012). A CEO of today’s culture would be able to fix these corporate culture issues and realign management to be in harmony. A major reason for the fall of huge businesses is the poor internal alignment of management. An outsider with fresh ideas can bring new flavor to the company.

The Wall Street Journal described the board as, “secretive and crony,” (Insider Monkey, 2013). An article explaining whether or not to invest in family companies stated, “Granted they are well known brands [Tootsie’s acquired trademarks] but the company has changed them very little,” (Insider Monkey, 2013). It’s time for some new management to prevent Tootsie from being left behind. If new management doesn’t show improvement within 3 years, then they should consider being bought by one of their competitors, possibly Mars Inc.

1. Due to the increasing costs of the ingredients used in Tootsie Roll products it would do the company well to vertically integrate and buy out their suppliers. Tootsie Roll currently buys all their ingredients from vendors and while they buy in bulk and get great deals on ingredients if they were to own the vendors it would make producing their goods less expensive. Ingredients that are rising in price include cocoa, flour, and sugar which are all used in Tootsie Roll products. A goal of owning 20% of the vendors in 3 years, 50% in 5 years, and 80% in 7 years seems feasible for the company based on their financials. This will help control the cost of goods and thus make the profit margin larger. This would also ensure that they are receiving the best ingredients for their products.

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