

Dippin' dots ice cream essay sample



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Background

Dippin' Dots Inc. is a privately owned company that produces an ice-cream snack called Dippin' Dots which they call as the "Ice Cream of the Future". Dippin' Dots are small spheres of ice cream that are produced by flash-freezing ice cream mix in liquid nitrogen. Aside from producing small beads of ice cream that are fun to eat, the flash freezing process also made Dippin' Dots richer and fresher tasting than regular ice cream. Aside from Dippin' dots, the company also manufactures other snacks called Dot Delicacies® that combine Dippin' Dots with other snack foods such as cookies and cake.

Dippin' Dots was founded in 1987 by microbiologist and inventor of Dippin' Dots - Curt Jones. Mr. Jones' experience with cryogenics led him to experiment with flash freezing an old family recipe for ice cream creating small spheres of ice cream which became Dippin' Dots. Curt Jones remains the current chairman of the company while its current President is Tom Leonard. According to The Encyclopedia of Company Histories, the company had estimated sales of \$34M in 2002 and has 160 employees.

Individual servings of Dippin' Dots are sold at franchised outlets. Dippin' Dots franchises are located in shopping malls, amusement parks, and the like. Dippin' Dots franchises could be found in eleven countries in North and South America, Australia and Asia. Individual servings are also sold via specialized vending machines in various locations. Starting 2002, Dippin' Dots became an offering in select McDonald's branches in California. Today, Dippin' Dots is the third largest ice-cream franchise in the USA, placing behind Baskin Robbins and Dairy Queen.

Dippin' Dots can't be sold in retail outlets such as groceries and supermarkets to be consumed at home like regular ice cream because the product requires temperatures below -20°F which is below normal temperatures for standard freezers. Dippin' Dots are currently produced in two facilities, one in Paducah Kentucky and another in South Korea that serves the Asia-Pacific markets.

SWOT ANALYSIS

STRENGTHS - The primary strength of the company lies in the novelty of the product. Dippin' Dots is a novel way of delivering ice cream that is unlike any other in the market. Additionally, the manufacturing process gives another value proposition by the way it produces richer and better tasting ice cream than the competition.

WEAKNESSES - The weakness of the company is the fact that their ice cream needs specialized equipment to be stored. This greatly limits their distribution options as not every home or retail outlet has freezers that go down to -20°F. This weakness is apparent in the fact that Dippin' Dots cannot be sold in tubs like regular ice cream, thus limiting the market penetration of the product as it is limited to be sold via franchised outlets.

OPPORTUNITIES - One opportunity for Dippin' Dots is to expand its franchising operations into the European Market. Currently, there are still no franchises operating in Europe. The overseas market has already proven itself to be a viable income source for the company with Japan alone accounting for 20% of the company's total sales by 1997, two years after the company built its first outlet in the country.

THREATS - A major threat for the company is the loss of their patent. The manufacturing process for Dippin' Dots was originally patented, however, the patent was found invalid in February 2007 by the US Court of Appeals for the Federal Circuit in the case Dippin' Dots, Inc., et al. v. Mosey, et al. v. Esty, Jr., et al. The revocation of the patent opens up the possibility of copycat products competing with Dippin' Dots. The threat is serious given that a major part of the value proposition of Dippin' Dots is the novelty of the product.

Strategy Used

The company used the differentiation strategy which capitalized on the novelty and uniqueness of the product. To be successful, the differentiating factor of the product should have value to the consumer. In the case of Dippin' Dots, that value was the improved quality of the ice cream and its being seen as more fun to eat than regular ice cream. The disadvantage of the differentiation strategy is the added cost to the product which stems from its differentiation from the competition. Again, this was obvious in Dippin' Dots case as the added cost of the exotic equipment needed to store Dippin' Dots. This also had another effect other than raising the cost as the exotic equipment prevented Dippin' Dots from being sold in other distribution channels such as supermarkets and groceries.

Course of Action Recommended

If I were in a position to advise the company, my first priority would be to deal with the loss of the patent and the expected influx of copycat products. I would improve the branding and visibility of the company to strengthen the

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perceived quality of the company as opposed to the competition. Also, I'd expand the overseas operations to expand the number of potential consumers for the product, concentrating heavily on Europe and in other countries where Dippin' Dots is still not present. If possible, I would also consider going public to raise funds for these projects which are expected to be capital intensive.

Opinion

Dippin' Dots presents a near textbook example for Porter's Differentiation strategy. The company's main attributes is its uniqueness and improvement over the competition. On the other hand, uniqueness usually comes at a cost, however it is up to the company to leverage the uniqueness of its product to profit despite the additional costs. I also saw how important it is for a company based on uniqueness to protect that uniqueness from being copied as it is quite easy for the company to go into trouble when the product loses its exclusivity.

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