

Montreaux chocolate report essay sample

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Executive Summary:

As of October 2012, Andrea Torres, director of new product development at Montreaux Chocolate USA, needs to recommend whether or not the company should pursue a new product launch in the United States. The new product, a 70% cocoa dark chocolate with fruit product, has been tested because of “ its heightened revenue potential, better alignment with health and wellness initiatives, and strong consumer acceptance of the proposition” (Quelch 7). This memo will address the reasons why Andrea will recommend more product testing for the new product line at a cost of \$3 million and for a time frame of one year before actually launching the product either regionally or nationally. This memo provides an Ellet’s Five Phase analysis which includes a statement of the situation, a list of questions, a hypothesis, an explanation of proof and action, alternatives, and final recommendations as to why the company should pursue more testing of the new product line before implementing either a regional or national rollout.

Analysis: Ellet’s 5 Phases

Situation:

In October 2012, Andrea Torres needs to make several decisions which include: “ should the company conduct further product testing, launch the product in selected test markets, stage a regional rollout, or launch nationally” (Quelch 1). Other important decisions for Torres involve deciding whether to name the product Montreaux or Apollo and also whether to develop production facilities and processes in the US. She must also consider the following objectives when making these strategic decisions: The company should achieve first-year sales of at least \$30 million; The company

should nationally distribute Montreaux product line by year-end 2015; The company should achieve \$115 million in annual sales by year-end 2015; and The company should be in the top 25 in revenue (. 60% market share) by year-end 2015. Torres needs to make these imperative decisions for a board meeting scheduled to take place on December 10. She must present her decisions to her boss, David Raymond, and the board who both expect her research and recommendations as vitally important in launching and promoting the Montreaux Chocolate company in the US. Questions:

Should the company be named Apollo or Montreaux Chocolate USA? Should the company purchase a new manufacturing plant in the US? Who are Montreaux Chocolate USA's competitors? Will Montreaux Chocolate USA become the leading global player in the chocolate industry? Will the company be able to achieve the NPD's goals of national distribution of Montreaux Chocolate USA and of developing new product lines? How will the company “ address issues such as product formulation, positioning, size, and packaging?” “ Should Montreaux build upon its European brand equity or more directly tailor to the American consumer?” Should the company pursue integrated marketing communications to promote the new product line and create brand awareness? How much should the company spend on advertising the new product line?

Hypothesis:

Because of the mediocre results generated by the BASES II Testing, the company should not aggressively market the Montreaux dark chocolate with fruit product. Because Montreaux will face competition in the dark chocolate

with fruit category, the company should plan to introduce the new product gradually, evaluate the success of the new product, and then increase or decrease the product infiltration accordingly. In addition, test marketing will enable the company to determine which markets will provide the greatest profit so that the company will not waste additional time and money on unsuccessful endeavors.

Therefore, the company needs to conduct further test marketing ideally with a more conservative budget. This strategy will provide the information that will determine how the company should continue to market their products by evaluating consumer behavior and buying patterns, observing which products are most successful, gathering information concerning consumer tastes and preferences, etc. As a result, the company would then be able to maximize profits and produce its product in optimal amounts so as to satisfy consumer demand effectively. Proof and Action:

The following statistics stated in the case indicate that “ 23% of respondents would definitely buy the Montreaux dark chocolate with fruit product and 40% would probably buy the product.” These average ratings strongly suggest that this product should be introduced into the market very gradually. This strategy would enable the company to evaluate consumer buying patterns so that the company could determine future production levels and future marketing strategies that benefit both the company and the consumer. Financial information given in the case also indicates that the company needs to introduce this product very conservatively. Exhibit 1 informs that with 5.98 million total purchases, low awareness, low ACV and

mediocre product, Montreaux would gross \$17.44 million. Exhibit 2 shows that with medium awareness, medium ACV and an average product Montreaux would gross \$25.1 million.

These figures do not meet Montreaux's objective of earning at least \$30 million in its first year. Exhibit 3 shows a slightly improved situation: with high awareness, high ACV, and an excellent product, Montreaux would gross \$39 million. Although \$39 million exceeds Montreaux's first year objective, one cannot conclude with certainty that the product will earn such high ratings in its first year of existence. Therefore, it would be wise for the company to pursue a less aggressive marketing strategy for the first year so that the company can assess and evaluate the product's overall performance to determine optimal production levels for the new product line. Alternatives:

The case discusses four major alternatives that can be implemented in reference to Montreaux Chocolate USA. These alternatives include: further product testing, launching in selective test markets, staging a regional rollout, and launching nationally. As previously stated, additional product testing will enable the company to determine how aggressively it should infiltrate the US market. Previous product testing revealed unacceptable results concerning the introduction of the new product line, specifically the Montreaux dark chocolate with fruit product. Montreaux needs further information to determine the degree of success or failure of this new product line as well as how other product lines will be purchased by the general public. Additional testing would also enable the company to

determine which markets will provide the greatest profit and then to target these markets accordingly.

Additional research would also allow the company to address issues related to product formulation, positioning, size, and packaging so that the company can produce and market a product that not only appeals to consumers but that also generates a significant profit. For example, “ diagnostic information generated by the research found the 5-ounce stand-up pouch with healthy positioning to offer the greatest revenue potential, reconfirming the results of the focus group testing that found consumers respond very favorably to healthy messaging (with the smaller pieces aiding in the healthiness perception)” (Quelch 6). In addition, Francisco Redruello, senior foods analyst at Euromonitor International, advises that “ extended flavor offerings, incorporation of multiple cocoa types and increased content along with luxurious packaging innovation must be a focus” and that “ portion control is increasingly important” (Culliney 1). A second alternative involves launching the Montreaux products in selected test markets.

This alternative would give Montreaux Chocolates USA real-world information concerning its products which will be more beneficial and preferred in developing effective marketing strategies than information derived from laboratory studies. In addition, Montreaux could target/test market large cities to find out specifically how much product they should supply them with, thus infiltrating these large markets very effectively. A third alternative requires that the company stage a regional rollout. This alternative would benefit the company because regional markets are smaller than national

markets, thus costing less while still providing valuable information concerning how the product will be received in target markets. In other words, Montreaux would have the opportunity to evaluate the product's performance in regional markets and apply these findings to national markets, thus saving money while gaining the information necessary to successfully infiltrate larger markets.

However, the benefits of this alternative should outweigh the negative impact on the company's profits in order for it to produce positive results. A fourth alternative necessitates that the company launch its product lines on a national scale. This would be a bold move for the company because of the risk and uncertainty involved in this type of launch. In other words, this alternative would either meet the company's objectives in a big way or it would cause negative profits for the company. Again, the company needs to weigh the potential benefits vs. the risks involved in implementing this aggressive alternative and implement it only if they are almost certain that a national launch will be successful. Obviously, management should carefully review previous research before making this aggressive decision. However, if and when research provides promising and profitable results, the company should pursue a national launch, especially since the company wants to be the first to introduce the healthy dark chocolate product line and capture the profits that will be generated by being a forerunner in a competitive industry.

Recommendation:

Again, the disappointing results derived from the BASES II testing indicate that the company should pursue additional test marketing before launching

the new product lines. If the company intends to meet or exceed its first year sales of \$30 million, more testing needs to be done in order to ensure that the product lines will generate the expected profits. In other words, additional testing will prevent the company from experiencing negative profits and poor acceptance of the new product lines among consumers. Unless the company wants to risk losing a great deal of money, a regional or national launch should not be pursued at this time. The company needs to strongly consider the positive effects of more product testing and consider the \$3 million price tag as an investment rather than an expense, especially if future goals involve generating \$115 million in sales by year-end 2015 and being in the top 25 in revenue testing.

After the company conducts additional testing that reveals acceptable and promising results, the company can then consider a gradual regional or national rollout, evaluate consumer buying patterns and behaviors, and then infiltrate target markets so as to avoid negative profits. This recommendation may take more time than one year in order to be effective, and the company should instead work to achieve a more reasonable sales goal that is still profitable rather than setting an unachievable goal of \$30 million for their first year sales. The company can then plan to recover the \$3 million investment spent on test marketing in terms of higher sales and profits in the future, as well as exercising patience and persistence in meeting more reasonable goals, so as to prevent their product lines from ultimately failing in the marketplace because of poor test results, unachievable goals, and ineffective marketing strategies.

However, despite the lackluster results of the previous test market research, Andrea Torres has good reason to be positive concerning the success of Montreaux Chocolate USA. Reports. mintel. com states that “ the total revenue for the chocolate segment in 2011 was \$17. 664 billion and was expected to grow almost 2% annually through 2015” (reports. mintel. com 17). In addition, MarketLine reports that “ chocolate is the most lucrative segment of the global confectionary market, accounting for 52. 6% of the market’s total value. In 2011, Europe captured the largest regional share of the global confectionery market at 45. 2%, with the Americas following at 33. 9%” (MarketLine 8, 10, and 12).

Furthermore, kpmg. com reports that “ global chocolate industry revenues will reach record US \$117 billion in 2014” (kpmg. com 3). Torres should be confident that her decision to pursue additional test marketing will be positively received by David Raymond given that the chocolate industry has high total revenues and high market share in the U. S. At the board meeting she should present her colleagues with these impressive figures to convince them that additional testing will enable Montreaux Chocolate to achieve high revenues. She should also present the board with facts concerning the growing popularity of dark chocolate among health-conscious consumers, as research will more than likely reveal the huge potential for success in this growing market. Kpmg. com reports that “ the most dramatic change in consumer taste is the surge in popularity of dark chocolate. Perceived health benefits have fueled a 93% growth in launches and dark chocolate now accounts for 20% of the U. S. market” (kpmg. com 3).

Works Cited

Culliney, Kacey. "Luxury Chocolate to Grow Developed Markets, Says Analyst." Confectionerynews. com. 13 April 2015 <http://www.confectionerynews.com/Markets/Luxury-chocolate-to-grow-developed-markets-says-analyst>. Confectionerynews. com. 8 April 2015