Real chocolate company

Business, Company

Real Chocolate Company Inc. Case Analysis

Introduction

The Real Chocolate Company, Inc. was founded in 1981 by Sara Smith in Kingstown, Colorado. The company established in 1982 and is headquartered in Kingstown, Colorado. The company produces a variety of gourmet chocolate and other sweets. As of March 31, 2007 there were 5 company-owned and 316 franchised stores across USA, Canada and Guam. The company employs about 235 people. In June, 2005 it was identified as America's 100 fastest growing small public companies.

The company established self-owned and franchised stores in three primary areas: Factory Outlet malls, tourist areas, and regional malls. The other locations are street fronts, airports, and other entertainment-oriented sites. The company has recently been focused on factory Outlet shopping malls due to its high passage, good occupant blend, buyer spending and cost behaviors(Woloson, 2002, 58-99)..

The company produces about 250 varieties of chocolates and other products, including nut clusters, fudge, caramel-covered apples, butter creams, toffee, coins, and truffles. Approximately 50% sales are on products made on-site. The preparation is open to the public, which creates a special atmosphere and ambience of the store. Company also sells product through wholesaling, fundraising, corporate sales, mail order, and the Internet.

Company's current revenues come from three sources: sales to franchisees, sales at company-owned stores, and through collection of franchise fees and royalty charges from Franchise.

The mission of Real Chocolate Company is to use only the finest, highest quality ingredients and no artificial preservatives. Its slogan is " Perfection in Handmade Gourmet Chocolates." The company believe this, along with its standing for eminence, selection, and flavor of products, specialenvironmentof the stores, store site selection criteria, proficiency in the manufacture and produce of chocolate candy products, and high-quality consumer service, provide the company with a viable benefit(Sackman, 2005, 85-214)..

Real company's goal is to build the Company into the premier retail chocolate manufacturer in the United States. Complete redesigning of stores, product packaging, and use of latest informationtechnologyresources will enhance the company's profitability as well as market position.

External Analysis

Opportunities:

• Developing overseas economies outside USA, demonstrating the highest growth in demand.

• Rapid Growth of chocolate and confectionery industry in domestic markets, NCA estimated that in 2006 retail confectionary sales reached $28. 9 billion, shown a 2. 8 percent increase over 2005. Retail chocolate sales reached $16. 3 billion for the year ended December 2006. In USA, per capita consumption of chocolate was over 13 pounds in 2004(William, 2006, 1103-1109).

• Huge potential of Sugar-free confectionery in Europe, its sales account for 7 percent of the UK, 58 percent of Spain's, and 32 percent of France's markets. In 2005, 23 percent of sales can be attributed to 2, 767 new confectionery products.

• Dark chocolate sales increased 49 percent from 2003 to 2006. It is still a consumer favorite, appeals to the older, as well as younger demographic, being publicized for itshealthbenefits.

• Japanese research proclaimed that chocolate can be good for preventing diseases; cocoa-based products may help reduce cancer and cholesterol. Asians are the main consumers of premium gourmet chocolates. Younger unmarried adults, college graduates, and business executives are consuming above average amounts of gourmet and premium chocolates.

• Gourmet chocolates account for about 10 percent of the chocolate industry with sales of $1. 3 billion in 2005, a 6. 4 percent growth rate expected till 2010. Foremost reason for this growth rate in the gourmet chocolate segment is the expansion of division throughfood, medicine, and mass market means

•As consumers become more ethically aware, the organic and natural chocolates will show growth in coming years. Consumers are inclined to purchase more reasonable deals available in the market.

• creation of new sales opportunities on nontraditional candy holidays like July 4th, mothers day, fathers day or by cross selling products such as with greeting cards or wine.

Threats:

• New product arrivals from competitors with greater recognition, money, marketing initiatives, products and attractions.

• More national retailers are offering candy, gum, and mints at cash registers. Sales through these nontraditional outlets have doubled over the last several years.

• Larger Dependence on sales revenues from franchised operations, after closing down most factory owned stores after 2002.

• The slow development of the Factory Outlet Malls and availability of few venues in the top shopping malls and other attractions have established restrictions on growth.

• Inflationary pressures increased costs in all areas, including the ingredients and labor costs and taxes, insurance and maintenance costs.

• The growing wave ofobesityanddiabetesin America caused more and more people to reckon calories and adopt a healthy lifestyle (Sackman, 2005, 85-214).

• Reliance on seasonal sales of chocolate and confectionery industry, largest sales volume results during the Christmas, valentine, and summer holidays.

• Import controls are particularly important for the production of chocolate, because the need to import cocoa.

• The compliance of chocolate and confectionery industry of numerous regulations that encompass health, hygiene, security, and franchise operations

• Dissatisfaction with the foreign-Americanism and the expansion of western impacts in third world (Woloson, 2002, 58-99).

• Significant variations of the prices of chocolates and nuts in the commodities market due to monetary fluctuations and economic, political, and weather conditions in the producing countries.

Internal Analysis

Strengths:

• The use of an open kitchen, customers and passers-by, to smell and view the sweet especially.

• The business's reputation for quality, variety and taste of the products.

• Dealing with expertise in the application of the criteria for selecting new sites.

• The company's expertise in chocolate and candy manufacturing with emphasis on the marketing and commercialization of these products.

• The control and training systems, the company used to ensure that customer service and quality in the franchise stores and company-owned outlets.

• The controlling of its own production process creates high-quality, unique products, controls costs, control production and shipping schedules, and the ability to create new channels for distribution.

• The testing and estimation of alternative distribution channels to enhance brand recognition will benefit all franchise and company-owned stores.

• Operating of a small fleet of trucks to transport their products to stores. After delivery, the trucks return with the ingredients, supplies, and some third-party products to increase operational efficiency.

• The company has developed business relationships with large commercial construction output in the United States. This relationship will provide an opportunity to exploit the attraction of new and existing sites locations.

• The business is more than one source for all the " essential" ingredients in order to avoid the impact on operations due to loss of a supplier (Michelle, 1998, 21-53).

• Participation in local and regional events, sponsorships, and charitable causes to attain low-cost but high return publicity.

• No compromise on product quality or appearance when company changes processes from manual to automated to increase manufacturing efficiencies.

• Selection of Franchisees is truly based on net worth and liquidity, work ethic, and apersonalitythat is compatible with the company's operatingphilosophy

• Renovation and redesigning of stores in more modern ways and designed them specifically for the high-traffic mall locations. The average store size is 1, 000 square feet with 650 square feet of selling space.

• Recently introduced is a line of sugar-free and no-sugar-added sweets one trademark of the company is the large portions of chocolate.

Weaknesses:

• The store has no measures to prevent the reliance of franchises only in company made products and from approved suppliers instead of placing order directly to the company

• Absence of corporate website to raise brand awareness and sales in corporate sector.

• Existence of only regional business reputation in the Pacific and Midwest areas.

• No aggressive national advertising strategy is selected by the company.

The business is primarily used in- store, point of sale, and local low-cost, high return advertising opportunities (Kaplan, 1998, 85-196).

• A wide range of traditional products with mostly usual flavors. The products are not adventurous in their combinations of flavors and ingredients.

•Lack of capacities to develop more fortified, less calorie and sugar free confectionery products.

Important issues:

The most important thing is that the company is on track with its expansion initiatives. They have a solid foundation as a specialty chocolate and franchise expert, now is the right time to begin investigation of additional distribution channels.

The candy industry is in very good condition at this time. The National Confectioners Association (NCA) estimates that in 2006 retail confectionary sales reached $28. 9 billion, with the growing potential of the candy industry, Real Chocolate Inc. has strategic advantages, and has a recipe for success. The company product quality and diversity of product range, with a minimum of 100 different options in each activity, ensuring that there is something for everyone to enjoy. Their chocolates are the best, because of superior taste, no chemical aftertaste, and rich natural flavorings. The recent success is the development of a new line of sugar free / no sugar added sweets to reach the growing number of health-conscious consumers. The company capitalized on the high sales of the holiday season with sweets and other decorative items (Sackman, 2005, 85-214).

Some products such as sweet, brittle, and caramel apples are ready in stock and prepared in store. This preparation is for the public, an image of fun, fresh, homemade quality. Customers can view the candy process from beginning to end. Sometimes customers are also invited to taste the new sweet (Kaplan, 1998, 85-196).

Site selection is critical to the success of any retail business, but even more in the Real Chocolate Company, final site selection must be approved by the Executive Committee. Generally, the consent of the directors of some decisions can only slow, but it works for them.

Another advantage of the company is to continue its commitment to ensure quality and service in self-owned and franchise stores. The company has been selected as one of the best franchising opportunities in several publications in seventh place in the road to success Magazines " Franchise Gold 100 franchises more desirable." The company not only trains and prepares new franchisee for the operation of the company but also the possibility of negotiating the lease, the design business, and build coordination. The field staff to maintain regular contact with the franchisees to discuss ways of increasing use and profitability of marketing programs, store. In addition there are annual, regional, and national conferences to promotecommunicationand feedback between the company and its franchisees. There are also workshops on topics related to the continuous improvement of the performance of stores. The franchise stores also sell products manufactured at the company's own factory in Kingstown, Colorado.

Current Problems:

On the basis of above SWOT analysis, it is deduced that Real Chocolate Company is facing major challenges in highly competitive and rapidly expanding chocolate and confectionery industry. How will it continue to compete in this fast-paced industry? How can the company reposition itself as a provider of healthy, low calorie, high nutrition products? 13. 8% decrease in retail sales in 2007 shows a rapid inclusion of new entrants and arrival of substitute products in the market.

Strategic Options and their Evaluation:

1. Develop and distribute decreased-price boxes of chocolate bars in supermarkets, drugstores and discount stores. The products should be located in flowers and gift card departments.

Pros:

• Higher quality and reasonable price enhance this secondary market share.

• The bigger visibility area will increase product awareness.

• Print the website address on the client wrapper leads to increased sales by mail.

Cons:

• Distribution in drug and discount stores will reduce the perceived value of brand.

• Create a new shape and design an economy package is expensive.

• The proximity and convenience of the supermarket may reduce visits to the company- owned and franchise stores…

2. Develop a retail market for the other major events of the season. Target the marketing efforts towards small holidays like Mother's Day, back to school, and the thanks giving.

Pros:

• Increase the campaign will reduce the ambiguity of the quarterly financial statements and round the year earnings will be resulted.

• Increase marketing increases brand visibility.

• The selling season accounts allow the company to forecast the future of brand relationships and customerloyalty.

• Capitalization of holiday gift-giving trend and increase turnover.

Cons:

• Increased marketing efforts will be expensive.

• Throughout the years of advertising, may reduce the perception of product exclusiveness.

• targeting the marketing towards gifts-giving can misguide customers that this product is just for gift giving.

3. Further expansion of foreign franchises in the regions, improving the economy

such as Eastern Europe, Asia and South America.

Pros:

• There are many developing high potential economies to enter.

• Expansion of franchise companies help to become a leading chocolate manufacturer of the world.

• Expansion into markets to increase customer awareness and sales.

Cons:

• Construction of distribution networks to customers in developing countries can be a challenge.

• New markets require special recipes for different tastes.

• Overseas corporatecultureand government regulations can vary significantly.

• Anti-Americanism and anti-western trends could lead to boycotts of products.

4. Development and implementation of new advertising strategies (Hutchings, 1997, 162-124).

Pros:

• National advertising increases awareness.

• Awareness of increased sales.

• Awareness and turnover increases the demand for franchise businesses.

• Establishment of the fact that Real Company is the premier chocolate company, in the country and in the world.

Cons:

• National advertising can reduce perceived gourmet values by customers.

• To initiate a national publicity campaign will be very expensive.

• The campaign can lead to dissatisfaction among customers, where the factory-owned and franchise stores are not available.

Strategy Selection

Based on Real company current business activities and the behavior of confectionery manufacturing industry, I recommend that the Real Chocolate Factory continues its growth strategy through additional distribution channels. But in view of the rapidly changing local and foreign markets, now is a good time to reflect on improving their image. The business of traditional candy recipes is not an attraction for the modern, contemporary design wave sweeping the nation. A new line of chocolate products and gourmet caramels increase the attractiveness of a new andmodern lifestyle. Moreover, the fact that the company has no corporate website offers a lagging position in the booming dot-com era (Lodge, 1997, 6-21).

New product development is an extension approach. All new products are associated with existing products and capital on the latest knowledge in production and marketing… The new products are items such as sauces, syrups, fondue, and coffee, and wellness products. These elements are sold in stores and online and as part of the gift baskets.

The new corporate website will be a high level of service and meet a variety of gifts needs. A Company's website, will position the company in a stronger and better standing with its franchisees and customers nationwide. New products that are not in areas where transactions take place will also become available online, will enable Company to increase brand awareness and sales..

Application

Consumers prefer high-end chocolates with nutritional values, fortified candies that have vitamins and skin-enhancing ingredients, sugar-free, and less calorie sweets products . According to the FDA, the average cost of research and development in industry are running about $ 50, 000 per year. Since using the application on several products, I will assume a cost of $ 100, 000 per year. That seems low, but the products they suggest will be something fundamental and slopes away from their recent constituents inventories. Another advantage of the aid in a rapid start-up is the fact that the current 53, 000 square foot factory in Kingstown, Colorado, has the capacity to produce 350, 000 of product per year and is currently producing below maximum limit.

The new gourmet and luxury products can enhance luxury over tradition. The new concept store is a complete chocolate experience. A new slogan will be used in all promotional materials, including mailing brochures that come with each purchase, it will proclaim proudly, " for the mind, body and soul." " Mind" refers to the guilty pleasure of chocolate, " body" refers to products for the bathroom, and " soul" refers to chocolate documented positive effects on mood (McGowan, 1998, 45-55).

The new products are served and sold in the store as a way to sample and ultimately to the purchase of a new line. New elements of training should be based on the existing stores, but the skills needed to create a coffee machine and cut a piece of cake is minimal and probably not cost much time or money. The new products should also be available in gift baskets at the store and online. Gift baskets online and the distribution needs are determined by the placement of small catalogs, electronic mail with the new web address in the bag with every purchase. The new store is designed to be more dependent on plant products for increasing purchases of franchise stores in the factory. This, coupled with new distribution channels is a significant increase in market share of the business and turnover.

Finally, a new corporate website will be introduced to new products that are not available in all stores and increase the value of sales. Given the fact that the company already has a design, a row, and maintenance was already on the payroll of their franchises, the costs are minimal, I would estimate the cost at least $ 20, 000. There would also a link available to a franchise holder on this web- page, franchisees can learn about new product offerings and their prices and quantities available. Franchisees will also be able to work closely with the Corporate Office in the annual conferences, in order to view the situation and the new techniques of marketing and merchandising. Gift Search by price category and a personal gift reminders section would provide a record of the past orders, and a place to collect and store recipes. This obligation would remain in the range of six figures, about $ 600, 000, but is offset by increased income through new store design and new product offerings to common and corporate customers..

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Evaluation and Control:

The Company will implement feedback controls utilizing customer surveys and mystery shoppers, monitoring the POS system and financial statements. To induce participation in the surveys, customers in the stores and online will be given monetary gift certificates for completing the forms. These surveys will inquire about topics including, service, quality, design, atmosphere, and demographic information for use in later marketing programs. The Company will also utilize mystery shoppers for an unbiased evaluation on the new products and store design.

The Company will capitalize on the newly implemented Point of Sale system by monitoring what is selling and what is not. They will use this information to remove slow moving items and replace with successful products.

The Company will closely watch their income statements and balance sheets for changes in same store and factory sales. The Company will expect to see an increase in factory sales of 25% by the end of the first year and, given that the roll out is successful, a 50% increase in the following three years as the new design is implemented into all new stores.

Conclusion:

In order for Real Chocolate Company to achieve global success, the company would have tostresson the global development of the manufactured goods. It can be risky to market in Asian and European regions, but with careful study of the target market segments and its economic conditions, it can be achievable. Company should also investigate other regions like Africa in order to become a global enterprise. But, cautious considerations to look at its main competitors and to familiarize the political and economic structure of target region or country are also important.

It is also a fact that to operate globally, heavy investment and marketing budgets have to be surrender. Real Company has somehow gone through this process in the past; therefore it shouldn’t be a major concern that would raise a problem. Finally, not to overlook that Company should need to build up the brand name of its products globally. Since it is admired in US, the profile of the products should be enhanced to meet cultural variations globally.

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