

Daloon a s case analysis essay sample

[Business](#), [Marketing](#)



Daloon A/S Case Analysis Essay Sample

I. PROBLEM

What strategy should Daloon undertake to build and stabilize its sales in the catering market?

II. OBJECTIVES

Short-Term: To build and maintain sales in the current catering market it serves while controlling its sales and marketing overheads

Long-Term: To be able to expand into and develop new European catering markets, on its way to becoming the leader in the industry

III. SWOT ANALYSIS

Strengths

- Daloon can produce high quality products by carefully choosing its raw materials and avoiding the use of preservatives and additives. It also gives equal attention to its packaging and production process. Continuous product improvement or development is maintained by the company as a response to changing customer preference (e. g. in terms of flavor) and market needs.
- The company has a flexible production capacity. This is because it is free to choose its suppliers of raw materials depending on the filling requested by its customers. Moreover, in case of immediate additional demand, Daloon can easily adjust its production capabilities, as seen in McDonald's' experience.

- Daloon is the largest producer of spring rolls and the leader among its close competitors. It has also developed a strong business relationship with Scandinavia, Britain and Germany.
- The distribution cost for Daloon is relatively low because wholesalers are in charge of the distribution process and it has to maintain only few warehouses.
- Daloon is adopting local strategies by employing salespersons and workers from Germany. It is an advantage since they have to deal with customers who are also Germans.

Weaknesses

- Since the company has no direct competitor, it is difficult to pinpoint the reasons for declining sales. Thus, it is unable to respond accordingly.
- Because wholesalers are not particular with the brand, the end-customers (canteens, fast food stores) are not aware that the high quality products (spring rolls, etc.) they buy from the wholesalers are in fact coming from Daloon.
- Information and customer feedback gathered by the company's salespersons are coordinated with the wholesalers and the latter would then relay the information back to Daloon. There is a possibility that the information collected might be modified and the “ real concerns” of the customers would not be addressed properly.

Opportunities

- Daloon could enter the catering market directly since it succeeded in satisfying the needs of McDonald's, an example of an end customer.
- Establishing a relationship with other European McDonald's outlets is a means of increasing sales level and expanding the business coverage of Daloon.
- Rapid growth in the industry of spring rolls may be exploited by the company by producing more differentiated products and targeting specific markets (school, military, hospitals)

Threats

- The declining number of wholesalers due to mergers and closed-downs of small players pose a great threat to sales and even worse, to the existence of Daloon. The company's sale is highly dependent on these firms, such that if one wholesaler withdraws its business with Daloon, the latter would severely suffer from lost sales.
- The company's products compete with the other items offered by canteens and fast foods. There is a threat that customers may prefer other types of foods rather than the spring rolls produced by Daloon. Influences are diverse, and even include local tastes for traditionally-prepared dishes, of which the firm may not yet have the know-how.
- Furthermore, companies like National German, Danish Prime, and VanderBerg manufacture Hanna, potato dough with fillings, Pfanni, etc. are in the same arena as Daloon.

IV. EVALUATION OF OPTIONS

In achieving its objectives, Daloon has three feasible strategies: (1) retain wholesalers as the primary distribution channel, (2) establish direct business relationships with the catering market and (3) enter into a partnership or joint venture with one major wholesaler. To come up with a sound decision, the analysts used the Porter's Five Forces framework. This is due to fact that much of the success of the company activities depend upon how it actively manages and/or influences the forces around it. The wholesalers, as the primary marketing intermediaries, play an important role here.

FIRST OPTION: RETAIN WHOLESALER RELATIONSHIPS

Daloon, which is currently practicing this alternative, is faced with strong forces from its rivals and substitute products. To illustrate this fierce rivalry, there are four existing Dutch competitors who try to oust Daloon off its lead position in other parts of Germany.

Moreover, there is strong conflict of interest between the company and its wholesalers since Daloon is also maintaining direct contact with the target groups within the catering market. The fact that Daloon's products constitute only a small portion of the wholesalers' catalogue makes it more pressing for the company to exert extra effort for the wholesalers to promote and distribute its products.

On the other hand, Daloon has an unrestrained position when it comes to the procurement of raw materials because it has no strong ties with raw

materials producers. This contributes to the great flexibility of the company's production.

No pressure is put forth by possible market entrants because entering the business demands higher levels of resources and a well-developed, efficient distribution channel. Aside from cost considerations, Daloon is not in any way bothered by such possibility because it is competitive in terms of quality and cost. As regards to customer forces, the group classified Daloon's customers into two segments-the wholesalers and the catering market. Few and large wholesalers have the final say on the products that they choose to distribute. They can opt not to sell Daloon's products. Thus, the company's profitability depends on the wholesaler's selling strategy. The catering businesses, due to their size and number, cannot exercise great pressure on Daloon. The strong pressure of the wholesalers offsets the low pressure from the catering market. Hence, the overall force from the customer segment is assessed to be moderate.

SECOND OPTION: GO DIRECTLY TO THE CATERING CUSTOMERS

If Daloon would directly sell its products to the catering market, it will face upfront competition from wholesalers who have a strong hold on the said market. Moreover, it will have to sever ties between Daloon and the wholesalers. In order to establish itself in the market, the company has to familiarize itself with its environment.

Daloon, which currently produces few product lines, is confronted with threats from substitute products offered by wholesalers and other existing

companies. Nonetheless, suppliers still exert low pressure on Daloon due to the fact that there is no existing long-term contract or negotiations with them. Likewise, there is low force from potential new entrants because small companies would find it hard to compete with established companies and to survive in the market.

Customers, as another aspect of the Porter's competitive forces, greatly affect the performance of Daloon because they have the power to choose their supplier. Since they were accustomed to doing business with wholesalers, they might have greater confidence on the wholesalers' products than Daloon's. Another factor that contributes to such possibility is that Daloon's brand is not known in the catering market. Besides, the wholesalers may affect the decision of the catering group since they are more established and well-known.

THIRD OPTION: PARTNER WITH A MAJOR SUPPLIER

This alternative is a quasi-combination of the two alternatives mentioned above. The company still deals with a go-between but concentrates in only one. Because of this, the company is parallel to having a more direct contact with the end-consumers.

With this set-up, rivalry in the industry is relatively low. Co-branding results and will be heightened by the combined forces of Daloon as a producer of high-quality products and of the wholesaler as a leader in distribution. Predictably, rivalry decreases as the number of wholesalers also decreases.

Daloon's products are highly substitutable since their direct substitutes cannot be clearly distinguished by the market. The changing needs and wants of costumers also cause the uncertainty in demand for Daloon's products and their substitutes.

V. RECOMMENDATION

Based on the findings of the team using the Porter's Five Forces framework, alternative 3 appears to be most promising. Though the substitutability of the company's products is high, the other forces are all under control. The high quality of Daloon's products coupled with one major wholesaler would strengthen Daloon as a company, making the rivalry in the industry low and manageable.

The company is in a position to form a partnership with a major wholesaler because it will experience high entry risks if it chooses to directly transact with end consumers. On the other hand, if wholesalers will still remain as intermediaries of Daloon in serving the market, while at the same time directly contacting these customers, there will be conflicts of interest, i. e. Daloon serving a canteen who is also a customer of a wholesaler for a basically similar product.

Also, partnering with a powerful wholesaler could expand the market that it currently serves without having to incur higher marketing overheads. The expertise of the wholesaler on distribution systems could then be leveraged upon by Daloon, while the former benefits from the high quality and possibly

low-cost products the latter offers. This could be the key to the first objective.

Furthermore, the probability of developing and penetrating foreign markets is higher especially if the wholesaler has foreign subsidiaries or other with which it has close connections. With high quality products and shorter production and delivery lead times, Daloon will emerge as the industry leader in no time. The only question left is whom to partner with, and how to do so.