

The history and performance marketing essay

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



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Introduction:

This report makes an approach to the history and performance of a company, one of the experiments in modern history of cooperative companies initiatives, is branding Fair-trade as one of the core competences of the firm, "The Day Chocolate Company" tries this as well. The Fair-trade idea was first developed in 1988 by a Dutch Economist named Nico Roozen and together with Franz van der Hoff they developed, within an ecumenical agency, an initiative for importing coffee from Mexican producers, on the condition of a minimum fair price and next to that, valuing environmental and social norms. Later on, many other companies applied that concept, including, in 1998, "The Day Chocolate Company" (Day Chocolate). Kuapa Kokoo was the name for the cooperation started between chocolate farmers in Ghana, in 1997together with NGO Twin trading (UK trading company), The Body Shop, Christian Aid and Comic Relief, sets up The Day Chocolate Company ([www. divinechocolate. com](http://www.divinechocolate.com)). The volatility of prices and the poor knowledge of producers in Ghana was a big issue back then, and farmers were struggling to keep a steady decent life standard. Day Chocolate set a price of 100 £ above the maximum registered price per tonne, (1600 £) and established a premium quota of 150 £ per ton which had the purpose of being reinvested back in the social welfare of farmers. As a result, strong and tight relations were made, farmers were sure about their income, and the UK market could start to enjoy a high quality chocolate with a special and sharp social brand to back it up. In 2007 Day Chocolate changed its name and

business structure into the "Divine Chocolate Limited". The company created an increase in turnover from 7.6 mill £ (2005) up to 11.7 mill £ (2009), but it decreased to 8.2 mill £ in 2011. With approximately 25 employees including 7 volunteers (www.divinechocolate.com).

Question 1:

Describe the consumer segment Day Chocolate is aiming at.

Segmentation

"Segmentation is the process of dividing the world market into distinct subsets of customers that have similar needs", (e.g. country groups or individual interest groups), (Dr. Liane (J. A.) Voerman). With the aim to increase sales, segments in customers are created, using it to narrow down number of markets and countries. Thereby, with different strata of clients, companies divide products in the same way, targeting to this segments, as a way to increase profits by customizing products, although, they can never cover the whole market.

Market segmentation

They have to make a selection of the segments where they can be most effective, (market segmentation, Hollensen 2010). That selection can be done by means of geographic, demographic or psychographic reasons, or even by means of behaviour or benefit. While targeting these segments, companies can choose their wagers to types of potential new clients.

Moreover, with new or existent clients, firms need to look for potential capacity of customers to make profit. That's why Hollensen recommended the division in strangers, barnacles, butterflies, and true friends, a division in

low or high profits. Furthermore, theory allowed marketers to make targets and consumer groups by fitting its products to the client's desires. In this way, product concept, quality, updating of versions, promotions, should match with the client's needs and wants (Societal marketing), delivering value to customers and enhancing both welfares.

Chocolate market

The chocolate market around 2003 was confirmed by Mintel (2003) and Euro monitor as the largest in UK food market, with consumption per person of 16 kg/year and a market value of 3. 6 Pounds (Doherty and Tranchell, 2005).

The market was a high entry barrier sector and with an increasing competitiveness (Mintel, 2003). In 1999 three big brands were sharing predominance in the UK market. Cadbury, Nestle and Mars owned 80% according to Mintel (2003), where 43% of all chocolate was sold in supermarkets. A natural consequence was the resistance to new incomers by these corporations, with high competitive forces built up with expensive promotions during decades. Nevertheless, Day Chocolate had a powerful and quite unique first-move advantage with the Fair-trade idea as main core.

Fair trade vs. price

The company aims to offer quality products for an affordable price bringing enough money to the farmers in Ghana, raising the awareness of consumers.

Up until the economic downturn, Day Chocolate has been a reasonably successful enterprise, nevertheless, a question crosses to the mind; will customers keep on paying the additional price for Fair-trade? In most of European countries the recession experience from 2009 is getting worse, this

is also reflected in the decreasing turnover of actual Day Chocolate. In response, Day Chocolate is dividing more and more products as literally as possible into segments, traditional customers, women and kids with products such as dark & white chocolate bars, and the Dubble. Moreover, they sell products particularly designed for seasons such as Christmas or Easter, but also presents, packages, gift boxes and special recipes for homemade chocolate products, which aims to reduce costs for households.

Question 2:

Assess what makes the Day Chocolate such a strong brand (eg, what is their competitive advantage, their strengths and weaknesses, customer equity etc.). In this, also describe the marketing mix for Day Chocolate (per marketing mix instrument).

Competitive advantages

The day chocolate company has gained quite a prominent position in the chocolate market in the UK and this was achieved by a couple of very important differences between them and the other companies. After all, it's not easy to fight yourself to the top in a red ocean (a mature industry with a tough head to head competition, Svend Hollensen 5th ed.) of chocolate sellers. We can define as a main pillar of the competitive advantage of the company, the fair trade concept, the structure of the company, and the supplier network.

Fair trade concept

The fact that many poor farmers in Ghana and the rest of Africa stay poor is because they can't compete with the rest of the world. Therefore, the Day

Chocolate Company guarantees these farmers a fair price with long-term contracts to lay a strong and sustainable foundation. On top of this price (per tonne), a social premium is added for the farmers to invest back in business. Next to that, a safe and healthy environment and community programmes are part of the package to completely involve the farmers in the business. All these factors combined make the trade with the cocoa farmers a fair process through which we're a step closer to a better world.

Company structure

However, not only are the farmers given these guarantees, they're also, as a union, major shareholders (33%, and later 45% in July 2006 when Body Shop decided to donate its shares) of the company and have 2 seats (out of 7) on the board of directors. The other seats are occupied by Twin Trading (2 seats), Body Shop (1 seat), Comic Relief (1 seat) and Christian Aid (1 seat), of which the last two are supporters of the concept. The union of the farmers is called Kuapa Kokoo Farmer's Union (KKFU), which was originally set up as an organisation for farmers and by farmers, where they could work together for mutual benefits. Later on, when they voted in favour of an expansion of their company, Day Chocolate was founded. Then, the above mentioned structure was set up which is quite unique, because of its shared ownership concept, where the farmers themselves own almost half of the company supported by several other companies. They work very closely together to make this brand a success.

Big and loyal supplier network

Because of the aforementioned fair trade concept, and the additional requirement for buyer to make long-term contracts, it gives farmers a secure feeling about the future. This creates a very loyal supplier base for the Day Chocolate Company as a whole. Secondly, the KKFU has expanded their member base to more than 40, 000 farmers in over 900 villages' societies, (<http://www.bized.co.uk/compact/daychocolate/chocindex.htm?page=6>).

Strengths

Day Chocolate Company is a very strong and sustainable brand. Their fair trade concept and their unique company structure including a big and loyal supplier network make just that difference with the other chocolate companies in the market. Retail wise, the Fair Trade chocolate enters the market places such as Starbucks, Marks & Spencer, Asda and Tesco's, all very well known in the UK. Moreover, they are increasingly succeeding in raising the awareness of customers to buy Fair Trade chocolate instead of common market chocolate. On top of that, one of their most outstanding strengths is the high quality of chocolate they serve their customers, which comes with a unique taste and exceptional flavours.

Weaknesses

However, some aspects still form a potential risk for their company such as the political uncertainty in and around Ghana combined with the fact that Ghana is the only country they get their supplies from. For example, civil wars or breakouts of diseases are not unlikely to occur. Furthermore, natural influences such as a long period of drought could possibly ruin a large part of

their products. Another big factor is that it is hard to actually keep their customers to pay the high prices, especially in the current times when recession is present in the majority of western world, where people rather save money where they can.

Customer equity

Although people are getting more aware of 'fair' products nowadays, it is, like said above, quite a challenge to keep their customers buying their chocolate, the 'fair option' is easily avoidable. Day Chocolate is trying to increase equity by targeting young people in the UK to get involved in their events and competitions, especially with the 'Dubble' version. They think, and appear to have a very good way of building up a vast and loyal customer base. Next to that, they focus on 18+ women with their Divine bars, mainly because in general the women group, are a greatly chocolate consumer.

Marketing mix

The traditional marketing mix is based on the 4P's: product, price, place and promotion.

Product:

The products they bring to the UK, Divine and Dubble, have been adjusted to British tastes and are all created to a quality standard to compete with the established chocolate sellers. The perceived value of their product is higher because of their fair trade label with which they attract so-called 'concerned customers'.

Price:

As found on their website ([www. divinechocolate. com](http://www.divinechocolate.com)) 45g bars can be bought in a 4 pack for £3, 00 so for 75 pence apiece which is comparable with other Fair Trade chocolate. It is, however, around double the price of a 'common' chocolate bar.

Place:

The cocoa beans are produced in Ghana and sold in very well known retail shops such as Marks & Spencer, Asda and Tesco's and also a very wide spread selection of other supermarkets to maximise their market penetration. In addition, their cocoa is used by LSE's (Large scale enterprises) such as Starbucks and Co-op.

Promotion:

At the beginning, the Day Chocolate Company enjoys a great amount of appreciation for the work they do and the way they are dedicated to help the farmers in Ghana, which already is promotion in itself (how is named this in the book theory, mouth by moth, she said in class, but I don't remember!). Secondly, they promote their products through various competitions and events, including giving people the possibility to test new products before they're officially launched. At last, they very frequently use of social networks to show products and pictures of events that took place. They can be found on: Facebook, Twitter, Youtube and Wordpress.

Conclusion

In a holistic approach, one can say that Day Chocolate is doing a very good job and putting a lot of effort in promoting their Fair Trade chocolate in a

sustainable and innovative way, in order to differentiate them from the common chocolate market. They're doing this by trying to transfer their mission to customers, improving the standard of living for the farmers and at the same time delivering quality chocolate at a fair market price. Still, the company does have their weaknesses and threats, which they should try to minimise as much as possible.

Question 3:

Describe the general market trends in the chocolate market. Come up with opportunities and threats. The analysis of market related with the industry we are aim for, is a key part of the research. Extract data from the tendencies an trend relates with consumption, production, supply and demand will help to prospect movements in market, and advance the company decisions. We understand market as Hollensen definition, " set of actual and potential buyers of a product and sellers". The combination of several markets shapes the industry.

General market trends:

During the last decade the consumption and sales of chocolate have been steadily increasing, alternating of periods with bean production deficit and surplus, (The World Cocoa Economy: Past and Present - 30 July 2010, EX/142/6, International Cocoa Organization). Nevertheless, an increase in cocoa prices can be depicted from the last ten years, (Chart IV). D: RUG. Feb 08 MARKETING 01 Chocolate DAYin cocoa1. jpgD: RUG. Feb 08 MARKETING 01 Chocolate DAYin cocoa2. jpgLater on, in 2011-2012, production has risen up to a surplus, which appears to converge at the end of 2012, (ICCO

Quarterly Bulletin of Cocoa Statistics, Vol. XXXVIII, No. 4, Cocoa year 2011/12, Published: 30-11-2012). The general increase in standard of living in BRICs, emerging countries, Asian Countries, Brazil, India, brought findings showing that trends of consumption are increasing in such areas, therefore, opportunities for the company are linked with its openness to expand and search of new markets in these latitudes. Moreover, also maintaining a stronger presence in countries where consumption is still steady, like Japan, UK, US or Australia. The crisis of 2008, has affected to the cocoa grindings (ICCO, 2009), with less serious affection in consumption and production.

Opportunities:

Even though, when looking at the growth of chocolate consumption, over the last years (ICCO Quarterly Bulletin of Cocoa Statistics, Vol. XXXVIII, No. 4, Cocoa year 2011/12), we can noticed a small change in distribution, whereas the Asian countries used to have a small consumption, it look like there is an upcoming increase. So for Day Chocolate it is Asia where there are opportunities to increase there market. Especially in an upcoming market with the large size of Asia, it is a great opportunity for the company to gather more interest for their product there. Another considerable opportunity is the fact that in comparison with competitors, Day Chocolate does not only have a large distribution channel, but also a large group of loyal consumers. In contrary to their competitors, Day Chocolate does not really have to fight in the low price battle. The consumers assume to pay a bit more for not only the " fair trade " label but also for the good quality of the chocolate.

Threats:

A lowering in the barriers of entry plays a significant threat, because of the rise of the Internet in the last few years, other firms can more easily offer their products to the consumers. Although Day Chocolate has a very wide distribution network, they cannot let the Internet market take away their advantage. People now more often order chocolate gift on the Internet, so with the entry barrier lowering through the Internet, Day Chocolate faces a new threat. Another issue to have in account, as a threat is if the loyalty of paying a plus due the fair trade and the extra quality will be sustained if the crisis gets deeper. The loose OD purchasing power force general consumers to look after their expending in luxury goods, even if they are base in the fair payment of an African community.

Question 4:

Considering the strengths, weaknesses, opportunities and threats, what should Day Chocolate do? Should they pursue the same market segments, with the same products? When considering the strengths, weaknesses, opportunities and threats we can state that the Day Chocolate Company is a well-organised firm and that they have a good prospect for the future. However, there are new problems and customer demands that have to be dealt with to maintain their current position within the market, as there is continuous change in consumer behaviour and demands.

Distribution channel

As stated before, day chocolate has a very wide distribution channel, which is hard to copy and is formed by many years of good business. This is one of

the strengths of the company, which may never be forgotten. Next to that, they have to keep focussing on new markets, new partners and most of all, keep their current partners satisfied.

Supply channel

When looking at the supply of the company, we see that Ghana is the only supplying country, which might be a danger in the future. So expanding their supply network might be a good idea. To overcome the danger of a bad supply period or when trouble hits Ghana it might become impossible for the firm to attain their supplies, which in time could lead to a shortage of cacao. And since one of the strengths of the company lies within their supplies, the fair trade supplies from their farmers, it might eventually cost them one of their major comparative advantages.

Fair trade

If we are looking at the prices of the company we notice that people have to pay a bit more for their chocolate than when they buy it from common chocolate sellers ([www. divinechocolate. com](http://www.divinechocolate.com)). In comparison with other "fair trade" chocolate sellers they are selling at a good price, but since the time of recession makes people think more about their spending. The companies major point of attention should be to stimulate people buying fair trade products and make people aware of the fact that buying fair trade chocolate really does improve the world. Make the people more involved with your product and the concept of fair trade, and it will overcome their second thoughts about spending.

New consumers

Other opportunities lie in the fact that people ought to see chocolate as a luxury good, which is not only seen as a medicine against depression but also used, as a gift. When knowing these facts, the company could use them to expand their assortment to such demand. They should not only reach out to the concerned consumers, but also try to reach the common chocolate market whose customers want to buy the chocolate for its quality and use.

Healthy chocolate

To overcome the threat of chocolate being labelled as unhealthy, the company might need to listen to the demands of their customers. An example might be to introduce a more healthy variant of the fair trade chocolate, so that the customer will be more satisfied and the consumer relationship will improve, which will not only benefit the sales of the new introduced chocolate but also improve the name of the company as a whole.

Conclusion

So to conclude, we can clearly see that Day Chocolate is a good running company but there is still room for improvement here and there.

Opportunities still exist for them to expand their products and reach new markets. Although their main strength will remain their good distribution channel and their fair trade label. However, the company does have to work on its supply network. Day Chocolate should try to increase the focus towards the importance of buying fair trade products, and maybe even to introduce new products to attract new customers from different markets. The

company is going the right way and has a bright future, as long as it keeps on improving and keeps its customers well satisfied.

Question 5:

The Day Chocolate company wants to internationalize to other parts of the world. Where should they go?

Why identify right market?

Identifying the right market to enter is crucial for the following reasons:-It can be a major determinant of success or failure, especially in the early stages of internationalization.-This decision influences the nature of foreign marketing programmes in the selected countries- The Nature of geographic location of selected markets affects the firm's ability to coordinate foreign operations (Hollensen 2011)

IMS

A study of recently internationalized firms shows that on average firms do not follow a systematic approach. However, those firms that do use a systematic sequence of steps in international market selection (IMS) showed a better performance (Brouther and Nokos, 2005; Yip et al., 2000)In order to fully answer the question stated at the top of this page, we will use the international market selection system as given by Hollensen, 2011.

Define criteria

We first have to define criteria. From the information given above we know that Day Chocolate became successful thanks to the fact that the English chocolate markets consist of a large market for luxury chocolates, but also

because of the first-mover advantage in bringing fair-trade chocolates to the mainstream UK market. As previously stated, the chocolate was developed with the UK taste in mind. This will require looking for a market where customers have the same taste, where the customer is willing to pay a relatively higher price for these Day Chocolate products and where the customer has a high product awareness level. In order to avoid problems caused by cultural, taste and attitude distance it will be recommended to establish operations or to export to Anglo-Saxon countries, Scandinavian countries and other European nations might also be suitable in this first stage of internationalization. (Hollensen, 2011).

Screen countries

Now we have arrived at the point where we have to screen these countries, for this stage we will use preliminary screening. This is where countries are screened primarily according to external screening data. There will be a number of countries that can be excluded in advance as potential markets. When screening countries it is particularly important to assess the political risk of entering a country. The first screening method used is political risk, because Divine chocolate is a SME, we want to take the lowest political risk possible. (Hollensen, 2011)

Selection of countries with lowest political risk, based on the ECR database:

Country	Rank
Norway	90.452
Luxembourg	87.203
Switzerland	88.204
Sweden	86.975
Finland	85.026
Denmark	83.597
Canada	83.398
The Netherlands	82.96

(Numbers used are based on: economic assessment, political assessment, and structural assessment, access to capital, credit ratings, and debt indicators. According to ECR, 2013)

Create sub segments

Now we want to create sub segments in each qualified country. We do this by looking at buyer behaviour, the consumption of chocolate confectionery per capita. ECRChocolate Per CapitaNorway 90. 459. 44Luxembourg 87. 20/Switzerland 88. 210. 51Sweden 86. 978. 11Finland 85. 026. 04Denmark 83. 597. 72Canada 83. 39/The Netherlands* 82. 964. 75If we look at these numbers it becomes clear that Norway, Switzerland and Sweden are approximately equally interesting. To answer the question 'where should they go?' The Day Chocolate management should make an effort to analyse in more detail the potential of the following new markets: Norway, Switzerland and Sweden. (*To retrieve the chocolate consumption per capita, CBS (Centraal Bureau van Statistiek) was used.)

Conclusion:

After writing this report about the Day Chocolate Company, we can draw some concluding remarks, which we found out through analysing certain aspects of the company and answering the 'main' questions of this case. From day one onwards, Day Chocolate has put a lot of effort in their cooperation with the cocoa-farmers from Ghana to create a strong and sustainable brand delivering high quality cocoa for a good and fair price. On top of this, they managed to establish a permanent position in the mainstream chocolate market in the UK, supplying to a wide range of supermarkets and also to well known companies such as Starbucks and Co-op. Next to that, they raised the awareness of an increasingly large amount of people regarding fair-trade chocolate and its background. Subsequently, the fair trade concept is one of Day Chocolate's main competitive

advantages. The concept they handle is unique for its cooperation with the cocoa farmers (together representing the KKFU) who own quite a large amount of shares in the company as well. Therefore, they've established a very large and loyal supplier network, which is another great advantage. Following up on that, one of their outstanding strengths is the quality taste of the chocolate they sell. However, there are not only strong points to mention as Day Chocolate, at the moment, is limited to supplies from only one country, where political stability is not very high. If something happens to this country in a negative way, it could be a big risk for their supplies and the whole wellbeing of the company. Next to that, the low entry barriers with regards to the Internet sale of chocolate could be a potential threat for Day Chocolate, as customers will have more places to order. Nevertheless, it seems that the 'concerned customers' are sticking around and not move elsewhere with more people buying their chocolate every year. To conclude, we advise Day Chocolate to expand, but not only their sales but also their supplies. Sales should be expanded to countries with not too much difference in culture and taste like the Scandinavian countries and other countries from Northern-Europe and the suppliers network should be enlarged to possible neighbouring countries to Ghana if the political risk is not too big.