

# Chocolate processing is a long history industry



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Chocolate processing is a long history industry in global and since it been discovered in the mid 1600, the passion for cocoa grew. When Joseph Fry & Son discovered a way to make the first modern chocolate bar, it's become favourite for sweet and dessert lovers. Since the demand increasing substantially, lots of large chocolate company established in the international market such as Cadbury, Ferrero roce, Hershey's and their brands are strong identified by consumers. Therefore chocolate industry is a high rivalry global market and it is crucial for Cocoa Boutique to plan appropriate strategic to modify the structure and competitive dynamics to gain an advantageous position. Prior to strategy planning, Cocoa boutique required understanding the internal and external environment and its position within the industry by using business strategy tools such as SWOT analysis, PEST analysis, and value chain analysis.

## 2. 0 SWOT analysis of Cocoa Boutique

SWOT analysis model is the most common using tool by large organization whereas it is stand for strength, weakness, opportunity and threat of the firm or industry. Through SWOT analysis, managers can better understanding its organization's position within the industry and planning appropriate strategy to achieve its mission and goals.

### Strength

Although the rivalry is fierce, chocolate making in Malaysia is quite unique because almost chocolates products imported from western company. This given an opportunity for Cocoa Boutique to establish their local chocolates making company to build brand identify among local citizens. Through

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effectiveness marketing direct, Cocoa Boutique established their seventh outlets in Eastern Malaysia to satisfy the demand increase dramatically from chocolate lovers. Owing to a small organization, the structure of Cocoa Boutique is easily to manage and control hereby reduces the administration and operation expenses as well as overall costs. Further, Cocoa Boutique also gain benefit cheaper cost of material because Malaysia is a place which rich with natural resources like fruits that widely use to process different chocolates taste.

### Weakness

Since they are lots of large international chocolate company in the market, as a small company it is difficult for Cocoa Boutique to entry because they had build strong identify toward customers. Again, chocolate is a snack that different people has different flavor taste and thus whose customers loyal to their flavor brand chocolate would not easily change to the other brand. To gain strong brand identify and loyal customers, Cocoa Boutique facing financial problem in advertisement and distribution because this required a large sum to be able to compete with other international chocolate company. Further, some of the international brands who achieved the benefits of economic of scale enable to sell their chocolate products in a competitive price. For example, Cadbury who achieve high productivity and lower the cost per unit lead them sell their confectionaries at the lower price and become the price leader in the market.

### Opportunity

Since Malaysia is a tropical country which is rich with tropical fruit such as mango, durian, and papaya, hereby create an opportunity for Cocoa Boutique to research and develop in the chocolate product mixed of variety fruits. Through developing creation and innovation, Cocoa Boutique launched new chocolate product by mixed tropical fruit into chocolate as their unique product to maximize customers' satisfaction and pursue as the local market leader. As example, to date Cocoa Boutique is the one and only chocolate house that came up with distinctive Durian Chocolate which had been awarded as " The Most Innovation Chocolate Product 2004" by the Malaysian Cocoa Board. Strategically, the ingredients which produced by local are cheap and easily to access directly lower the cost of distribution as well as research and development expenses however setting a higher selling price because of its unique. The increasing demands from customers create motivation for Cocoa Boutique to establish their seventh outlets in Sabah, Eastern Malaysia which is one of the famous tourist attractions. Chance comes from own efforts. In continuous development, Cocoa Boutique seeking opportunity likes establish outlets in other area or expected alliances with potential company to expand its business scope.

### Threats

Although the sweetness of chocolates attracts many people, the growing of health concern stick the passion of chocolate products. According to a health research, chocolate is such a food contributing to diseases like obesity, blood pressure, and diabetes. Chocolate contains high sugar, fat and caloric may have negative effect on health especially those chocoholic inheritances with these kinds of disease. However, this threat changes to an opportunity for <https://assignbuster.com/chocolate-processing-is-a-long-history-industry/>

Cocoa Boutique to make special less sugar chocolate to satisfy customers' need. Price is one of the most important elements in strategy planning. Those large chocolate company gain benefit from economic of scale able to sell their products with lower price threatens Cocoa Boutique adjusted their product price to adopt the market trend and result in less profit.

### PEST framework of Cocoa Boutique

The external environment consists of variables that are outside the organization and not typically within the short-run control of top management. Opportunity and Threats are components of external environment which influence the success or failure of strategy. PEST framework provides an analysis of possible influences of the broad macro-environment of an organization. PEST stands for Political, Economic, Social, and Technological.

#### Political

The political issue of Malaysia is stable although it made up of variety races. As a policy to improve economic, Government offer substitute and appeal local citizens to start up their own business and this policy had lead many small businesses been established including Cocoa Boutique. Cocoa Boutique takes advantage from political factor when launched its chocolate product range of local tropical fruit. According to the Minister of Tourism, these products are in line with government's vision of providing visitors something unique, a distinct element that cannot be found elsewhere. For instance Durian Chocolate, which is unique and only produced by Malaysia. The local fruits used in making chocolate would help increase demand for local fruits, <https://assignbuster.com/chocolate-processing-is-a-long-history-industry/>

and resulting in agriculture development such as economic spin-offs for Malaysian fruit growers and local farmers so that they can enjoy the benefits generated by tourism industry.

### Economic

Chocolate product is such a luxury item where people would purchase it when they are with stable-income. Suppose the global economic crisis, people would have less money to spend on luxury items however save their money to buy necessary item such as rice and daily accessories. Again, as outline that many global chocolate manufacturers gain their benefit from economic of scale can setting their product price lower and relatively such a small business Cocoa Boutique failing to compete in price war. Customers who are in middle or low income group would prefer buying the global brand chocolate because of cheaper and believed high quality.

### Sociocultural

Malaysia is a combination of variety race country giving opportunity for Cocoa boutique earn profit by develop differ range of chocolate products to adopt different cultural customers. As example, Malay people prefer the rich taste of coconut, Cocoa Boutique launched coconut flavor chocolate to satisfy Malay group. People lifestyle considered as a key element in food processing industry. Today's people emphasis on diet or lose weight and healthy lifestyle as a barrier to food industry especially those sweeten snack like chocolate. Many chocolate manufacturers shift to adopt the market trend by concentrate on dark chocolate or low sugar chocolate products

which believed would help to prevent from heart disease and cancer.

### Technological

Using technological in process manufacturing would result in cost efficiency and gain competitive advantage in the market. Even though Cocoa Boutique is a small company, its chocolate cooking equipments are standardizing such as using specific machine in the process of chocolate making. Handmade chocolate becomes unique and interesting in this century because the trend of technological world. Strategically, Cocoa Boutique launched ready-made handmade chocolate as this may attract many people and can selling with a higher price because of its unique.

### 4.0 Value Chain Analysis of Cocoa Boutique

The internal environment of a corporation consists of variables (Strengths and Weaknesses) that are within the organization itself and are not usually within the short-run control of top management. Despite external influencers, company should analysis those internal factors that are most likely to affect the implementation of the present and future strategic decisions. Strengths and weaknesses are such impacts of the structure of internal environment within the company.

Value chain analysis, as proposed by Michael Porter, is a way of examining the nature and extent of the synergies that do or do not exist between the internal activities of a corporation. Its' comprising the activities within and around the organization, they are design, produce, packaging of the products and distributing, marketing and sales the products to customer.

Differences among competitor value chains are a key source of competitive

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advantage. Cocoa Boutique using the lowest cost material to make innovation chocolate product such as local tropical fruit chocolate product range. The fruits supplied by local farmers are cheaper however the product able to sell with a good price because of its unique design. Effective value chain occurred when the entire stakeholder's value maximized. In the part of advertisement and distribution channel, Cocoa Boutique maintain long term bond with their stakeholders such as tourism agencies and taxi drivers by offered sales commission to motive them bring customers or tourists into Cocoa Boutique's concept stores. Customers can visit and purchase such special and quality chocolates with acceptable price meanwhile maximize the value of the tourism agencies and increase profit to the shareholders. Cocoa Boutique only distributes and sells their chocolate products to its seven outlets. This may reduce distribution costs but as such weakness of Cocoa Boutique which limited its market share and the possible profitable in the future.

#### 5. 0 Cocoa Boutique's strategy formulation

Strategy formulation is the development of long-range plans for the effective management of environmental opportunities and threats, in light of corporate strengths and weaknesses. It includes defining the corporate mission, specifying achievable objectives, developing strategies, and setting policy guidelines. A corporation's strategy formulation takes place at corporate-level, business-level and functional-level.

#### Corporate-level strategy of Cocoa Boutique



The corporate-level strategy should be defined the organization's purpose and the lines of businesses in which it plans to operate, thus providing the overarching direction for the organization. Many organizations begin their growth and development with a corporate-level strategy aimed at concentrating resources in one business or industry in order to develop a strong competitive position within that industry. Since Cocoa Boutique established in year 2003, they merely concentrate their business growth and performance in chocolate industry within these seven years evidence that they applied directional strategy approach into their business. They develop long term into high quality chocolate processing and chocolate house concept store to provide special products range to customers and build their brand identify in Malaysia's market. Since the substantial increase in customers' demand when they established the first outlet, they recognized the potential of local chocolate market and strategically applied horizontal growth approach where expand their business into other geographic location and increasing the range of product and service to their current market. For instance, the high volume sale of Gourmet chocolate in Sabah motivate Cocoa Boutique to develop a wide range of Gourmet chocolate to satisfy the particular customers' need. Cocoa Boutique would not wait for lunch but strive to meet opportunities from the competitive environment. Next step to expand their business, they committed a joint venture agreement with a local corporation so called Genting Strawberry Leisure Farm who engages in tourist attraction development. Though the agreement, they alliance aims to acquire substantial revenues by create a diversity theme park for customers to have not merely an experiential but learning journey. In brief, the strategy marked out by Cocoa Boutique clearly orientating their corporation's vision

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of continuous growing and developing creation and innovation to maximize their revenues in local chocolate retail market.

### Business-level strategy of Cocoa Boutique

A business level strategy is the blueprint that should enable an organization to leverage its resources, so that it can differentiate itself from the competition within a particular line of business. Companies struggle in planning strategy in order to obtain competitive advantage and then gain superior profits from the strategy they designed. Michael Porter has proposed three generic strategies that provide a good starting point for strategic thinking; they are overall cost leadership, differentiation, and focus.

Considering the rivalry in chocolate industry is fierce, small companies are unable to lead a stand in the market unless they target on the right market segment with the right products. Accordingly, Cocoa Boutique used focused differentiation strategy in chocolate industry which serving only one segment of overall market and trying to be the most differentiated organization serving that segment. Unlike other chocolate retailers who sells and distributes their confectionary products on the shelves of minimarket, supermarket or hypermarket, Cocoa Boutique focused on performance in travel retail. Based on the potential tourism industry of Malaysia, they pursuing a niche strategy in focusing on travelers, who are stable income, may come from local and foreign country and main purpose to visit and on the other hand purchase some native products, gifts or souvenirs.

As stated that chocolate house concept store is rarely in Malaysia, and to date there are just two companies running this conceptual store, one is <https://assignbuster.com/chocolate-processing-is-a-long-history-industry/>

Cocoa Boutique and another is Beryls' Chocolate retailer. To adopt their targeted customers segment, Cocoa Boutique launched handmade chocolate which is another selling point apart from Durian chocolate. The chocolate made with different shapes like the chocolate model design of Twin Towel doubtlessly suit the tourists' need and demand. Due to run a focused on a niche market segment, Cocoa Boutique sells their products price higher than the market brand such as Cadburys and Nestle.

In general, the strategy formulated by Cocoa Boutique is directly and simply within an undersized coverage yet is potentially in the future, especially in their business-level strategy planning. In the market of Malaysia, chocolate products can be seen in anywhere and they are usually Cadburys, Ferrero, Mars, Snickers, and other international brands. Almost of them develop in diversity market with the competitive advantage of economic of scale and well known in the line of international. In accordance with the outlined SWOT analysis, Cocoa Boutique recognized their weakness of limited finance as well as low reputation and hence wisely develops differentiation strategy in specific market segment in order to acquire higher profit with premium price. This strategy effectively decreases the scope of competition environment and evaded the intense price war with existing chocolate retailers. Their effort in business-level strategy also access to strategic alliances in corporate-level. Considered Genting Strawberry Leisure Farm is a potential travel attraction that might complement their strengths and offset their weaknesses, the joint-venture strategy allows Cocoa Boutique to obtain a greater sales impact at less cost.

## 6. 0 Strategy implementation of Cocoa Boutique

An idea is nothing until it becomes an action. Even the best conceived strategies are of little value if they are not implemented effectively. It should be noted that the plan for implementing a strategy might require radical design of organizational structure, the development of new control system, well skilled in handling human resources by develop strategic leadership. Cocoa Boutique who is the small enterprise gains the benefit in implementing their conceived strategies because the small fields of organization structure simplify their operation.

#### Operations Decision of Cocoa Boutique

Location is such key success in tourism industry and strategically, Cocoa boutique allocated its outlets nearby or within the tourist attraction. For instance, the latest Cocoa Boutique outlet has been established in Sabah, which is the famous vacationland in East of Malaysia. In order to gain competitive advantage, Cocoa Boutique develops appropriate operations decision to implement the strategy and ensure all the resources are used efficiently. Considered travel trade is depend on seasonality of demand, the inventory planning and control should be well- handle to avoid the problem of whether inefficient to meet customers demand or over- order during the peak season. From processing cocoa to chocolate products, Cocoa Boutique decides how much material or ingredients should be ordered and determines the production quantity because food products may have expired date and the expensive costs to storage them with low temperature. A range of customers demand analysis is needed to prevent the food perish and suffer lose from seasonal discount.

Quality control is the key role in operating food processing companies because the food is directly influencing the customers' perspective and even their healthy. Poor quality control of food and beverage would significant result a company's reputation and vicious aftermaths like involving in lawsuit. To ensure the quality and delicious of chocolates, all the Cocoa Boutique products are produced by using 100% pure cocoa butter in authentic Belgium recipe following Good Manufacturing Practice (GMP) and stringent quality control that complies with the international standard of hygiene. Cocoa Boutique to build reliability has offer live chocolate making show to customers to indicate their professional chocolate making procedure.

In the part of service quality performance, they allocate employees at every corner of specific products range to provide free taste testing and reliable sales advice to customers. The information system of Cocoa Boutique not merely worked in the part of financial and human resource management, but also the key role in implementing their business level strategy. Regarding in the aspect of tourism, customers would not come themselves unless they heard about the tourist attraction from fellows, advertisement from newspaper and radio, or joining a tour group. Hence, it is imperative to develop in advertisement and distribution channel in order to build reputation among customers. To gain competitive advantage, Cocoa Boutique promotes their attraction by building long term relationship with travel agencies. They allocate vouchers and brochures to travel agencies for customers' convenience and offered forty percent of commission for travel

agencies, bus and taxi drivers to motivate them bring customers to visit their shops.

To satisfy these important stakeholders, the commissions from the total purchase of the customers bring by them can be obtained immediately after the customers checked-out. That is to say, a computer information system is imperative to record all the details of the tour guides and drivers including their codes and the commissions they collected based on the total purchase of customers they bring. Conversely, the low service quality of commission checking would result in loss of confidence among tour guides toward the company and the likelihood of being boycotted by them. There is a manager allocated in each branch of Cocoa Boutique to be responsible for the commission-pay system and tour guides service control. To maintain long-term relationships, managers would send information about the total commission collected to each tour guide and driver once a month through e-mail or SMS.

#### Human resource management

Effective strategy implementation should occur when the people required to take action to this end are motivated to do so. Employees are the key role of sales achievement in Cocoa Boutique because they use a direct sales approach to persuade customers to purchase their products. Considering chocolates are perishable and have a limited shelf life, employees must struggle to sell out the products in advance. Thus, developing a motivation strategy is required to increase employees' willingness to hard sell the products and enhance their job satisfaction. Cocoa Boutique uses the performance-pay approach to

motive their employees. The idea is employees paid a base salary, however is eligible for additional compensation based on achieving certain pre-approved tasks or goals. For instance, Cocoa Boutique had setting target revenue of incoming Chinese New Year holiday, the entire workforce of the branch will be rewarded bonus suppose they reach the target. The key of success is the managers who wisely develop leadership in the team or branch to build a healthy workforce and thus improve cooperation among employees. In other words, performance-pay plan make it clear to managers what should be pay prior attention because they would get even more compensation. Cocoa Boutique also concern in training and development to ensure their employees is skillful to sell their products and provide appropriate advice to customers. They applied on the job training by admit employees to learn job tasks by actually performing them. This method, in somehow has effectively reduce the cost of expenditure in formal training and bring the training meaning to both employees and organization.

### Marketing Strategy

Marketing strategy is about the approach to deliver company's products and services to satisfy customers. Wrong decision in marketing would affect success or failure of strategy implementation. Likewise, marketing plan would be determined base on the company's mission. Cocoa Boutique engage in pursuing market leader in chocolate manufacturer and retail which catering for travel trade. They merely concentrate on their performance in tourist market segment by developing four Ps, which consisting product, price, place, and promotion.

### The Implication of Four Ps in Cocoa Boutique

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Place always the first consideration in developing marketing strategy. Before even starting a business, companies need to assess their own core competencies and then evaluate the place that will complement them in business line, geographic positions, or competencies.

Strategically, Cocoa Boutique and its outlets are located in the place that is accessibility, visibility and mainly catering for travel trade, for example some of them are located in the Malaysia Tourism Centre and Genting Highlands, which is an international tourist attraction. Cocoa Boutique continuous research and develop in products' creation and innovation to become the leader in chocolate processing industry. To date, they offered variety of products range to meet different customers need and want, they including tropical fruit chocolate, gourmet chocolates, healthy range, and so on. Among the various chocolate flavor, Durian chocolate is the unique and best recommendation products because of the selling point of Malaysia's symbolic. Others, the healthy chocolate range is even catching on the trend of healthy lifestyle in today's world. They promote this range of product by using slogan ' Sugar free pleasure without the guilt' to attract those chocoholics struggling between health and delicious. In the consideration of Malaysia is an Islamic country, Cocoa Boutique's chocolate product also complying with ' Halal' requirement to encourage Muslims consumption.

In fact, the price of products and services in travel trade are usually higher than the market because they serving on stable or high income group. However, Cocoa Boutique set their chocolate products' price higher than the available in common market because of the quality of their chocolate and provides well services to increase customers' value. Even they pursuing <https://assignbuster.com/chocolate-processing-is-a-long-history-industry/>



premium price in their marketing strategy, they have launched a ' Super Value' package to adopt different customers' demand. Travel trade is deeply depending on seasonal demand, therefore Cocoa Boutique design different promotion to different special day. For instance, they launched new packaging in Valentine day as the ideal gifts for couples. Environmental protection issue becomes popular in this contemporary since the global temperature again hit the peak in this summer. Most of the country had implemented zero plastic policy to reduce pollution and recently Malaysia started implements this policy too. Cocoa Boutique takes the chance to offer free reusable bag for customers who purchase their chocolate products as a way to promote their products. In consideration of cost efficiency, the reusable bags are made in China due to the low cost and acceptable quality.

Despite a compliment marketing strategy is non-executable without develop appropriate marketing skills. Integrated Marketing Communication (IMC) is a concept of marketing communication planning that recognizes the added value of a comprehensive plan. IMC can produce stronger message consistency and greater sales impact. Most of the large organizations engage in improved integrated offering by acquire promotion agencies, public relations firms, package design consultancies, web site developers, and direct mail houses. Cocoa Boutique promotes their attractiveness by take part in Tourism Malaysia Promotion Board created by Malaysia Ministry of Cultural, Art and Tourism. Furthermore, they organized public relations activities in order to build good reputation and well-known brand in the segment of tourists. Even a small company, they hired package design consultancies and web site develops in the way to improve their business

visibility, build brand identify and customer loyalty and finally result in increase sales.

### Strategic leadership

A key strategic role of managers is to provide strategic leadership for their subordinates. Hereinbefore all strategies would not implement successfully without leading by an effective leader. Take a place of managers of Cocoa Boutique is vital to develop leadership characteristics such as emotional intelligence and empowerment. Emotional intelligence (EQ) is the ability to recognize and manage emotion. A leader who is high degree of EQ understands his role in the organization and ability to control them mood and drive subordinates' motivation to complete different job tasks. Meanwhile, they also develop empathy and social skill to build good relationship with the employees and help to earn loyalty from employees. Considering Malaysia built up with various racial, the workforce of Cocoa Boutique likely consists by different culture and religion. Managers should well handle in conflicts settlement and strive to maintain harmony in the workforce. Managers may develop mentoring by allocates the experienced employee even themselves to coach new employee to build good attitude and behavior modeling in the branch on the other hand increase communication among them. When employees seek some one as the model in the organization, they willing to pursue the goals and commit high loyalty to the career.

Empowering subordinates or employees to make decisions is a good motivational tool. Such employees involve in decision making would increase their job enrichment and satisfaction and thus enhance their motivation to

perform better. There is high empowering in Cocoa Boutique where managers need the opinions and suggestions from employees regarding the customers' perspective and value to their products. The employees' opinions sometimes helpful in research and development of new products which likely match customers' need and want. Others, Cocoa Boutique also give high authorize to each branch managers to manage the operation as long as they keep their performance in sales and services quality.

## 7. 0 Conclusion

In general, the strategic formulated by Cocoa Boutique is only present on the travel trade and implemented by simply managing people, develop marketing purpose and operating management to satisfy all the stakeholders of the organization, such as shareholder, employees, and the agents involving in travel trade. A strategic that focuses on specific market is rather good because concentrates on single business definitely easy to manage and control, yet, the business scope is limited and pin down the potential profits in other markets. In continuous develop in local market, Cocoa Boutique should expand their business scope to increase awareness among customers to their brand and impact on sales.