

Case study: rogers' chocolates

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CASE 9: Rogers' Chocolates Strategic Management INTRODUCTION Rogers' Chocolates is the oldest chocolate company in Canada based in Victoria, British Columbia. Rogers' Chocolates focuses on the premium chocolate market and differentiates itself by delivering award winning quality products at a fair price; this combination creates a good value for its customers. They also have expertise at creating an outstanding customer experience within their Victorian themed retail locations that have also won awards.

The company is privately held and currently focuses its business in four market areas, direct retail , online/mail order , wholesale, and sales from a restaurant in Victoria. The company also produces and sells a line of premium ice cream. The company employes 130 people, the majority of which are in retail. Sales from the company's retail establishments account for 50% of revenue. Production takes place on a one-shift operation in a 24, 000 square foot facility and is labor intensive.

There are currently no measurements in gauge productivity and efficiency in the plant. The past president focused a growth strategy in the wholesale market and current order fulfillment strategy is to give priority to online and mail-order business, followed by wholesale accounts, leaving the retail locations last to be serviced internally. Sales have seasonal swells during the holidays and demand forecasting has been an issue; they have increased inventory to deal with these sales patterns but still encounter out of stock situations.

The new president has been given a goal by the board of directors to double or triple the size of the company within 10 years. PROBLEM STATEMENT The

focus on the wholesale market does not inline with the strengths of the company. Furthermore, the issues in operational efficiency with regard to production capabilities and demand forecasting are hindering the company from increased growth potential. ALTERNATIVES Focus on strengthening current retail operations. Focus growing the retail business into new geographic markets.

Continue to grow complementary business lines (ie. Ice Cream) Develop core competence in operations management to drive efficiencies and reduce inventories. Upgradetechnologyin production to increase capacity Create new product lines and packaging to broaden the customer base. Franchise Sam's Deli. Franchise retail chocolate stores. ANALYSIS In 2006, the chocolate market size for Canada was US\$167 million with the premium chocolate market growing at a rate of 20% annually.

Competition within the premium market is a broad mix of small local niche players to large multinational corporations and is growing as larger traditional manufacturers enter the market via acquisitions or new product launches. Product differentiation is healthy and there are no indications of a price war starting between rivals. Product innovation appears limited, mostly focusing on new flavor introductions and variations in molding and coloring.

Seasonal demands, especially the eight weeks prior to Christmas, can create demand that can challenge small companies with low production capacity and/or inadequate forecasting and inventory management. Competitors vary in the level of vertical integration and companies with large-scale operations and distribution networks enjoy a competitive advantage through economies

of scale. Rivalry among competing sellers is active and fairly strong due to the following conditions: There is little to no cost for buyers to switch brand. There is a fair amount of product standardization in the industry.

The products in the chocolate market have large seasonal swells and are perishable causing some price competition. Higher fixed production costs adds to this pressure. The addition of new competition by established companies such as Hershey's and Cadburys. Competitive pressure from potential new entrants is medium as most of the major players in the industry are already in the premium chocolate market; the projected growth rate in the market will strongly attract new upstarts but they will have challenges developing distribution and retail penetration with little to no brand awareness.

Firms in other industries will have little impact in this market as there aren't any strong substitutions to premium chocolate. Competitive pressures stemming from supplier bargaining is mixed; large-scale manufacturers will enjoy less pressure from suppliers due to economies of scale while smaller niche companies will not have as much influence, especially in the area of organic and fair trade raw materials. Pressure from the buyer community is fair; demand is high but so is the ability to switch brands.

Growing demand for socially responsible products, such as fair-trade and organic will increase pressure from the buyers. The current driving forces in the market are the high growth rate in the premium market and the entrance of new major firms; consumers' emerging interest in fair-trade and organic products is also a force to be considered. Key success factors in this

market include a well known and respected brand and strong direct sales and/or wholesale distribution; quality and efficient production capabilities are also key success factors.

Although profit margins are down, Rogers' Chocolates is in a strong financial position. Retail accounts for 50% of the company's revenues although the two new stores in the company's portfolio are not performing to expectations. Ice cream sales, although small compared to retail, show a strong contribution to overall sales. The key financial indicators are shown below; one area of concern is the major increase in the “ days of inventory” and the accompanying decrease in “ inventory turnaround”.

This is a concern due to the perishable nature of the product and the negative affect on customer quality perception when product is sold past the expiration date which has occurred with some sales via wholesale accounts.

{draw: frame} A SWOT analysis of the company has turned up the following points:

STRENGTHS: a distinctive competence in retail, specifically the “ customer experience” a strong financial base to grow the business a strong regional brand and company reputation to build upon better product quality relative to rivals ood customer service capabilities in retail and online sales.

WEAKNESSES: weak wholesale network brand/company awareness is poor outside of the region weak supply chain competences in forecasting problems with operational efficiencies with old technology and high cost changeovers.

OPPORTUNITIES: expansion into new areas entering into alliances or joint ventures to expand market coverage continued expansion of complementary products (premium ice cream) explore new technology within production

THREATS increased competition by new entrants in the

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market slowdown in market growth shift in buyer needs and tastes

RECOMMENDATIONS I believe that Rogers' Chocolates should implement a combination of the following alternatives: Focus on strengthening current retail operations. Focus growing the retail business into new geographic markets. Continue to grow complementary business lines (ie. Ice Cream) Develop core competence in operations management to drive efficiencies and optimize inventories. The Rogers' Chocolates brand has been built based on a high quality product and the retail experience of their Victorian themed shops and packaging.

This is their core competence and strength and it should be the focus of their growth. By solidifying the performance of the current locations and then opening additional stores in new areas they will expand their brand recognition while preserving the quality of their product. Their ice cream line is complementary to the business and should be further developed and sold in the stores. Internally, an operational strategy to improve efficiencies in production and demand forecasting will reduce costs, preserve product quality and optimize production and inventory capabilities.