

Rogers' chocolates



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Rogers' Chocolates is Canada's oldest chocolate company and British Columbia's second oldest company. Steve Parkhill, the new president of company is expected to double or possibly triple the size of company within the next 10 years. In the chocolate candy industry, Canada's market size was \$167 million and growing 2% annually.

Although the growth rate in the chocolate industry is falling as a whole, large companies such as Hershey & Cadburys are moving into the premium chocolate market and growing 20% annually. Rogers' Chocolates retains 25% of their sales 8 weeks prior to Christmas and about 40% of their sales come from their heavy users. Their customers are generally established families, childless, middle-aged, couples, empty nesters, or high incomes. Recently, their margins for premium chocolate were higher than lower quality chocolate due to the fact that their consumers wanted healthier and organic products rich in anti-oxidants.

Consumers also demanded for companies to take social and corporate responsibility and to make efforts towards environmental safe practices. Although Rogers' Chocolates contains many strengths through quality and reputation the company faces numerous dilemmas. These problems range from current troubles to future concerns. Some of Rogers' Chocolates issues have slowly decreased the company's sales and market share through the passing years. These issues include problems due to competition, production, retail and wholesale distribution, shipping, marketing, advertisement, and finance. Problems Competition Rogers' Chocolates is now facing multiply dilemmas due to the surging efforts of their competition.

Godiva Chocolatier is a premium company that has first-class packaging and marketing campaigns. They have hundreds of international retail stores and are located in thousands of specialty stores. Callebaut is located in multiply mall locations and has decent quality products, but they excel in new flavor introductions and customized packaging. Their strategic approach in the market is targeted more towards retail rather than wholesale. Lindt is another competitor of Rogers' Chocolates that is an established Swiss chocolate company that produces a large variety of chocolate through mass merchandisers such as drug and grocery retailers.

They have respectable quality in their products and packaging. Lindt also produces Ghirardelli chocolates and had a close proximity to Rogers' Chocolates' pricing. Purdy's is a Vancouver based brand just like Rogers' Chocolates. The company is 120 years old with over 50 locations specifically malls.

Their prices are about 35% lower than Rogers' and they offer a discount off high-volume orders for their corporate gifts. The competition establishes a great threat to Rogers' Chocolates because of their similarity in products and their strength in the market. The increasing number of competitors in the premium chocolate industry creates additional risks to Rogers' Chocolates due to their competitions multiple locations and strong geographic reach nationally and internationally. Also, their competition produces lower quality chocolate, but they either price it higher or lower than Rogers' Chocolate which allows for a lower production cost and more funds for advertisement. These factors give Rogers' Chocolates competitors an overall advantage in the market place.

Production Rogers' Chocolates production is a key factor to their loss in previous and current sales. Currently, they only have one shift to make their handmade and hand-packed products by the few employees that work in production. This creates problems for Rogers' Chocolates because there is not enough time to produce all orders with such a small group of employees and only one shift. Due to a lack of a monitoring system, Rogers' Chocolates has no way of measuring the quantity of production at the facility for that day. This also creates issues for Rogers' Chocolates because they have no way of telling a good or bad day of production from the employees.

Next, Rogers' Chocolates has a difficult time forecasting production for seasonal and holiday items. Since online and retail items require late production much of the wholesale business is pushed first through production. This allows for their wholesale to fulfill their orders, but not always the retail stores. To make matters worst, sometimes during the holidays their supplier would not be able to produce their containers needed for their production, which would also throw back production. Production planning becomes even more complicated because of the influence of the out-of-stocks, which would cause the sales graphs to be heavily distorted. The graphs would be distorted if items were out of stock for a month and the backorders were filled in a short period of time.

Whenever there were overstock issues, retail stores would push the items through discounts. Often when there were out-of-stock issues for the wholesalers the company would take the supplies from their retail stores and divert it to the wholesaler's order. Lastly, when special orders were placed for wholesale, it was not uncommon for the production plans to be put on

hold to focus on special orders. As a result from all the production errors, the sales graph would have unnatural spikes, yet these spikes would be included for planning production for the following year.

Demand forecasting is a large problem for Rogers' Chocolates because if items were out of stock for a month and back orders were filled in a short time, the sales graph would be distorted, but the graph would be used for production planning the following year. These distortions created significant havoc for production planning and inventory management. Poor planning and using distorted sales data created back-ordered production and overstock problems. This problem alone has greatly affected the company's sales revenue due to price cuts on overstock items and loss of potential profits due to out-of-stock items. Retail and Wholesale Although their retail stores generated 50 percent of Rogers' sales, products ordered online or wholesale accounts were given priority. Even though the wholesale sales margins were lower than the retail business, sometimes a particular product would be taken from the retail store, back to the factory, and then sent wherever there was a shortage.

This is a problem for Rogers' Chocolate because they are taking the business from retail where the majority of the company sales come from and are moving them to fill small orders, which is time consuming and expensive. Shipping One of key issues that Rogers' Chocolates faces is their expensive shipping charges. After three to four days of processing: Rogers' offers Canada, the United States, and international countries with FedEx shipping that ranged from three to five days delivery. Although they have attractive packaging, send a separate thank-you with a confirmation letter, and a <https://assignbuster.com/rogers-chocolates/>

catalogue, the price of the shipping increased as the value of products increased. Sometimes the shipping was even more expensive than the product itself.

In the summer, shipping charges increase due to the protective insulated containers and frozen icepacks that were potentially needed due to the product and the destination's weather. While Rogers' receives many mail orders, some of the shipping destinations are from rural locations in Canada, sometimes via dogsled or shipped to a lighthouse. These outrageous expenses to deliver chocolate are quite high, yet orders over \$500 have free shipping. This is a large problem for Rogers' Chocolates because they could potentially lose customers due to the expensive shipping rates and Rogers' has put themselves in the position to pay these high rates if the customer spends over \$500. These hefty fees can hurt their business with their consumers who purchase online, over the phone, or mail orders.

Marketing and Advertising Rogers' Chocolates marketing and advertising are not at the potential of that of their competitors.

Rogers' target market is established families, middle-aged, childless, couples, empty nesters, and high incomes. Although Rogers' has maintained their loyal customers majority of them are older in their years. Rogers' has missed the chance to market towards a younger crowd. This creates issues for Rogers' Chocolates because the question arises of who would take their place? As Canada's oldest chocolate company and British Columbia's second oldest company, Rogers' Chocolates had neglected to go full throttle in their marketing and advertising efforts.

Although they have made a few attempts to reach out through tourism, Rogers' has not set aside a large enough budget to have a national launch. Rogers' competitors however use somewhat lower quality chocolate, yet they are better positioned as the premium chocolate company. Also, even though Rogers' tries to use attractive packaging and displays for retail efforts, Rogers' Chocolates competitors are constantly at higher price points due to their strength in packaging and advertising. This is a problem for Rogers' because they are losing revenue and market share to be the number one luxury chocolate.

Finances Based on Rogers' chocolates' financials their biggest problem is their liquidity. Rogers' current ratio is 1: 1 this means that the companies assets almost equals its liabilities. A stable company's ratio is usually 2: 1 which will make its assets more than its liabilities and would make it easier for the company to pay off their liabilities and still have a significant amount of assets available. Although Rogers' could still pay off their liabilities it would just become more difficult than a more financially stable company.

Strengths Rogers' Chocolates had many strengths that have made the business become successful.

According to a company press release, Rogers' Chocolate products were known as "classy, refined, and elegant." Those were just a few words that individuals used to describe the 120-year old company's chocolate line. Rogers' Chocolate is Canada's oldest chocolate company and British Columbia's second oldest company. When Charles, the founder of Rogers' Chocolates, passed away, his wife took over the company until the late 1920's.

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When a single individual no longer managed the company, it immediately started growing tremendously. A private group eventually took over the company and Rogers' Chocolates sales grew by more than 900 percent. The private group became the board of directors and it was comprised of two financial executives; partners of Conner, Clark, & Lunn, an investment firm; an art dealer and private investor; a former owner of Pacific Coach Lines (Bus Company), and a past president of Rogers'. It was no coincidence that after restructuring the company's leadership, it experienced an unimaginable increase in sales. Instead it is clear and direct correlation that that the restructuring of the company lead to its vast growth and success.

One notable strength was the company's physical location. The head office was located in the Inner Harbour area of Victoria, near the world-famous Empress Hotel. The location gave the company exposure to locals and tourists from all over the world. Not only was the location of the building important for the company's growth but also the buildings interior structural design.

The main office contained a boardroom and offices for the management team, while the production team had their own factory, and the sales manager had his own office. This was great because it wasn't a crowded work environment and it was easier for everyone to work. The interior formation was also important to maximize productivity and efficiency.

Rogers' products were very high quality in several different ways. One tactic that they used to show that their product was top-notch quality was in their packaging. Their main products were hand wrapped including its opening line.

Some hand wrapped chocolates included the Victoria Creams, truffles, nut corn, nuts and chews, almond bars, and other various assortments. Another strategy that Rogers' used to market themselves as a premier chocolate manufacturer was by producing chocolates according to the demands of their consumers. Rogers' began to produce pure milk chocolate, dark chocolate, baking or fondue chocolate blocks. Rogers' also had specialty items for customers that included chocolate-covered ginger, caramels, brittles, truffles, and orange peel.

These selections gave the company the ability to grow in sales because they had a variety of products that could target a wider consumer base. The company decided to get creative and further diversify their production through their retail stores by producing and selling a line of premium freshness ice cream. Not only did Rogers' have the strength in pleasing and creating a variety of product selection for their customers but the company also had the ability to produce the highest quality of their products, which lead them to have many loyal customers around the world. Rogers' won a prestigious 2006 Superior Taste Award from an independent organization of leading sommelier, beverage experts, and gourmet chefs, based in Brussels, Belgium.

The organization was known as the International Taste and Quality Institute. Since then, Rogers' Chocolates have been known in the media and newspapers as a " Top-of-the-range-product. " Even though their demand forecasting was difficult because of their seasonality of sales, they had long product shelf life and monthly sales forecast that helped them become efficient with their inventories. The plant was considered a non-union, which

was a big deal because this demonstrates a positive outlook on the company.

It is a direct indication of the company's long history and strong family values. This showed that the employees were proud of Rogers' heritage and commitment to quality and that they were passionate about the company. The employees were able to learn multiple job functions and they seemed to enjoy the variety of work and tasks they were given. Several disabled people were employed in the plant and even allowed a group of disabled individuals to come in every Friday to help with production. This was a major strength in the company because others envisioned and admired them more due to their human dignity.

Not only did they not discriminate, but they also cared about human rights and gave the opportunity to others to make their community better.

Turnover was really low and the wages were competitive. Having a family oriented relationship with its employees was very important at Rogers' Chocolates. Permanent employees were on a first name basis with all senior leaders including the president. This gave the employees the ability to be comfortable with their co-workers and head personnel but it also created a loving, fun, environment to work under. As far as marketing, Rogers' Chocolates targeted wealthy customers looking for a luxury experience with a superior taste for an elegant, prominent, and uncommon gift item.

This was important because many of their clients were cruise ship visitors and general tourist that were looking for elegant items to take back home for their loved ones. The locals were also frequent visitors to the store and loyal

to their brand; they were known as huge spenders. Rogers' website was the key point of contact for the online business. The website consisted of photo shots of different chocolate assortments, which made it easy for customers to make their selection and order their product.

Their website was regularly updated with their links and had an optimized search engine placement. It was also a reminder service that emailed customers when a special occasion they had entered was up coming. The website also had links to resellers which added value to retailers and helped customers find the nearest location that carried Rogers' Chocolates.

Weakness While Rogers' Chocolates has many strengths they also have some areas of weakness. Rogers' Chocolates are not organic, they do not practice fair trade, nor have they made attempts to fix the demanding environmental concerns of their consumers. With the growing phenomenon of going green and practicing social responsibility practices, many companies have decided to be certified organic with fair trade labels on their product.

If Rogers' Chocolates continues to ignore these growing demands they will lose some current customers as well as lose the opportunity to market towards a younger generation of premium chocolate consumers. The next weakness that Rogers' has is their poor production planning, lack of measurement of a days worth of production, and their high shipping prices. Due to poor planning, Rogers' Chocolates continues to either make too much of an item or not enough because of the data from the previous year. This is a weakness for Rogers' because if they are out-of-stock of an item then their competitor will potentially take their customers. Without the ability to

measure each eight-hour shift, Rogers' cannot determine a good day or production versus a poor day of production, which does not hold the employees accountable. Also, their high shipping cost can put Rogers' Chocolates at a disadvantage to their competitors who can sell the same amount of product value for a lesser shipping price.

Another weakness for Rogers' Chocolates is their limited resources, poor cash flow, and disputes within the corporate team. Having inadequate resources and poor cash flow does not allow for the company to survive and grow in the market. Conflicts between the marketing and production department creates a weakness to Rogers' because they lack the synergy to grow as company. This allows for their competition to grow while Rogers' Chocolates focuses their attention on defusing their escalating conflicts.

Opportunities The opportunities would include taking a larger market share of premium chocolate industry; they can become "Canada's Chocolate" for tourism and new potential customers. The need to grow outside of Canada is a major opportunity because most of the individuals that are researching or buying their chocolate are those out of Canada.

Rogers' also has the opportunity to be involved in the Winter Olympics of 2010. Being involved in the Winter Olympics of 2010 allows them to really introduce themselves as "Canada's Chocolate", giving the tourist and fans the vibe of what Canada's Chocolate is all about creating a bigger productivity. Since customers demand chocolate with more heart-healthy and anti-oxidant properties, Rogers' should begin to produce organic items and advertise more of their sugar-free chocolate line to increase their

customer loyalty and sales. Rogers' Chocolates has the ability to create a fair trade to make better trading conditions and promote sustainability.

Threats One of Rogers' threats is the future of Canada's, the United States, and the economy of other international countries. If Rogers' consumers lack a disposable income then the future of the company will slowly diminish. Although majority of Rogers' Chocolates target market is that of an upper class there is still a chance individuals, couples, and corporations may feel the need to cut back on any additional or unnecessary spending. Overall, a poor economy will hurt the premium chocolate industry and Rogers'. Another threat could be the entrance of a larger competitive company, where the market is a battlefield for Rogers'. If larger companies come into the market with lower prices, better quality chocolate, and stronger brand image then Rogers' is in threat of being pushed out of the market.

As more companies come into the premium chocolate industry the rivalry also increases to kick smaller or weaker companies out of the market in order to gain larger market share. Rogers's Chocolates also is in danger due to the changing behaviors of their consumers. Their loyal consumers are getting older with no one to replace them and the growing market of the youth is now demanding healthier snacks. These two threats can be harmful to the growth of Rogers' Chocolates if their competition can research and develop a way to reach out to the new consumers of chocolate.

If Rogers' does not change their ingredients or their marketing strategy as being a healthy treat then they will be vulnerable for future positioning .