Bennetto Natural Foods

A New Zealand based company with its factory in Switzerland that specializes in high quality organic chocolate products. The company places great emphasis on sustainability and ethical practices. The company is present in Australia, UK and wants to enter US market.

Porter’s Five Forces for Bennetto Natural Foods

**Threat of Entry: Low**

A significant amount of capital and time is required. The US market is consolidated, which makes it even more difficult to enter (Mordor Intelligence, 2024). 53% of global cocoa is sourced from Ghana, and Ivory Coast. Significant part also from South America (Bloomberg, 2024). Many companies have established cocoa suppliers across the globe. Hence, new entrants need to build connections with suppliers, and with shipping companies. There are also health department, business and other licenses required.

**Thread of Substitutes: High**

Climate change as the main agent of droughts and floods spiked cocoa prices on the commodity markets in 2024. Low wages paid to farmers thwarted investments in crop disease prevention, decreasing harvest yields, closing intermittently some plants and creating higher global demand for cocoa. To offset the rising costs of the chocolatiers, add less cocoa or go ‘chocolatey’ adding cocoa-butter alternatives (Bloomberg, 2024). There are also other confectionery alternatives such as candies, fudge or caramel.

**The bargaining power of buyers & suppliers: High**

The consumers and buyers have a vast array of products to choose from as the market is saturated according to Yahoo Finance, (2023). Yet, the supplier’s bargaining powers increased in 2024. The demand for cocoa is bigger than its supply. According to many sources the market is not fully saturated as growing demand projects bigger sales in years to come (mordorintelligence, 2024).

**The extent of rivalry between competitors: High**

Market dominated by few large corporations, high competition among smaller producers (ibisworld, 2024).

PESTEL analysis for Bennetto Natural Foods

**Political:**

**The role of state:**

**Owner:** compliance and regulatory frameworks for companies to follow. Labor laws and safety regulations are affected.

**Supplier:** the state may control the supplies of raw resources through regulations which can affect price and availability.

**Customer:** the state may require certifications or standards of production for hospitals, schools and other public institutions (“Bennetto,” n.d.).

**Government Policies:**

Regulatory push from the US with stronger regulations on cocoa imports to address child labor practices. The cocoa distributors have to consider how to respond to potential crackdowns on imports from West Africa. Hershey company expressed support for “due diligence” similar to EU legislation. The cocoa US industry is preparing to adapt to strict import regulations that will be imposed by the government (Whoriskey, 2019). **- Thread, and macro risk, direct impact on industry.**

**Taxation:**

Few countries introduced sugar taxation on confectionery products and high-processed foods as was the case in Mexico in 2014 which led to decrease in consumption and price increases. In response some companies diversified their products to include low calories and low sugar alternatives (Eagle, 2016). The cocoa commodity price increases may also have similar effect in the long run – **Threat, macro risk, internal factor.**

**Trade regulations:**

While the US has maintained low tariffs on confectionery products, the US faces some trade barriers while exporting to other countries which can negatively impact domestic economic growth and job creations. There are concerns about the recent trade issues between the EU and US over imports of EU waffles and additional EU tariffs on confectionery exports to Japan. There are also issues with trade to China (“Trade,” n.d.). -**Threat into Opportunity, macro risk, external factor.**

**Political risk abroad:**

Supply chain instability due to unforeseen political or economic events such as wars and terrorism. Foreign markets volatility caused by political uncertainties that may impact the cost of cocoa for US buyers. Additionally, there is risk involved in corruption and change of regulations abroad (Oguntoye, 2022). There may be also new sustainability regulations that may affect demand in international trade. - **Threat – macro risk, external factor.**

**Changes in EU block:**

New regulations already put pressure on companies that have to prove the cocoa imports did not contribute to deforestation. That could lead to increase of cocoa exports into US and Asian markets, yet it can introduce trading bans with the EU (Gitau et al.,2024). -**Short term Threat, long term Opportunity, macro risk, external factor.**

**Social media influence:**

EU regulations aim to prevent deforestation and to promote sustainability. Yet, the compliance and new regulations may affect poor farmers. The EU created fund to support the transition in African countries and to address living income, child labor and forest protection (“The Sustainable,” n.d). The impact of social media can also accelerate those changes. - **Opportunity, macro risk, external factor.**

**Economic:**

Consumer spending power. Exchange rates as they affect the cost of imports and exports. Inflation rates, since they affect the cost of production. Commodity prices, especially the fluctuations, labor cost and market trends- when people choose products from sustainable sources and prefer ethically grown food (Makos, 2024). Additionally, unemployment rates also affect demand (Plessz, 2020). **Opportunity or Threat, macro risk, external factors.**

**Social:**

Health consciousness as a growing consumer trend. Ethical concerns which are addressed by Bennetto Natural Foods (focused on ethically sourced products).

Lifestyle changes as the product is advertised as “better food” than “junk food” (Makos, 2024).

Disposable income – the company provides premium products that target customers with higher disposable income. **Opportunity, macro risk, external factors.**

**Technological:**

New technologies can be employed to increase efficiency while maintaining quality and addressing environmental challenges. IT technology is used to manage the supply chains. Big companies use e-commerce as the main platform to do business online. Patents, research and development are parts of innovation that moves companies forward. - **Opportunity, macro risk, external factors.**

**Ecological:**

Bennetto Foods uses carbon credits to offset its emissions. The company also supports many conservation projects to prevent deforestation. The company also uses fair trade practices while obtaining its resources. The company aligns with consumer awareness that emphasizes energy reduction and waste management. The company has to develop a contingency plan to consider the future impact of climate change (“Net”, 2024). -**Opportunity, macro risk, external factors**

**Legal:**

The company must comply with food and safety regulations. Mandatory disclosure of food ingredients on its labels, and environmental legislation. There are labeling requirements on each product such as mandatory disclosure of ingredients and allergens (Makos, 2024). There are also legal aspects of waste management and emissions. Advertising must also contain legal requirements on how a company can claim its product’s health benefits to the public through marketing campaigns. The company also must comply with data protection laws (Makos, 2024). - **Opportunity, macro risk, external factors.**

**Target Market Segmentation**

1. Ethical and socially conscious consumers
2. Health-conscious customers
3. Environmentally engaged (Fairtrade certifications make a difference to them)
4. Vegan
5. Premium product shoppers with higher expandable income

SWOT analysis for Bennetto Natural Foods

**Strengths (internal)**

The company engages in ethical and sustainable practices. It is advertised as the most sustainable production in the world. Commitment to Fairtrade practices and organic production without unhealthy additives, hence promoting healthy lifestyle. Commitment to protect the environment as chocolate is “net climate positive”. The products come in different forms and flavors to meet customers’ expectations (“Bennetto”, 2024). The factory strategically located in Switzerland to boost the brand image as Switzerland has long history of making the finest chocolate. More efficient distribution from Switzerland rather than from New Zealand which is too far away from the rest of the world and too expensive to ship to other countries. Quality and attention to detail are the ultimate strengths that make artisan products so popular among customers (“A SWOT”, 2018).

**Weaknesses (internal)**

Market saturation. There are many artisan companies that are successful in this market hence it is a competitive market. The profit margins for the producer are not outstanding considering the cost to distributors, packaging and the machinery maintenance (“A SWOT”, 2018). There is also limited brand recognition as most small producers cannot afford expensive marketing campaigns rather than using social media (“A SWOT”, 2018).

**Opportunities (external)**

B2B opportunities to local coffee shops, ice cream parlors and other smaller retail stores as they want to sell more unique flavors of chocolate unavailable elsewhere. (“A SWOT”, 2018). The organic stores also sell artisan organic chocolate. Proper social media exposure through the most popular channels such as TikTok or Instagram can also become an opportunity to increase sales and to establish the brand reputation.

**Threads (external)**

Big chocolate manufacturers try to capture theartisan chocolate market by promoting their products with organic buyers in mind. They often use story telling similar to artisan chocolate makers such as “dedicated to quality from beans to bar” to increase their sales (“A SWOT”, 2018). Besides fine cocoa is more labor intensive, and farmers may get discouraged as they get similar price for selling bulk cocoa which is less labor demanding. Besides, the artisan chocolate business requires more steady cash flows than the big manufacturers (“A SWOT”, 2018).

Value Chain analysis for Bennetto Natural Foods

**Sourcing**

Ensuring sustainability and procurement of organic ingredients.

**Supply-chain management**

Ensuring mutually beneficial relationship with suppliers and proper inventory management

**Operations**

Production, processes and quality control along with building economies of scale for maximum unit cost reduction.

**Distribution**

Managing storage to ensure quality and distributing products in a timely fashion to customers.

**Marketing & Sales**

Lowering prices for bulk orders and targeted advertising to most frequent customers.

**Customer Service**

Offering product information and customer services to retain customers. Collecting feedback and improving its services and products.

VIRO analysis for Bennetto Natural Foods

**Value**

Fairtrade, vegan, organic, high-quality chocolate products. The company emanates social and environmental value surpassing the minimum requirements for B Corp certification (“Benetto”, n.d).

**Rarity**

Commitment to being net climate positive having organic ingredients in the product and Fairtrade certification makes this product particularly unique.

**Imitability**

The company is not easily imitable as it distinguishes itself by ethical sourcing and commitment to community projects like MamaBay Conservation Through Cacao Project. The time required to develop the expertise in chocolate production and building the relations with its distributors also make the company harder to imitate.

**Organization**

The company has a clear vision of its position in the chocolate industry through its ethical and environmental practices which are the core of its daily operations (“Robinson”, 2020).

Dynamic SWOT for Bennetto Natural Foods

|  |  |  |
| --- | --- | --- |
|  | Strengths (internal) | Weaknesses (internal) |
|  | Climate Sustainability Business Operation, reducing 120% of their operational carbon footprint in the past 4 years.  High-Quality Product: organic chocolate with a high-quality cocoa content (60% and above)  B-Corp Certification: The company is B-Corp Certified, demonstrating its commitment to social and environmental performance.  Strong Goal and Values: Bennetto has a clear objective to change perceptions of chocolate from 'junk food' to 'better food'. | Limited global presence: So far, the product is being sold in Australia, New Zealand, and the United Kingdom.  Niche Market: Focusing on high-quality, organic chocolate may limit the company's appeal to price-sensitive consumers. |
| **Opportunities (external)** | S to take advantage of O | W into O |
| Growing demand for sustainable and organic products. Expansion into the US. Product diversification based on expertise, quality, current success and climate positive certifications. | Adding some unique value to prevent other entrants from imitating the product uniqueness (specific cocoa flavor), creating trademarks to protect company’s logo and the tagline or slogan “from junk food to better food” so anyone can associate the positive health benefits by purchasing Benetto Natural Foods products. | Introducing the products to the US market gradually. Targeting small local coffee shops, organic food stores, and progressing to retail bookstores such as Barnes & Noble that have chocolate minbars by each counter. People who afford to purchase books at the bookstore will have higher disposable income and more inclined to health benefits and social causes the product offers. |
|  |  |  |
|  |  |  |
| **Threats (external)** | S to avoid T | Minimize W to avoid T |
| Competition among organic chocolate companies. Cocoa future prices spike due to climate change. Uncertainty with future supply due to intermittent farm close ups and smaller yields. | Sign contracts to lock the future prices of cocoa. Appeal to MFAT to sign free trade between New Zealand and the US to lower the product cost and to become more competitive. | Enter US market with lower product prices compared to company’s main competitors. |
|  |  |  |

Strategy Evaluation for Bennetto Natural Foods

**Assessing alternative strategic options (Scale: 1 – 5: 1= Very unfavorable; 3 = Indifferent; 5 = Very favorable)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Criteria** | **Strategy1** | **Strategy2** | **Strategy3** | **Strategy4** | **Strategy 5** | **Strategy 6** |
|  |  | Leverage Certifications and ethical practices to enter US market | Retail presence in US through strategic partnerships | Marketing campaigns and brand positioning, through ecommerce like Amazon | Innovation and product differentiation | Market research to understand regional preferences | Trade shows to connect with retailers, distributors |
| Suitability – does it solve the problem now? | Is it aligned with the current strategy? | 5 | 3 | 3 | 4 | 3 | 3 |
|  | Does it add value? | 5 | 4 | 4 | 4 | 4 | 4 |
|  | Provides direction for future growth | 2 | 4 | 4 | 4 | 4 | 4 |
| **Acceptability** | Will it benefit the stakeholders (customers, employees)? | 4 | 4 | 4 | 4 | 4 | 4 |
|  | Will it generate profits? | 3 | 4 | 5 | 4 | 3 | 3 |
|  | Incremental cost involved | 4 | 4 | 4 | 3 | 3 | 4 |
|  |  |  |  |  |  |  |  |
| **Feasibility/Consistency** | Is it realistic | 4 | 4 | 4 | 3 | 3 | 4 |
|  | How will competitors react? | 3 | 4 | 4 | 3 | 3 | 4 |
|  | What are the risks associated with quality maintenance? | 3 | 4 | 4 | 3 | 3 | 4 |
| Can we deliver? | Do we have skills? | 4 | 4 | 4 | 3 | 3 | 4 |
|  | Implementation barriers? | 3 | 4 | 4 | 3 | 3 | 4 |
|  | Can we afford it now? | 4 | 4 | 4 | 3 | 4 | 4 |
|  |  | 44 | 45 | **48 –1st** | 41 | 40 | **46- 2nd** |
|  |  |  |  |  |  |  |  |

The first strategy: Marketing campaigns and brand positioning, through ecommerce like Amazon. The second strategy: Trade shows to connect with retailers, and distributors.

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