

Nestlé faces a fight for US chocolate lovers

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Nestlé, one of the giants of the world's chocolate scene, has set its sights on the premium end of the market. The appetite for posh chocs is growing in the West, not least in the US, one of the company's target markets. But has Nestlé left it too late to be successful Stateside? Dean Best reports.

In chocolate, as in many food categories, it's no secret that premium is where it's at. Dark chocolate, artisan-style chocolate, organics, Fairtrade: the appetite for upmarket chocs is growing - and growing fast.



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As you'd expect, the US is one market where premium chocolate is becoming all-the-more popular and confectioners, big and small, have been jostling to get a share of booming demand.

In the last six months, Starbucks and Hershey have joined forces with their "artisan-style" chocolates; Ghirardelli has launched "indulgent" filled bars, while Mars has introduced a range of "delicate" and "luscious" new products in a bid to tap into the double-digit growth seen in the US premium chocolate category.

If flowery words are not your thing, try some numbers: premium chocolate now accounts for around 17% of the US\$16bn US chocolate market, according to industry analysts Packaged Facts. That's up from 12% in 2002. Packaged Facts estimates that premium chocolate sales will continue to expand, commanding 25% of the US market by 2011 - or \$4.5bn in sales. Those figures should be enough to sweeten the appetite of any confectionery executive looking for the next wave of growth.

Nestlé, for one, has set its sights on upping its presence in US chocolate and at the premium end in particular. The Swiss food giant is cagey over its plans but tells just-food today (18 April) that it is currently working on a range of new products with Belgian chocolatier Pierre Marcolini - and some could be heading for the US.

"There is a clear market for premium and super-premium chocolates in industrialised countries," Nestlé says, highlighting - albeit rather cautiously - Europe, the US and Asia as three such markets. However, before Nestlé HQ gets too excited about the company's potential in the US, they should be aware that, despite the growth of premium chocolate Stateside, it will be tough to break into the market.

Fellow Swiss chocolate maker Lindt & Sprüngli is the dominant force in premium chocolate in the US with its products, including its famous Lindor globes, seen as the quintessential European premium chocolate. Perhaps sensing fiercer competition ahead, Lindt has amassed a CHF750m (US\$733m) war-chest to invest in its business, with some of the cash going towards boosting production in North America.

Nestlé also faces competition in the shape of Godiva Chocolatier. Godiva changed hands last December when US food group Campbell_Soup_Co. sold the business to Turkish peer Ülker Group for \$850m. Campbell may have decided that Godiva no longer fit its focus on soups and snacks but, in the eyes of US consumers, the brand is seen as perhaps 'the' artisan chocolate, thanks to its network of retail outlets.

It is clear, then, Nestlé will find it tricky to locate a clear niche in which to build a premium chocolate brand in the US. **James Amoroso**, a food industry consultant, insists he finds it "difficult" to think of a "unique brand positioning" in the US for a premium chocolate from Nestlé.

"Nestlé is the global number one in consumer chocolate but it does not have a premium brand. It is difficult for me to see what positioning Nestlé could come up with to create a gap in that market," **Amoroso** tells just-food. "It can't just suddenly come up with a new brand and then two years later expect people to recognise it as a luxury brand. You have got to go slowly or you will never get that."

Nestlé, **Amoroso** claims, should have snapped up Godiva. "I don't know why Nestlé didn't go for Godiva," he says. "It could have paid more than the Turks paid and it could have justified paying that because of its global distribution network. Nestlé has a century of competence in premium-quality chocolate - the company makes it for the Swiss mainly - and it has got the marketing muscle and the patience required. It was a no-brainer."

Still, Godiva has been and gone. How can Nestlé hope to break into the upper reaches of the US chocolate market? One strategy could be with dark chocolate, perhaps with a premium brand for the mass market - in a similar vein to products like Dove from Mars - or with a product for the more super-premium end of the market.

"The key driver in chocolate full-stop is dark chocolate and Nestlé can play the dark chocolate card well," **Amoroso** says. "However you can't really make the leap up to super-premium unless you have a brand, or you have a unique positioning. Otherwise you become a me-too product, which no-one will buy."

It seems, then, that Nestlé will have its work cut out breaking into one of the more lucrative parts of the US confectionery industry. There promises to be no let-up in competition. Aside from the new products from Mars and Hershey and the planned investment from Lindt, UK giant Cadbury has signalled that it will launch its organic chocolate Green & Black's nationwide in the US this year

Nestlé today gave no timetable for the rollout of any of its new products. "We prefer to surprise our competitors," the company says.

However, the company will have to act quickly or, to its own surprise, it could find its dreams of success in US chocolate have soured before they have even begun.

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