

Is Too Much Chocolate A Bad Thing?

With a combined city population base of roughly 20,000 residents, an unemployment rate of 11.5% and an established candy competitor securely embedded in the community, I set out to survey if two chocolate businesses could thrive in the Coos Bay-North Bend area.

Almost a year ago, I noticed a quaint shop open on the main thoroughfare of town (Hwy 101), touting itself as an old fashioned chocolate & gift Store. I envisioned a store similar to an old favorite when I lived in Portland – Moonstruck Chocolates. However, I never had the opportunity to stop and check things out...until this Survey Assignment.

The large white lettering of "CHOCOLATE" is an immediate eye catcher to those driving by or walking the downtown area. Hung neatly above is a faux antique hanging sign that states: "*Chocolates of Oregon, Old Fashioned Candy and Gifts.*" (<http://www.coosbaychocolate.com>) It was these two great signs that attracted my eye to this store almost a year ago but due to the competitive parking in the area, I was never able to investigate the inviting, promising signage. The store itself sits nestled between Josie's Hair and Nail Salon, a popular trendy spa and boutique and a non-descript yarn shop. A sandwich board was placed outside on the sidewalk each time of my observation. (Upon interview, I later discovered that the overhanging sign that caught my eye was completely funded for this business through an Urban Renewal Grant.)

Overall, the exterior of the building was inviting and clearly stated the product within the store. However, upon entering the store, I was



somewhat disappointed. Although neat and tidy with a polished wood floor, the merchandising of the business was clumsy, unrelated and confusing. Walking sticks, paper dolls, soap and sweet and dried cranberries were assembled with no apparent order or relationship in shelving on the sides of the space. The space itself was surprisingly smaller than I anticipated being approximately 600-



800 square feet of usable space. At the back of the business was a small pastry-type counter with the chocolate offerings for sale. Sadly, most of the chocolates were caramels for which I personally am not a big customer. There was not a large quantity of offerings for sale. I inquired of the owner if he sold peanut butter cups, thinking I could bring home a family favorite and unfortunately the store was out of them at the time. Not to be rude, I purchased a sampling of cherry chocolate covered pretzels and asked if he carried any Moonstruck brand chocolates. The owner did say he was a distributor and pointed me to a display with two choices of Moonstruck's candy bars. Included in the bin with them was a Harry & David Favorite – Moose Munch, although in candy bar form which I had never seen before. The store was absent from customers each time I visited.

Market Niche: It was clear to me from my observations and evaluations that the market niche for this small business was the summer tourists that frequent the Bay Area over the summer and fall. The business showed a need to rely on passer by traffic and perhaps connections with returning customers in the community. Location for securing walk-bys was not great, but the business was located in a restaurant block and across the street from a historically theatre which I guessed generated sufficient foot traffic in nice weather. After interviewing the owner about his target consumer, he relayed that along with the fair weather tourists, some of his consumers were chocolate lovers who could differentiate between high quality chocolates. However, he did concede that in the Coos Bay/North Bend area, there were not many of these consumers to be found.

Market Strategy: After interviewing the business owner, I was surprised to learn that his strategy for his business was to sell pottery of which he was an artist. To showcase his pottery, he started the "*Winter Art & Chocolate Festival*" in Brookings, Oregon four years ago. Due to the timing (weekend before Valentine's Day), he was not able to retain many Chocolatiers to attend the event. However, the first year, a particular chocolate vendor did attend and did very well in the event pocketing quite a profit. She did not want to attend the event again, but did pass along her contacts and distributions strategies for the business owner to begin as a chocolate distributor. Thus, his shop started from what was described to me as a "Festival in a Store" featuring hand made local art, in addition with high quality chocolate sales and distribution. Because this business did not begin as a chocolate store but rather a pottery and local artist gallery, the store reflects the confusion in market strategy. The strategy for this business owner has since changed as he saw a market for chocolate but not much business from the art and pottery. Thus, he currently sells 9 brands of quality Oregon and high end chocolate and desires to focus on showcasing quality chocolates to the area. I was surprised to learn that Chocolates of Oregon does not belong to the local

Chamber of Commerce or Downtown Business Association but does have an active Facebook page and minimal web presence. The advertising strategy that has had the best ROI were table topper advertising at all the area "working business" restaurants in relative close proximity to the business location. The patrons finished their dinners after reading about the chocolates via the table toppers and stopped by for an indulgent dessert.

Competition: The most obvious and acknowledged competition for



Oregon Chocolates is Cranberry Sweets (www.cranberrysweets.com). Cranberry Sweets touts two large businesses locations, one – a factory store in Coos Bay and their flagship store in Bandon, Oregon. Cranberry Sweets has had a presence in the coastal community for over 30 years as a family owned and operated business. In 2004, Rachel Ray of Food Network fame, visited the factory store for a segment for \$40 a

Day. However, Cranberry Sweets is best known for their abundance of free samples of almost any candy or chocolates they sell within the store. A delight for any visiting customer!

Like Oregon Chocolates, Cranberry Sweets has also ventured into the gift item merchandising to compliment their chocolates and candies.

However, the merchandising and displays were well thought out and themed not only with gift products but tied in with candy flavors that accompanied the theme. Cranberry Sweets has a robust website that is informational as well as accepting of special orders. They maintain an updated Twitter and Facebook account, utilizing the social media tools well. They are well positioned within the community and market share and employee approximately 20 people.

Prospects for Long Term Success: After interviewing Oregon Chocolate's owner, he acknowledged that his business strategy needed to change to better support his chocolate business. He stated that too many customers walked in the store and stated, "This isn't a chocolate store!" and turned around and left. He will be discontinuing art consignments and focusing on turning the gift bins into bulk candy bins and premier chocolate offerings. Capital is an issue with this business as he currently is not cash flow positive. The owner currently is the only employee working all aspects of the business, sometimes over 70 hours in a week. He stated that there is much "sweat" equity in the store. He also lamented about his location. Parking is a significant issue – it is not easy for customers to get to his store. He wished he were located more centrally - in the middle of the block stating his sales would increase 150% if he were located within the middle of all the restaurants instead of the north end of

the block. As much as I was intrigued to hear this business' story and product "test" the merchandise, I am not optimistic about the long term success of this business. The owner needs to invest additional capital into more variety and selection in the chocolate selection and compliment the premier Belgian chocolates with candies and other sweets. I would encourage him to become a member of the Chamber and use the Chamber if only through networking, to increase the support of the fledgling business. A clear market strategy should be rethought for vision and mission of the business. I would encourage this business owner to decide between his pottery business or the chocolate business and focus on that aspect until he could experience growth and stability in that market. One positive aspect of Oregon Chocolates was the personal touch of the business owner/salesman. He was very personable and stated he had many return customers who he took pride in educating the differences in chocolates and quality. After visiting Oregon Chocolates Facebook page, it was plain to see that he did have fans and local support of several area customers. Cranberry Sweets will continue to be a threat to the business market share and he will have to strive to create a unique niche for himself in the community as a "premier" chocolate based company. Although I hope I am wrong in my prediction, I do not foresee this business being open very much longer. Although certainly not due to lack of effort or labor on the business owner's part, a lack of clear mission and strategy, inconvenient location and significant competition leads me to believe that there will only be one long-term chocolate-candy store in the area...Cranberry Sweets.