



## Master Swiss Chocolatier Marketing/Media Planning Case Study

Lindt Chocolates date back to 1847. In the Swiss town of Zurich, David Sprüngli and his son, Rudolf built a small factory to produce their delicious chocolate in solid form.



In 1892, Rudolph (pictured at left) divided the business between his two sons. The elder brother, Johann Rudolf Sprüngli, received the chocolate factory while his brother received two retail stores. To raise the necessary finances for his expansion plans, Johann Rudolf converted his private company into Chocolat Sprungli. To grow the company, he acquired the Lindt chocolate factory in Berne, Switzerland. The company changed its name to “United Bern and Zurich Lindt & Sprungli Chocolate Factory Ltd.”

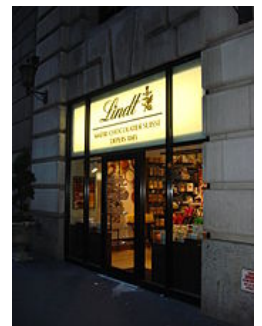
In 1994, Lindt & Sprüngli acquired the Austrian chocolatier, *Hofbauer Österreich*, and integrated it, along with its Küfferle brand, into the company. In 1997 and 1998, respectively, the company acquired the Italian chocolatier, Caffarel, and the American chocolatier, Ghirardelli, and integrated them into the company as wholly owned subsidiaries. Since then, *Lindt & Sprüngli* expanded the once-regional Ghirardelli into many international markets.

Lindt & Sprüngli has six factories located in Kilchberg, Switzerland; Aachen, Germany; Oloron-Sainte-Marie, France; Induno Olona, Italy; Gloggnitz, Austria; and Stratham, New Hampshire in the United States. Ghirardelli's factory is located in San Leandro, in northern California.

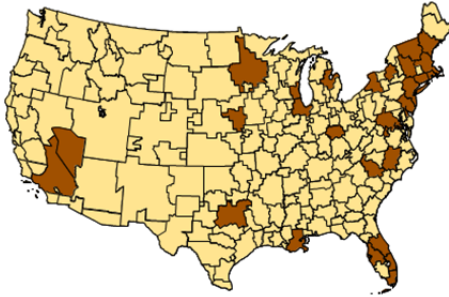
After Lindt recorded net profits of 4.7 million in 2011, its market share rose to 29%, exceeding its past years. In 2014, Lindt bought Russell Stover Candies, maker of Whitman's Chocolate, for about \$1.5 billion, the company's largest acquisition to date.

### Lindt Chocolate Cafés

Lindt has opened eight chocolate cafes in Australia, four in Sydney and four in Melbourne. In 2009, in the wake of the late 2000s recession, Lindt closed over half of its 80 retail boutiques in the United States because of a stagnant economy. Lindt's store count is recovering nicely today, however, with 59 Lindt cafes in 28 markets, primarily in the northeast. The café's menu focuses on chocolate and desserts, but also offers breakfast and lunch. They also sell handmade chocolates, macarons, as well as cakes and ice cream.



In select stores, a "chocolate creation class" is run every month which focuses both on the history of chocolate and different ways of enjoying chocolate. Unique in the industry, participants are able to customize their own solid chocolate bars and macaroons.

<u>Market</u>	<u>Stores</u>	<p style="text-align: center;">Markets with Lindt Stores</p> 
Boston, MA	14	
New York, NY	6	
Portland-Auburn, ME	3	
Philadelphia, PA	3	
Albany-Schenectady-Troy, NY	3	
Chicago, IL	3	
Minneapolis-St. Paul, MN	3	
Burlington, VT	2	
Miami-Ft. Lauderdale, FL	2	
Orlando, FL	2	
Remaining 18 Markets	18	

## Products

### Ad Campaign & Media Plan to Focus on Lindt Brand & Block Chocolates

Lindt sells a great variety of products, from “filled” chocolate balls to truffles to seasonal confections like their custom gold wrapped chocolate bunnies. Although the Lindt marketing team wants their new ad campaign to promote the entire line of Lindt products, extra focus will be on “solid chocolate,” or as the category is known in the USA, premium chocolate bars. It is worth noting that premium chocolate commands a premium price. Average retail price for the 3.5 ounce “Lindt Excellence” bars, along with other Lindt premium chocolate bars, range from \$2.25 to \$3.00 in the USA. Flavors include:

<ul style="list-style-type: none"> <li>• Excellence Orange</li> <li>• Excellence Chile</li> <li>• Mint Intense: dark chocolate infused with mint</li> <li>• Orange Intense: dark chocolate infused with orange and almond flakes</li> <li>• White Coconut: white chocolate with crisp flakes of fine coconut.</li> <li>• Almond: white chocolate with whole roasted almonds and pieces</li> <li>• Poire intense: pear flavored chocolate with almond flakes</li> </ul>	<ul style="list-style-type: none"> <li>• Cherry intense</li> <li>• Pistachio: a creamy pistachio filling in milk chocolate</li> <li>• Strawberry margarita: 'capsule' form with strawberry and margarita filling</li> <li>• Cuba: 55% cocoa, single origin Cuba</li> <li>• Chili: a 70% cocoa dark chocolate with red chili extract</li> <li>• Raspberry Intense Dark Chocolate: with pieces of raspberries and almond</li> </ul>
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Lindt makes a variety of novelty holiday chocolates, such as the Gold Bunny at Easter, or hollow chocolate reindeer, Santas, bears, bells, advent calendars, snowmen figures, and chocolate ornaments. Other seasonal items include Lindt chocolate novelty Golf Balls.

For Valentine's Day, Lindt sells a boxed version of two gold-wrapped "kissing bunnies." Other Valentine's Day seasonal items include a selection of heart shaped boxes of Lindor chocolate truffles.

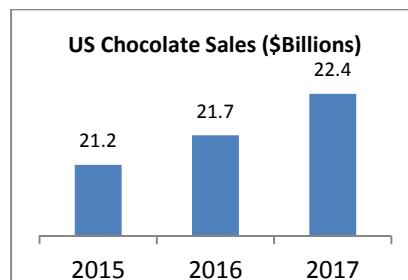
Most of the US Lindor truffles are manufactured in Stratham, New Hampshire. In Switzerland the chocolates are referred to as "Lindor Kugeln" which translates to "Lindor Balls." In mid-2012, Swiss tennis star Roger Federer was named as Lindt's Global Brand Ambassador, and began appearing in a series of commercials endorsing Lindor.



Lindor is a type of chocolate produced by Lindt, which is characterized by a hard chocolate shell and a smooth chocolate filling. Originally it was a truffle ball that Lindt & Sprüngli introduced in 1949, but now comes in both a ball and a bar varieties in different flavors, each flavor having its own wrapper color.

### **The Chocolate Economy**

Even with a recent stagnant economy, chocolate sales in the US are projected to grow. Looking out over the next few years, total chocolate sales are expected to grow at rate of 2-3% per year, a reflection of American's addiction to chocolate and continued indulgence in spite of cutbacks elsewhere in their personal and family pocketbooks (Source:Statista.com).



Lindt plans to make the most of the anticipated upturn for the next couple of years.

### **Marketing/Media Planning Challenge**

Lindt's marketing director has ambitious plans for next year, and she is aware of the extraordinary challenges in a market crowded with better known brands. In crafting a marketing mix, she knows that the Lindt brand must perfect their niche marketing and positioning strategy to compete with the likes of Hershey, Mars, Nestle, Toblerone, Cadbury, Godiva, and many, many boutique chocolate brands, many available over the internet. It is estimated that there are over 200 brands of chocolate candy bars, (most not solid, but enrobed in chocolate). Of course, not all

are gourmet quality, but all are capable of stealing market share from the Lindt brand.

Rather than the classic four Ps, Lindt’s view of the marketing problem fits better with Robert Lauterborn’s four Cs published in 1990, a more consumer-oriented version of the four Ps that recognizes how less known brands must focus on niche marketing versus the older model of mass marketing:

“C”	Corresponding “P”	Description
<b>Consumer wants and needs</b>	Product	Consumer wants and needs A company will only sell what the consumer specifically wants to buy. So, marketers should study consumer wants and needs in order to attract them one by one with something he/she wants to purchase.
<b>Cost</b>	Price	Price is only a part of the total cost to satisfy a want or a need. The total cost will consider for example the cost of time in acquiring a good or a service, a cost of conscience by consuming that or even a cost of guilt "for not treating the kids". It reflects the total cost of ownership. Many factors affect Cost, including but not limited to the customer's cost to change or implement the new product or service and the customer's cost for not selecting a competitor's product or service.
<b>Communication</b>	Promotion	While promotion is "manipulative" and from the seller, communication is "cooperative" and from the buyer with the aim to create a dialogue with the potential customers based on their needs and lifestyles. It represents a broader focus. Communications can include social media, advertising, public relations, personal selling, and viral marketing.
<b>Convenience</b>	Place	In the era of Internet, catalogs, credit cards and phones, people no longer need to go anyplace to satisfy a want or a need and are not limited to a few places to satisfy them. Marketers should learn how the target market prefers to buy, <b><i>how to be there when they are ready to buy, and make the brand ubiquitous</i></b> to guarantee convenience in buying. With the rise of Internet and hybrid models of purchasing, Place is becoming less relevant. <b><i>Convenience takes into account the ease of buying the product, finding the product, finding information about the product, and several other factors.</i></b> <small>(Source:Wikipedia, "Marketing Mix", Italics added)</small>

As with any marketing model, the key to success is discovering the proper balance for all components in the mix. Lindt’s marketing team is confident that they have nailed the Consumer Wants and Needs part of the equation. Lauterborne would attribute much of this chocolatier’s success to one primary objective: fulfilling a consumer want/need with an almost obsessive focus on premium product development and quality control. The result is a premium quality, more uniquely packaged, better tasting chocolate bar than most if not all of their competitors.

### Going National

Other components in the marketing mix are equally important to this brand’s future. The Lindt marketing team has achieved a foothold in multiple channels by

developing strong distribution. The challenge has now shifted from distribution to brand awareness . . . making the Lindt brand name ubiquitous in all 50 states. Thus far Lindt sales have been achieved primarily through a push strategy. They have successfully pushed Lindt chocolate products into households by achieving distribution in mass retail outlets such as Walmart, Target, Safeway, Whole Foods, Trader Joes, and periodic case sales through big box stores like Costco, selling on Amazon, communicating through social media, and persuading local and regional retailers to give their product valuable shelf space.

Lindt's marketing team now faces their biggest challenge since launching the brand in US markets:

- 1) Achieving national distribution in 90% of US food and convenience store outlets
- 2) Growing brand awareness from 25% to 35% during the next calendar year.
- 3) Capitalizing on what Lindt calls the "Café Cache," a brand preference discovered to exist in all metro markets that have a Lindt Café. A proprietary test market was conducted last year in three major metros: Metros included The Palmer Square New Jersey store, the Fashion Outlets of Chicago store, and the Outlets at Orange, California store. Modest spending in each of these three markets generated on average 20% higher brand name recall (awareness) and 5% increase in sales. The message capitalized on the "chocolate experience" enjoyed by customers who talked about their "passion for premium chocolate," and such irresistible, decadent flavors.

According to the Nielsen research firm, there are over 35,000 supermarkets in the USA, and 149,000 convenience stores. To date, Lindt's penetration into these stores is below 70%. Management is planning on increasing national distribution to 90% within 3 years. They've proposed a plan to inject \$27 million into the company to accomplish this goal. This amount is earmarked exclusively for communication and marketing expenses.

### **Pitching the Business**

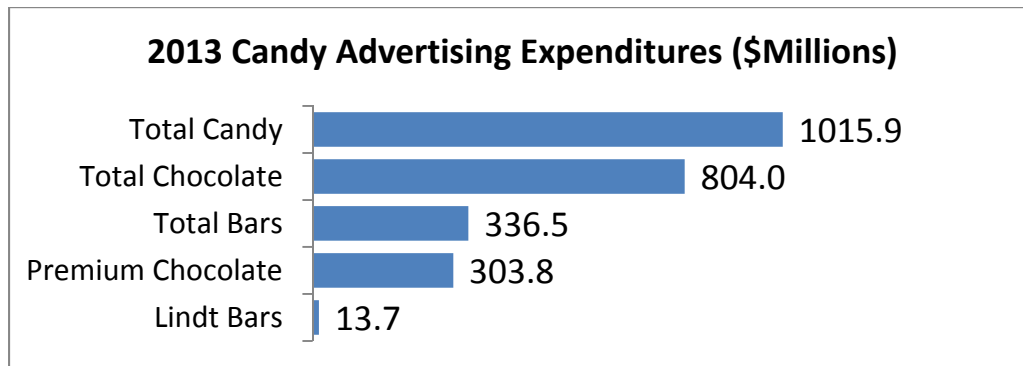
Your advertising agency has been retained by Lindt to write a marketing/media plan that will serve as a proposal for Lindt's marketing team. Your \$27 million media plan will be the primary factor in determining whether or not Lindt continues with capital injection. Your job is to generate national and regional awareness by creating dialogue with the potential customers based on their needs and lifestyles.

Your focus must be much broader than just "advertising." Communications can include radio, TV, print media, social media, mobile media, business to business, public relations, sales promotion, and viral marketing. You will discover that \$27 million is not a lot of money when buying national media and or spot market advertising. Your inspiration should be the legendary Bill Bernbach who was fond of saying, "Rules are what the artist breaks; the memorable never emerged from a formula." Bernbach's maxim applies to all individuals who fancy themselves marketers. Media is creative if you have the genius to break through the ordinary thinking of your peers and competitors.

### **Magnitude of the Challenge**

Lindt's team recognizes that even with the infusion of \$27 million, the task ahead of is large. Lindt is a minnow in an ocean of deep pocket chocolatiers—their current marketing spend doesn't even register compared to the massive spend of the mega

brands. Your \$27 million will need to be spent intelligently to compete against the annual \$300MM+ expenditure of the premium chocolate category (Source: Kantar Media Intelligence).



### **Branding Challenges**

Lindt needs to “own a space”. Their marketing team is looking for a campaign theme that can be built upon for the foreseeable future. This theme/position should be an ‘anthem’ which can be refreshed periodically with new creative that keeps the idea alive and growing in the mind of the consumer as communication continues.

1) A primary goal for your agency is to increase awareness for the Lindt brand, currently estimated at 12% nationally. By end of the first year, the brand recognition/awareness goal is to grow by 10 percentage points to 22% aided awareness. Lindt is opposed to the dated notion of “sender →receiver” advertising. They agree with Lauterborn that promotion is "manipulative" and from the seller. Successful communication must be "cooperative" by focusing on the buyer's perspective with the aim of creating a dialogue with customers based on their needs, wants and lifestyles.

2) Lindt's brand personality is not clearly defined in the mind of customers. As media planner, an important goal will be to create new media that will generate a personal dialogue between Lindt and its customers.

3) Along with an imaginative media mix, Lindt's marketing team wants to see a few examples of your strategy. If you employ traditional media, provide an example of the concept/message to demonstrate how it will foster dialogue with the Lindt brand. If you use social media concept, whether it be on facebook, Instagram, a viral message or a twitter concept, illustrate your idea with an example or two.

### **Marketing/Media Planning Assignment**

#### **Marketing Budget & Media Planning Assignment**

**Part 1:** Deploy \$27 million to increase bar sales and achieve the stated brand awareness objective for the Lindt brand nationally.

**Part 2:** In addition to the \$27 million, Lindt Marketing team has provided you with an additional \$3 million to capitalize on what Lindt calls the “Café Cache” based on research mentioned previously (see # “3” on page 5 of this case). Use the additional \$3 million to maximize brand growth in 5 out of the 10 Café markets. See “10 Café Markets” data provided as part of this case.



**Part 3:** Using the “10 Café Markets” data, calculate BDIs & CDIs, and do a BDI/CDI analysis or use that in conjunction with the other data there to build multi-factor index table. Be sure to include media buys for the 5 top markets in your media plan.

### **Campaign Parameters**

Write a media plan applying the principles outlined in MFP chapters 1-7. Review all chapters well.

1. Target audience & media mix: A well justified target audience is vital to the success of this brand, and your assigned task is to accurately define the segment of the market that will buy the Lindt brand. Study your brand and competitive brands carefully and critically. Write a profile for the target audience using all relevant online sources provided for you. Justify both the target profile and your media mix decisions using quantitative and qualitative data from the case and from other resources you may be able to find. Cite all sources you use to define the target.
2. Timing/Scheduling: Plan a 12-month campaign beginning next January. Each of the 12 months may or may not include advertising or promotions depending on your timing strategy. You decide which month to launch, and which months to accelerate spending. The timing/scheduling strategy is vital. Justify peak spending periods with strong support, and cite your sources.
3. Media Mix: You need to justify the media mix for Lindt. Analyze the information in the case combined with all available online data to convince your client that your media mix has strategic genius. Your media plan should include traditional media as well as any new media, social media, or sales promotional spending.
4. Scope: Geographic strategy is make-or-break for Lindt Chocolates. Aside from the 5 market “Café Cache” part of the plan, make a very clear commitment to one of the three scopes in the MFP online simulation: National, Spot, or Both. Justify your decision by citing relevant data from all available sources. This should include data from the case itself or other resources, but keep in mind that Lindt’s marketing team is especially interested in your quantitative analysis of relevant data.
5. Spreadsheet: You may wish to use the method outlined in the MFP Exercise, “Weighting Factor Spreadsheets” or do a BDI/CDI analysis to select which 5 of the 10 markets you will recommend and support in the “Café Cache” part of the case. The data for these “10 Cafe Markets” is printed at the end of this case study, and is also contained in Lindt case study materials on the MFP website.
6. SWOT (Strengths, Weaknesses, Opportunities, and Threats) or Situation Analysis: competitive data, spreadsheet market data, etc., are all available online [[www.mediaflightplan.com](http://www.mediaflightplan.com)] The quality of your analysis, and the effort you invest is the key to unlocking some of the most important issues in this case study. As you prepare your SWOT, follow the seven points outlined in Chapter 4. Lindt’s marketing director suggests special attention be given to the following in your analysis:

- Recommend a marketing mix for Lindt; use Robert Lauterborn's "C's" to guide your analysis.
- Include a careful analysis of Lindt's primary competitors.
- Competitive Spending Analysis with SOV (Share of Voice). Review MFP Exercise 10 if you need help with the SOV. Tip: Discover which category your brand might be most directly competing in. Can Lindt own a medium or break through the background clutter? If so, state that clearly. Integrate your analysis and decisions into your media mix strategy (#3 above).
- Geography strategy: Should spending be focused or broadened? How can Lindt maximize its advertising voice in national and/or spot markets?

7. Creative strategy: Write a creative brief for an integrated campaign that positions Lindt, and write a tag line for the upcoming campaign. In most ad agencies, media planners are part of the creative team. Both authors of this text have witnessed big campaign concepts that came from the minds of media planners. Why a creative brief? It's all about intelligent positioning. When integrated thoughtfully, creative becomes a major driving force for your media strategies.

8. Media Flight Plan Simulation: Execute a media buy using Media Flight Plan. Include a flowchart in the body of your work, and other printouts as required by your professor. Make sure all decisions listed on these printouts are supported with logical and intelligent objectives/strategies. CAUTION: Be sure the buys on your flowchart are consistent with your media objectives/strategies! Your marketing/media plan will be judged less on the buys you make than on the objectives/strategies that drive the buys.

9. Strategy is everything – write media objectives/strategies for the following:

- A clear definition of Lindt's target audience with an intelligent media mix
- Strategy. Media mix should include a list of vehicles, e.g. – radio formats, social media concepts, mobile media concepts, magazine titles, TV programs, promotional events, etc.
- Monthly reach/frequency goals and accompanying strategies.
- Geography: Should Lindt be advertised nationally, in spot markets, or a combination of both?
- Monthly media allocations and budgeting strategy demand logical marketing support.
- Timing/scheduling decisions: Are some months more important than others? Justify your timing using secondary research.

10. *MFP Tip:* You may wish to show social media detail on your flowchart. See the "**Tips, How-To's and Tricks**" section of the tutorial (starts on page 14 of the tutorial) for instructions on how to do this.



*Special thanks to the following companies for their generosity in allowing the use of their data for this case:*



*GfK MRI for their consumer demographic, psychographic and media information.*



*Kantar Media Intelligence for their competitive data.*

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### **"10 Café Markets" Data**

Use the information below (choose the items you think are best; you won't want to use them all) and use them to construct a multi-factor index. Use the results to justify the 5 markets you choose for **Part 2** of the **Marketing Budget & Media Planning Assignment**.

For purposes of creating your multi-factor index, treat these 10 markets as the 'universe.'

For your convenience, these data are already entered into the spreadsheet "LindtCafeCacheMktData.xls," included with the other case data online.

	<b>HHS (000)</b>	<b>A2554 (000)</b>	<b>W2554 (000)</b>	<b>Current Lindt Stores</b>	<b>Planned New Stores</b>	<b>Lindt Chocolate Sales \$(000)</b>
Portland, ME	419.4	373.9	189.6	3	5	3,236.4
Albany, NY	574.6	529.8	266.0	3	5	5,329.8
Chicago, IL	3,605.3	4,003.7	2,020.9	3	5	29,507.3
Minneapolis, MN	1,837.0	1,868.8	929.6	3	5	12,600.6
Burlington, NY	348.1	322.4	158.2	2	5	2,387.7
Miami, FL	1,689.9	1,949.2	985.6	2	5	13,962.6
Orlando, FL	1,554.6	1,505.0	760.6	2	5	9,936.4
Buffalo, NY	662.1	601.3	300.7	1	5	4,489.9
Cincinnati, OH	919.4	922.1	466.5	1	5	7,309.8
Charlotte, NC	1,202.9	1,269.5	645.1	1	5	10,876.4
10 Market Total/Average	12,813.3	13,345.7	6,722.8	21	50	99,636.9

	<b>Chocolate Category Sales \$(000)</b>	<b>5Yr % Pop Growth</b>	<b>MedHHI \$(000)</b>	<b>Median EBI (Eff Buying Inc) \$(000)</b>	<b>Market EBI (Eff Buying Inc) \$ in Billions</b>
Portland, ME	73,058.3	-7.05	52.6	44.5	23.5
Albany, NY	110,629.9	-4.15	59.4	47.3	33.8
Chicago, IL	713,974.5	-3.23	60.9	49.0	237.8
Minneapolis, MN	340,210.8	-2.46	63.5	51.9	121.7
Burlington, NY	65,106.1	-5.11	57.3	47.0	20.6
Miami, FL	356,349.7	2.03	46.1	39.6	94.9
Orlando, FL	256,553.9	2.85	44.8	38.3	78.8
Buffalo, NY	111,693.8	-3.73	50.3	41.4	34.0
Cincinnati, OH	163,528.6	-4.10	53.9	45.4	54.0
Charlotte, NC	233,804.5	-0.03	48.7	41.9	66.5
10 Market Total/Average	2,424,910.1	-1.64	54.8	45.6	765.6