

# nutellaly

## The Nutella Store

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## **Executive Summary:**

For more than 25 years, the delicious taste of Nutella has captivated the mouths of people across the United States. But while its unrivaled recipe and inimitable flavor has helped it to become a market leader, Nutella's almost insurmountable competitive advantage is built on more than just roasted hazelnuts, it's built on smiles.

On face value, Nutella is nothing more than a hazelnut spread made from a combination of roasted hazelnuts, skim milk and a hint of cocoa. From a brand perspective however, Nutella is much, much more. Nutella's success is built on more than just its unique taste. With its distinctive brand personality, Nutella has been able to foster the perception that it is not just delicious, but delicious in a fun way. Nutella's strategic promotions consistently are encouraging its users to spread the happiness, either by using the unique flavor of Nutella in their own unique way or by sharing with others. And that is precisely what Nutella has become, a textbook example of ingredient branding. Nutella has become so pleasing to the palate, one might even say it is the bacon of the dessert menu, because just like bacon, everything tastes better with Nutella. But while little doubt remains as to Nutella's status as the universal palate-pleaser, what doubt that does remain is the consumer's ability to make use of this delicious spread in their own desired way.

Although it is rather easy to find a tantalizing Nutella recipe online, or to conceive one yourself, what still remains unaddressed is the consumer's ability to make that delicious-sounding dish themselves. And as anyone who has ever cooked will tell you, some things are easy said than done. However, being physically gifted enough as a cook is only half the question, the other half is the consumer's ability to allocate the necessary time to make these delectable treats themselves, especially if they are someone like a business person who is always on the go. This is why a Nutella Store as a brand extension is a particularly intriguing possibility. Nutella's parent company, Ferrero, in their mission statement stipulate that "the consumer is always at the centre of [their] strategy" and quite frankly nothing would be more consumer focused than opening a store, particularly for those who have had the inability to create the countless number of Nutella-based recipes spinning around in their head [1]. Nutella's popularity isn't anything short of a phenomenon. By creating a store that specializes in Nutella products, both pre-packaged and freshly-made, Ferrero would be further rewarding their passionate community of avid Nutella fans, all the while simultaneously capitalizing on an uncultivated opportunity in the market and solving one of brand's main issues, lack of convenience.

In marketing, problems and opportunities are often considered synonymous because problems often lead to opportunities. Currently, Nutella is set up to be predominantly consumed at home, where any other consumption of Nutella is attributed to taking food from

home to the intended destination. The problem is unless you are taking the physical jar of Nutella, or what is probably a sandwich with Nutella in it, with you, then you are probably not consuming this product outside of the home. The fact is that the product's lack of convenience stems from its inability to be transported from place to place in anything other than a jar or sandwich. To date, Nutella does not distribute any convenience-oriented, pre-packaged items for on-the-go use in the U.S. In Europe however, Nutella produces exactly that in the form of Nutella & Go, a combination of Nutella and cookie sticks in one package, which if offered in the U.S could help solve its issue of lack of transportability [2].

Nutella has been primarily positioned as a breakfast food, which though arguably consumed mostly at home, nevertheless limits the brand's scope both based on geography and time. In addition, Nutella is mostly targeted at the youth of the world, where new strategic promotions should be designed to foster the notion that Nutella is the brand people go to be around to feel youthful. Though seemingly a very slight distinction, in actuality is quite a rather large difference because it expands their positioning statement to target a greater deal of people based off the age demographic. If successful, as a result of this new branding strategy, which should be a believable jump in the minds of consumers from current promotional endeavors, Nutella will become less about functional benefits and more about emotional and self-expressive benefits. As most companies realize, brands cannot sustain themselves long-term on functionality alone. The truth is current promotional endeavors neglect a heavy segment of their market, adults who consume the product even though it is targeted towards children, and that needs to change.

Perhaps the most important reason for Nutella to expand into its own specialty store is to capitalize on, and expand upon their brand awareness. Nutella, though loved by its loyal consumers has still only scratched the surface of its potential. What is essential now is for Nutella to make the move to climb the ladder in the minds of their consumers and really stride to reach that "Wow-Factor". Nutella's competition comes primarily from peanut butter manufacturers, where to this date Nutella has taken, relatively speaking, a backseat/niche role in the market. What Nutella really needs to do now is strike at the heartland that peanut butter has established and finally, after more than 25 years, make the play to become the leading spread in the United States.

## **Product Introduction:**

Nutellaly, the first Nutella based store located in the U.S., is an expansion of the Nutella brand. Nutellaly will employ a differentiated strategy, emphasizing the undeniable appeal, and inimitable taste of a decadent hazelnut spread unlike anything else the world has ever seen. Menu items, including the recipes behind them, at Nutellaly will be put together by top chefs in the dessert category. Such a strategy will not only foster the idea of an unmatchable

experience, but will also add credibility to the notion as to whether the expansion to a specialized store is warranted given that other establishments already make Nutella-enriched products as well.

The main goal behind opening Nutellaly is to further solidify, and expand upon, an already stout stronghold Nutella holds in the minds of consumers. However, to articulate further, there exist 6 main strategic goals and objectives behind opening the specialized store:

- (1) To challenge peanut butter for the lead as the #1 spread in the United States
- (2) To challenge Starbucks and McDonalds' lead for best in-store ambiance
- (3) To own the taste of hazelnut
- (4) To use as a plateau to further distribute Nutella-enriched products
- (5) To remedy the previously mentioned problems of transportability and some consumers' inability to create from Nutella inspired recipes
- (6) To solidify their role as a top breakfast provider, while also expanding to other parts of the day as well.

These goals and objectives will be elaborated on in greater detail later on.

It is important to mention that from inception, Nutellaly is not intended to be a chain. In the long term there may be multiple locations, dispersed across multiple states perhaps, but geographically the intention should be to pull people in and make them gravitate towards the brand, not the other way around. Therefore, like many other specialty stores, there exists the possibility that one location may even stay ideal in the long-term. In addition, having only a single location in the beginning is a good way of testing out trialability and seeing if demand is enough to warrant further expansion later on, as well as a good way of not oversaturating the market; Nutella should stride to be exclusive while still being inclusive.

## **Situation Analysis**

### **A. Market Description:**

1. Consumers, users, and other market participants: Under current strategies, Nutella is primarily consumed and positioned as product for the youth of the world as provided to them by adults. However, Nutella's current branding strategies ignore a crucial segment of their consumers, adults who either enjoy cooking with Nutella, or consuming it themselves. A minor overhaul of the brand will have

Nutella moving away from just the dynamic of parent to child to include consumers of older ages as well. As the brand changes from the brand for the youth, to the brand that makes you feel youthful, Nutella's positioning statement will encompass more people and as a result should help increase the Nutella brand's profitability. In addition, while Nutella should try to build on their association with breakfast, they should also not limit themselves to this time of day alone. Although typically consumed at home and for breakfast, by increasing accessibility through a specific location, and increasing desirability through a specialized menu of top chef creations, Nutella should become a more relevant food choice at other times of the day as well.

With all these changes to the brand and the new benefits provided, Nutellaly should be able to effectively position themselves to satisfy the demands of their new target audience. The new positioning statement for Nutellaly and Nutella reads as followed: To target children, and children at heart, in search of invigorating the imagination of their palates but are always on the go, only Nutella gives you the benefit of a decadent flavor and euphoric bliss that makes everything else just melt away.

2. Buying processes pertinent to the plan: Currently Nutella is predominantly purchased in supermarkets and convenience stores, and it is the duty of the customer to make use of the hazelnut spread in their desired way. However, after the introduction of Nutellaly, Nutella lovers will have an outlet to purchase ready-made products that use Nutella as the essential ingredient. The introduction of ready-made products affords customers additional flexibility that they did not have before. For some it saves them the time of having to create these dishes themselves, and for others, who do not know how to cook, it saves them the embarrassment of trying. Altogether, the introduction of a specialty store provides more potential consumers with the ability to consume Nutella-enriched products than before. The fact is we have to be honest, most people who bring foods with Nutella from home are doing so in the shape of an easy-made sandwich, they are not bringing any elaborate dishes on the bus and train as they travel to work.

Therefore, as a result of the store, consumers are now given more variety than they had before.

The store ambiance is essential to the success of Nutellaly. Although the store in order to be successful must be efficient, Nutella thrives on being a brand of heart and soul, and therefore the layout of the store needs to be aligned in a way that it doesn't give the illusion of being nothing more than an assembly line. In addition, to help it stand out as different from other establishments, Nutellaly will offer pre-packaged Nutella-enriched food items that are only available to be purchased in their store. The process of getting people to gravitate to the store is a multi-step process. First, when the store opens up, samples of their pre-packaged products will be given out to customers passing by the store. They will also be given a napkin that has the nutrition content of this product versus rival products in the same category, where the emphasis here is to inform the consumer of both the existence of the new product as well as its health benefits. After this step, maybe not immediately, the expectation is that customers will now come into the physical stores to purchase the same products that they consumed outside. Some good product categories that should help drive in-store traffic will be convenience based products. A good specific product category for instance, would then be a granola bar, a product category that Nutella does not perform in currently, and one that they would be able to provide a differentiated benefit relative to the other granola bar manufacturers in the market. When inside, the expectation is once consumer's become transfixed by the unforgettable aroma of Nutella, they'll be hooked.

3.Direct and indirect competitors: As a spread, Nutella's main competitors are peanut butter manufacturers like JIF, Skippy, and Peter Pan. However, though all producing satisfactory products, none of them are distinctive enough to leverage the popularity of their brand into a specialty store. The fact of the matter is that the peanut butter market is saturated and just doesn't have that much growth left to obtain [3]. Peanut butter augmented products are already very much available in multiple forms and are offered from a multitude of brands and companies, and not just from those that specialize in making peanut butter. As a result, Nutella, just

out of virtue of being the only true hazelnut spread in the market is more capable of making the jump to a specialized store than anyone else. Therefore, since none of its competitors are capable of making the jump as well, when Nutella makes the jump to a specialized store, their competition will be of a different breed. Other brands that have tried to open up a specialty store, and might compete with a Nutella Store include Hershey's and M&M's. This new dynamic will be elaborated on more, later on. When Nutellaly first opens up, they will likely have to leverage their already existing brand associations to gain traction. Meaning in the beginning the expectation is that Nutellaly will predominantly be a breakfast provider.

4. Current competitive strategies: Nutellaly as previously said does not have any true direct competitors, however peanut butter is widely regarded as falling under the same general product category. Nutellaly is a specialty store that concentrates on leveraging the Nutella spread across multiple product platforms. Other breakfast stores exist but they don't offer as unique of an offering as Nutella. In addition, other specialty stores exist for brands like Hershey's and M&M's, but again, as will be discussed later on, their appeal is of a different sort. However, one of the main hurdles Nutellaly will have to get over is the assumption that Nutella is not as nutritious of a breakfast food item as other alternatives. Though in some capacity this may be true, Nutellaly has to emphasize to its consumers the new differentiated benefit of top chef created recipes that, in combination with Nutella, also include nutritious components like whole grains, vitamins, minerals and antioxidants. The emphasis for Nutella must be "as part of a balanced, nutritious diet", as exaggeration and fabrications could eventually lead to future legal repercussions.

Over time Nutellaly can phase out the distribution of pre-packaged products only emanating from their physical store. Using this as bait in the beginning is a good way of driving in-store traffic. However, after the brand awareness objectives are complete, if they are to continue only distributing these goods in their specialty store then they will run the risk of only hurting their own profitability. That is, there exists a myriad of products that Nutella can manufacture and sell in

convenience stores and supermarkets that while good, won't take away the allure and charm of the physical store and infringe on its profitability. Cannibalization of sales won't be a concern because these products, popularized by first being in Nutellaly, will be offered in numerous geographic locations, adding to a scope that previously only encompassed one physical site, Nutellaly. In addition, by consistently cycling out inventory, Nutellaly can use the retail space to test out other products they think may be successful and profitable in supermarkets and convenience stores. It is important to create a product that consumers want, but it is also important to let consumers try your product. The physical Nutella store will be a good starting spot to test out trialability and see what products that are popular in Nutellaly can be distributed at other locations as well.

**5. Available distribution structure, plus attitudes and practices:** In the beginning, the distribution of new Nutella products is going to be limited to the one physical site. However, with Nutellaly offering both an assortment of freshly-made products and pre-packaged products, in the long term, the expectation is that Nutella will be able to move the distribution of some of these pre-packaged products to other channels as well. Initially, the hope is to drive up the in-store traffic by offering these new pre-packaged products only in Nutellaly, thus forcing prospective buyers to go to that one physical site if they wish to buy. Inventory management and tracking is essential at this point. Once it is established that a sufficient demand exists for a particular product, Nutella can begin distributing these products to other locations and then devote the shelf space that was allocated to that particular product to a new product. This will enable Nutella to manufacture only those products that people want, and allow them to cancel the production of those pre-packaged products that people do not.

The expectation is that only the pre-packaged products will be able to be moved to other channels and it is also unlikely that Nutella will change the value proposition for certain products from freshly-made to pre-packaged. Technological advancements, and automation processes could very well mean that certain freshly-made products could be manufactured for mass production but this

neglects crucial components of brand management. One, by moving products from freshly-made to pre-packaged you begin to drop, to a certain extent, the association it has with quality and personalization. Secondly, if you make yourself too accessible in convenience stores and supermarket outlets then it will only cannibalize sales and hurt the profitability of the physical store. Specialty items, that which are created directly from intricate recipes, should be made only in store, as changing such a dynamic could potentially damage the brand's perceived value. Remember, the defining rule is to be exclusive while being inclusive; a guiding principle that will be used as a rule of thumb.

6.Industry Analysis (including Market shares on sales, profits, and budgets): Nutella is probably best classified as a “spread”, falling under the same industry as peanut butter. Peanut butter, although a very lucrative product category, has also demonstrated minimal growth in recent years. Nevertheless, the category’s vast size and market leaders are easily discernible by walking into any supermarket or convenience store and looking around for a couple of minutes. From observation and research, the top peanut butter producers are, at # 1, J.M. Smucker Company with JIF, at # 2, Hormel Foods Corporation with Skippy, and lastly at # 3, ConAgra with Peter Pan. The peanut butter category has a high level of concentration, with the four largest firms accounting for 83.3% of the average \$1.5 billion yearly industry revenue [3]. And trends indicate that this concentration percentage is only going to increase. Industries that have such high concentration usually lend themselves very well to niche brands who can profit off of offering the product in a variant, specialized way that even the leading brands can’t beat. Nutella has been the niche brand in this industry so far in the U.S., and they have done this by offering a unique hazelnut spread that the leading brands haven’t been able to replicate, replace, or displace.

Although these respective peanut butter brands and manufacturers have had much success, peanut butter has been shown to be a product that does not typically generate a considerable amount of brand loyalty. Product categories that typically don’t generate any brand loyalty are usually those with little to no differentiation

between the competing brands. To date, product variations in the category have mostly been in the form of line extensions, minor augmentations in the product that provide benefits that the regular spread does not. For example, Skippy produces reduced fat, “natural”, and super creamy variations of their regular peanut butter. These variations really do not provide any differentiated benefits however, as most of the benefits, though perhaps new relative to the brand, are mostly just tired rehashings of the same benefits their competitors provide. Meaning, since these peanut butter manufacturers do not want to miss out on potentially heavy segments in the market by not producing a product with the same benefit as a competitor, ultimately just make everything conceivable. In addition, many of these peanut butter manufacturers only produce so many line extensions as a way of keeping their competition from obtaining this same shelf space. This in actuality is not a true strategy committed to differentiation. As previously said, Nutella, just out of virtue of being the only true hazelnut spread is the most differentiated in the market.

Nutella can look to its competitors in the spread category to unearth new trends that they can exploit when moving to the specialty store. New trends such as products made organically have become more popular in recent years. Each peanut butter brand produces a variation of their traditional peanut butter that is made naturally or organically, Nutella can either apply this same logic to the spread or to the various food groups, such as granola, that they will sell in the specialty store in conjunction with Nutella.

Even absent a specialty store, Nutella offers enough of a differentiated benefit to warrant expansion of its principal product into new product arenas. On the other hand, peanut butter augmented products are already very much available in multiple forms and are offered from a multitude of brands and companies, and not just from those that specialize in making peanut butter. Therefore, in conjunction with the fact that their new target market of 18-27 year olds is looking for additional convenience, as detailed later on in the demographic environment section, Nutella can produce brand extensions in the form of convenience based

goods such as granola bars, or move distribution of “Nutella & Go” into the United States to increase its profitability. Regardless of the channel, if successful, by offering new products not currently offered, either in a specialty store or in supermarkets, Nutella can establish the industry standard for greatness because it proved that it has both a product and brand reputation that is capable of being leveraged across new arenas.

Nutella shouldn’t feel intimidated by the peanut butter juggernauts of yesteryear. Nutella should stride to continue their unprecedeted growth, and with great fortune, but more importantly great strategy, they very well can become the leader in market share in the U.S. in the not so distant future.

## **B. Pertinent Test Data:**

The general format of Concept Testing outlined in New Products Management by Merle Crawford and Anthony Di Benedetto was followed in the implementation of this Nutella brand extension [4]. The Product Innovation Charter (PIC) says the earliest evaluation a firm must make is of itself and its present situation. Companies need to make strategic decisions, creating new products that fit in well with what they already do and that are easily marketable under the umbrella of its already established brand.

Nutella currently exists as a niche brand in the market. And although possessing a passionate community of avid fans since coming to the U.S., the brand has done little to nothing to revolutionize the market and gain a greater market share. In the simplest of ways, Nutellaly will be in line with the preexisting Nutella spread because it makes food and food related products. But in addition, as alluded to in the beginning, the foundation of Nutella’s success is also built on its undeniable appeal as the fun brand. Therefore the question beckons, “Is it possible for Nutella to extend their brand personality into a physical store?

The answer is undoubtedly, yes.

To gather further information as to whether or not Nutella can overtake peanut butter as the leading general spread in the United States, interviews were conducted. In total

twenty-five college students were interviewed. Those interviewed were given a list of five predominant breakfast food items, Kellogg's Special K Cereal, Quaker Oats Oatmeal, Nature Valley Granola Bar, Skippy Peanut Butter, and Nutella, and were told to list them in the order they consume them the most, not necessarily based off preference. Not surprisingly, Nutella landed as the least likely product to be consumed, just behind oatmeal. However, in a rather large contrast, when asked to list them in order they would like to eat them, that is in which they would enjoy them the most, Nutella landed as the number one option, even ahead of peanut butter. When these same students were asked to list the reasons why they consumed the products they did the most, convenience and how easy it was to take on the go was ultimately the deciding factor. Lastly, when asked who did the majority of the shopping in the house, more often than not, it was the mothers of the family. However, digging deeper, when asked why they believed their mothers bought the products they did, ironically enough, a remarkable 92% said because it was easiest for their mothers to take on-the-go to their own respective jobs.

It was easy to see that, based off the sample, the lack of consumption of Nutella wasn't attributable to a lack of want, it was attributable to the fact that it wasn't already in their houses. And it wasn't getting into these households because those making the buying decisions didn't perceive it as giving them the benefit of convenience that they needed. Empirical evidence in this case clearly shows that the target market wants and desires Nutella more than other breakfast items, including peanut butter, it was just a matter of Nutella offering a more convenient value proposition. The likely reason(s) why Nutella scored lower than peanut butter in terms of current consumption is probably a combination of the fact that the idea of peanut butter being the spread for the house has been woven too deep into the minds of those making the decisions in the house and because peanut butter infused products are already very much in existence through a multitude of different product platforms, and brands.

The revelations obtained through the interviews were that:

1. Mothers, particularly when it comes to the spread, are those making the purchasing decisions in the house

2. When advertising this new convenience-oriented value proposition, promotions need to be designed to convince mothers of this new benefit since they are making the purchases.
3. Consumers, whether it is the target audience, or their mothers, want a value proposition offering more convenience and

Besides the obvious solution, there exists a couple of ways of getting around this problem. Nutella can create more strategic promotions aimed at convincing mothers of the convenience-oriented benefits of Nutella as it stands now, but the obvious answer to their problems is that they need to actually create a more convenience-oriented value proposition than what they are currently offering. As said earlier, even absent a specialty store, Nutella offers enough of a differentiated benefit to warrant expansion of its principal product into new product arenas. However, by opening a specialty store, Nutella can circumvent their reliance on the mothers of these families, but also, if done correctly, they can create a fun location that is, not only in line with their overall brand identity, but also capable of helping them increase their brand exposure and awareness as well.

### **C. Comparisons with Competition:**

Given the extremely low entry and exit of manufacturers, high concentration, and minimal growth, the spread and peanut butter industry is best categorized as a static industry. Static industries usually have different dominant forms of competition than dynamic industries. Static industries are usually marked by price competition, whereas dynamic industries typically focus more on differentiation and innovation as drivers of value. While brand loyalty is a great asset to a company, peanut butter is just not a product that lends itself well to this. Given that there is minimal to no noticeable difference between different peanut butter brands, typical customers are either passively loyal, buying mostly out of habit rather than reason, or price switchers, where they always purchase the lowest priced item. As a result of negligible brand loyalty, companies in this category typically publish large amounts of coupons, as this has been shown to be effective in encouraging sales of one particular brand versus another [5].

While some other companies, particularly those in technological based industries, have had an unrelenting quest for relevance and innovation, revolutionary changes in the peanut butter category have not been as prevalent. In fact, peanut butter manufacturers have forgotten what the word innovation truly means, using the word in advertisements more so as exaggerated puffery than anything else. While peanut butter is abundantly available in a variety of forms, more so than Nutella, the most popular way of eating peanut butter still remains spreading it on bread along with jelly. And given that that dynamic has not changed, and does not appear to be changing anytime soon, it is probably safe to say that one of the last words one should use to describe peanut butter is “innovative”. Nutella right now is the only true hazelnut spread in the market. Price competition is mostly prevalent among industries with participants with little to no differentiation between them. For as long as Nutella remains the only participant in the industry that provides a hazelnut spread, not only will they almost automatically be perceived as providing differentiation but they will also be able to warrant charging a price premium relative to peanut butter. Both of these aspects could mean promising long-term potential for Nutella, but they need to leverage this potential now, while they still can. Nutellaly is that outlet for Nutella to take their next step forward.

## **Environmental Analysis:**

Environmental and exogenous factors could have a significant impact on the profitability of a Nutella Store and must be considered.

- A. Demographic Environment: More so than other demographics, age and income level have the greatest effect on the success of a Nutella store. As previously said, to date, Nutella has been positioned as a product for the youth as provided to them by adults. The new branding strategy moves away from this dynamic to target an older audience base as well. The new branding strategy is to encompass, in addition to younger children, young adults from the ages of 18-27, as these are the ages of average college students and aspiring young professionals who lead extremely busy lives. With this change, greater emphasis is going to have to be put on the new target's wants, needs and desires. The expectation is that do to their busy lifestyle, this older audience is

seeking additional convenience and accessibility. Nutellaly provides this by giving consumers the ability to buy Nutella-enriched products they crave at a convenient store location that is in close proximity to their place of work. With this great emphasis must be also be placed on the store and staff's ability to be efficient, given the target's assumed time restraints in terms of getting to work. In addition, since products at Nutellaly are likely to be sold at a premium relative to comparative goods in the market, income level is very important. However, being that Nutella products are supposed to be more along the lines of splurge items, and a once in a while purchase, there shouldn't be as much price sensitivity.

- B. Sociocultural Environment: In conjunction with demographics, there is a sociocultural trend of moving towards healthier foods. Older consumers, who are part of the new branding strategy, are typically wiser than younger consumers and thus are more conscious of what they are putting into their bodies. Older demographics are likely not going to be drawn to the store by claims of Nutella's healthiness. Rather, strategic promotions must emphasize the additive nutritional value of the items that Nutella is being partnered with, altogether emphasizing "as part of healthy breakfast".
  
- C. Economic Environment: Nutellaly is likely to be more along the lines of a luxury goods store. Currently amongst the spreads in the industry, Nutella exists as the highest priced alternative, and when it comes to a physical store, that association will remain the same. Nutella has already established itself as a differentiated product that demands a price premium and thus changing this association for the physical store could actually hurt the brand value. However, adverse changes in customer disposable income and higher unemployment rates could hurt Nutellaly's ultimate profitability. As times get tougher, people will turn to lower-priced alternatives and to eating at home. This is why Nutellaly needs to be strategically situated in a geographical area where the population has a low sensitivity to price. It is for these reasons that Nutellaly will be ideally located in Manhattan, New York.

- D. Regulatory Environment: It is the responsibility of The Food and Drug Administration (FDA) to protect and promote public health through the regulation and supervision of food safety [6]. It is especially the duty of the FDA to impose strict regulations when it comes to food product labeling to mitigate the risk of falsified product claims. Due to the fact that Nutella is classified as a healthy breakfast food item while also being used as an ingredient in many extravagant dessert items, it seems as though Nutella is teetering perilously between incredible value and exaggerated product claims. As Nutella branches off into a specialty store, its strategic promotions need to continuously emphasize use “as part of a balanced, nutritious diet”. If Nutella does not emphasize this, it is foreseeable that one might suggest that their advertisements are misleading people into believing that their product is healthier than it actually is, thus leading to potential legal ramifications later on, down the road.
- E. Technological Environment: Advances in technology can potentially have a significant impact on the operations of Nutella. Technological improvements could very well make it cheaper to produce the hazelnut spread. As previously said, Nutella offers a differentiated product and as a result, they are able to demand a price premium. With that said, if technological improvements can make it possible to produce the same Nutella taste at a lower cost, Nutella does not need to push the cost-savings onto its consumers, but rather it can pocket the difference themselves, thus increasing profits. It is important to remember that effects to the spread, will in turn eventually affect the store.
- F. Natural Environment: High cost of raw materials and natural resources can significantly impact the profitability of Nutella. If there is a shortage of hazelnuts harvested due to perhaps devastatingly poor weather, Nutella could be left with a difficult decision about the pricing of its product. Traditional economics teaches us that as supply of an item goes down, its price in turn will increase. Thus as a result of having higher input costs, Nutella will likely be forced to charge an even higher premium than it does already, or absorb the additional cost as a reduction to its profitability. In conjunction with the technological environment, if Nutella pays attention to relevant improvements, Nutella can mitigate its vulnerability to ecological fluctuations like a severe drought and

maintain respectable profits. Like with the technological environment, it is important to remember that effects to the spread, will in turn eventually affect the store.

## **SWOT Analysis:**

A SWOT Analysis highlights the strengths, weaknesses, opportunities and threats associated with a product. When evaluating each of these characteristics for Nutella, it is prudent to look at both the specialty store, Nutellaly, as well as the principal core product, the Nutella spread. Also looking at the spread in this analysis is important because if anything was to affect the profitability and popularity of the spread, it eventually would affect the specialty store as well.

### **A. Strengths:**

1. **Recognizable Brand:** In spite of its rather lackadaisical advertising campaign, Nutella nevertheless maintains a stout stronghold in the minds of their consumers. The cult of Nutella enthusiasts has done nothing but grow over recent years, reaching a status that is best categorized as mania. With no signs of slowing down, Nutella seems poised to conquer the U.S and overtake peanut butter as the # 1 spread, but it needs to start now, and it starts with Nutellaly.
2. **First Mover Advantage:** Some products, and brands that come with them, are so revolutionary that they actually create product classes. Though Nutella didn't create the spread category, and perhaps not even the hazelnut spread category, it is probably the only product of its kind that consumers have the ability to recall. However, by popularizing a product category, competition if it did not exist already will almost certainly arise. With that said, companies that have strong brands cannot afford to sit idly by while new comers enter the market, first nipping at their toes and then gunning for their heads, they need to capitalize on being the first mover in a category and conquer their new opponents before it is too late. In conjunction with their recognizable brand, which in part is likely attributable to being the first mover in the market, Nutella, not only just to try and overtake peanut butter, almost needs to create a Nutella store to maintain its advantage in the market, and keep any new entrants at bay.
3. **Reach Brand:** Not every brand has an identity that can be stretched across multiple product classes. But Nutella, in addition to being a recognizable brand, has a brand that can be easily leveraged into new product categories. The best outlet to do this is as a specialty store. A specialty store, as previously said,

provides Nutella a location where they can not only distribute new products, but also a location where they can test out their popularity. In the end, this allows Nutella to develop the ultimate brand identity they want to possess, a brand of both fun and convenience, because they are easily able to wean out the production of non-popular products, and in turn only produce those products for which there exists sufficient demand.

4. **Delicious and Nutritious:** As will be spoken about more below in weaknesses, there exists much skepticism about the healthiness of Nutella. Many people don't consider it to be any more healthy than chocolate. With that said, strategic advertisements emphasizing the healthy benefits of Nutella specifically, will likely not hold much weight in the minds of consumers, especially given that the new target consists of wiser consumers, 18-27 year olds, whereas the previous target was small children. Given this, if Nutella wants to project themselves as at least a healthy breakfast alternative for adults, then strategic advertisements, in order to be believable, need to emphasize the health benefits of the items that Nutella is being partnered with, such as granola, more so than the Nutella spread itself. However, with this being very possible, Nutella and their specialty items should actually make Nutella a more attractive alternative based off the healthiness factor than it was in the past when it was just a jarred spread.
5. **Geographical Scope:** In addition to being popular in the U.S right now as a niche brand, Nutella is to Europe what peanut butter is to the U.S. And although this is seemingly unrelated to the launch of specialized store in the United States, it is important to know that their popularity and profitability overseas will help mitigate any risks associated with this new overture. Ferrero's ubiquitous status in Europe has shown no sign of decline in recent years, as the company earns 80% of its sales there [7]. In addition, associating their brand with the country in which it originated from is a great way of adding credibility to the product. Many companies with a rich history actually have a point of distinction from their competitors and don't even know it. Nutella, in its earliest form, has been around since the 1940s, originating in Italy under the creative direction of pastry maker, and founder of the Ferrero company, Pietro Ferrero [1]. Pulling culture from the earlier vestiges from which the brand was initially built, will give Nutella a great foundation from which they build their physical store. Having an abundant heritage has the power to make your brand stand out from others as there has been a proven psychological advantage to having a brand that has been around a long time [8]. Emulating a ripe Italian culture and immortalizing everything that Pietro Ferrero stood for when he created Nutella, including his

creative, imaginative genius, is the standard that Nutellaly should strive to obtain in every endeavor they undertake.

6. **Added Choices and Convenience:** Some of the biggest and most important strengths of this new store are the benefits of added choices and added convenience. Before Nutella relied on consumers' ability to cook in order for some of their more elaborate recipes to be made. However, through the creation of the store, consumers will no longer need to be skilled in the kitchen in order to produce and then consume these intricate dishes. In addition, now that there will be a specialized destination where people can get Nutella products, consumers no longer have to bring the products from home. This affords consumers added convenience, because it saves them the time of having to make their Nutella based food before leaving their houses. For a business person on the go, time means everything, and now thanks to Nutellaly, they'll have more of it.

## **B. Weaknesses:**

1. **Poor advertising in U.S.:** Though Nutella is absolutely adored by its community of avid enthusiasts, its brand scope in terms of people reached is still relatively small. In fact, Nutella is popular in spite of its poor advertising. Given this, imagine what Nutella could become if it increased awareness through more commercial campaigns. Advertisements will need to foster the idea that Nutella is a fun brand that consumers should stride to be around, they do not necessarily need to emphasize the physical store, as good feelings toward the core product will flow to the physical store as well.
2. **Questionable Health Benefits:** Many people are hesitant to believe that Nutella actually encapsulates the various health benefits that it claims. This stems partially from the fact that Nutella is just so delicious, but to a certain extent this skepticism is warranted, given that commercials and other advertisements to date although emphasizing the health benefits of the items Nutella is combined with, seem like their emphasizing the health benefits of the spread itself. Nutella on its own does actually have some nutritional benefits, including fiber, iron, and calcium, among other things, but it is more likely that the beliefs of it being healthy arise from subtle advertisement exaggerations that people do not catch [9]. As alluded to previously, Nutella walks a tight rope between offering incredible value and making unsubstantiated product claims. The apprehension that consumers have about Nutella being healthy is likely warranted, and Nutella should not try to get around it, or even borderline lie about it. This is a weakness

that Nutella will not be able to get around unless at some point they want to offer a reduced fat line extension, something that all the larger peanut butter manufacturers do already. Fortunately however, Nutella as a store is being targeted towards a much more sophisticated, wiser demographic than it was before, and with that comes the conjecture of a better understanding of the product on the behalf of the target market. Therefore, Nutella need not make inflated advertisements emphasizing Nutella's health benefits because they could surmise that the target audience would likely not be affected by them anyway. What they need to do, both in part to mitigate the risk of future lawsuits due to possibility of perceived exaggerated advertisement claims, and to effectively market their new store, is highlight the health benefits of the items that Nutella is being partnered with, and again not the spread itself.

3. Association with Breakfast Only: One association that Nutella established that was favorable in the beginning and that is now hindering them, or limiting them, is that they are associated solely with breakfast. Owning breakfast for any brand or company is no small task, but now that they are trying to branch out, people look at them as only being capable in the breakfast arena. The design of the menu will be an effort to offset this, as Nutellaly will make certain products only available after a certain time. In addition, Nutella will try to leverage the unique taste of Nutella into coffee as well. With some people needing a mid-day pick me up, in addition to their morning boost, offering a rich hazelnut coffee they can't get elsewhere, should be an effective strategy to get people into the store during what would otherwise non-peak hours.
4. Higher Price than Peanut Butter: Peanut butter and Nutella are probably both best classified as falling under the spread category. They are used in pretty much the same situations as one another and that makes them competitors. If the economic outlook is grim, and families need to spend their money more sparingly, peanut butter, since it is cheaper, may become a more attractive option than Nutella, given how easily they are substituted for one another. This logic to an extent applies to the specialty store. Nutellaly is going to be more so a luxury store than anything else, it is to become an outlet where people can be happy and get away from their troubles, while also consuming a product they love, which on its own already sells at a premium. Eating breakfast at home, or bringing breakfast from home, will become more common as economic troubles become more prevalent. As a result people may begin taking a quickly made peanut butter and jelly sandwich from home because it is a cheaper alternative to anything Nutella offers today.

## C. Opportunities:

1. Finding Nutella's Jelly: Much of the initiatives that Nutella undertakes from this point out will be in an effort to overtake peanut butter in the market. One of the more undeniable advantages peanut butter has over Nutella, is that Nutella has yet to find its perfect complement. For Nutella, finding its perfect complement, or its “jelly”, could very well be the push it needs to overtake peanut butter in the United States. Co-branding, that is the bundling of two brands into one value proposition, is a classic search for synergy, and when done correctly can create a real point of differentiation. J.M. Smucker Company, under its Smuckers brand, currently offers a product called “Goober” which is the combination of peanut butter and jelly in a single jar. Imagine a world where Nutella is combined with their perfect complement in a single jar and the success that could be obtained. However the question beckons, what is Nutella’s perfect complement? The possibilities and answers are endless.
2. Increase in disposable income at home and abroad: As listed above, when in times of economic turmoil, the higher price of Nutella relative to peanut butter is a weakness for the brand because customers will be more inclined to purchase the lower-cost item. But an increase in disposable income has the opposite effect, as it means that potential customers have more money in which they can spend, making them more likely to purchase high-end goods like Nutella. Since Nutella is a brand that has appeal across multiple countries, if one of the countries has a resurgent economic situation it is likely that product consumption will increase there as well. Therefore, investing in emerging markets represents a great growth prospect for Nutella. Fluctuations abroad, that is in other countries outside of where Nutellaly is located, though seemingly unrelated, is of the supreme importance because success abroad will mitigate the risks inherent in undertaking the expansion of the brand into a physical store in the United States.
3. Easily Adaptable Product to other Areas: Nutellaly is expected to be rolled out into Manhattan, New York. With that, Nutellaly will have to adapt to many of the customs of New York citizens. But if Nutella expands into other geographical areas, by adapting to these customs as well, Nutella will be able to expand their repertoire of dishes. Nevertheless, even if Nutella chooses not to open another physical location elsewhere, there are still abundant advantages to exploring other states. By looking at these others states, Nutella will be able gain some creative insight into new ideas by exploring the cultural customs of other states and using those ideas to conceive new product offerings for New Yorkers.

Nutella is able to do this because they have a versatile product with a broad appeal that is, as said earlier, the bacon of the dessert menu, because just like bacon, everything tastes better with Nutella.

#### D. Threats:

1. Cheaper Alternatives: Using a perceptual map is a very useful exercise. A perceptual map displays, in two dimensions, the position of related products and brands in the minds of consumers. One of Nutella's biggest weaknesses is that it exists as the highest price alternative in the market. If one was to put Nutella on a perceptual map, it would reveal that in contrast to Nutella, which is high taste and high price, an ideal point for a competitor brand would be to provide an above average tasting product at a cheaper cost than Nutella. Particularly in times of economic hardships, if one was to make this offering to the market it is very likely they will be able to undercut Nutella and take a large share of their profits, both short-term and then long-term.
2. Hershey's: Hershey is one of the world's leading providers of chocolate. With that said, if there is anyone who can enter the market and challenge Nutella for the lead it's Hershey's. In fact, it is best to say that with Nutella's continuing success and popularity, that it is inevitable that Hershey's will enter the market. In defense to this possible entry, Nutella needs to keep the brand new and fresh. An excellent way of going about doing this would be to open a specialty store.
3. Increased Prevalence of Hazelnut Allergies: Food allergies have been on the rise globally. According to a 2011 report by the Centers of Disease Control and Prevention, nearly 15 million Americans have food allergies, with an estimated 1 in 13 children under the age of 18 affected by them. Specifically when it comes to children, this reflects a 50 percent rise in food allergies from 1997 [10]. One of the most common food allergens in the world is tree nuts, and among those tree nuts that lead to allergic reactions are hazelnuts.

It is important to note that although it doesn't necessarily mean that you will inherit the same allergy as your parent, allergic reactions do in fact share a genetic link. That is, your body will be more susceptible to developing allergies, depending on whether or not your parents had allergies; this points to a possible continuing trend of allergic reactions in children. With the rate of people being affected by allergies only increasing, one has to wonder when this pandemic will get to the point where it will significantly affect Nutella's profit margins, given that the spread's main ingredient is hazelnuts.

## **Marketing Strategy:**

### **1. Segmentation and Targeting:**

It is important to realistically determine the characteristics of the people who eat the Nutella spread and can make use of a specialty store. While, the laissez-faire marketer would just say everyone loves Nutella, particular pockets of people, encompassing similar characteristics and demonstrating comparative lifestyles, otherwise known as segments, will be more apt to consume Nutella than others. In addition, certain segments will consume Nutella in different ways, or if they perceive their value proposition as lacking, will perceive it lacking based on different criteria. By identifying different segments and how they would like to benefit from a revised value proposition, Nutella can discover avenues where they are lacking and could possibly pursue to enhance their profitability. Based off all the possible demographics in which Nutella could segment based off of, age and income have the most effect. Below are a couple of different segments and what more they could possibly want from Nutella:

- Children (Ages 3- 12): Nutella is currently targeted towards children, even though advertised to their mothers. Children value Nutella solely for its delicious taste, they don't care so much about the health benefits of the food they are eating it with. Small children would also love a Nutella store, but if targeted towards children the value proposition and in-store ambiance would be much different than what has been described throughout this report. A Nutella store for children would predominantly be a breakfast to lunch food place where parents every once in a while would take their children as a treat. It would probably be mostly effective for birthday parties for large groups of children, and could stand to benefit from emulating McDonald's, and their child-friendly store setting.
- Teenagers (Ages 13-17): Teenagers, more so than any other demographic, care about what everyone else is doing. Teenagers care about what is popular. A Nutella Store aimed at teenagers would likely have to integrate aspects of other hobbies they have and incorporate cultural icons that they idolize in promotional campaigns. A Nutella Store for teenagers needs to be the “chill-spot”, however the ironic truth is that teenagers, perhaps more so than any other potential segment, are savvy when it comes to blatant attempts at projecting cool. Teenagers know cool. A Nutella Store for teenagers would have to be radically different from that of other demographics. Incorporating fun games, such as a skate park, and maybe paint-ball, or perhaps Nutella ball, is almost

absolute must. For teenagers, the brand can scream fun as much as it wants, but when it comes to a physical store, they want to have real fun.

- Young Professionals and Aspiring Professionals (Ages 18-27): This group encompasses perhaps the busiest of all the potential segments. The 18-27 year olds are aspiring business professionals who have to balance various conflicting goals and agendas. On one side, they want to maintain their social life but on the other side they are also trying to prove themselves as capable in the business world. In fact, it is because they have so much to prove in the business world and at their places of work, that they may actually have to work longer and harder than people with seniority. This is why offering added convenience is such an overwhelming benefit to this segment. Even with Nutella's current branding strategy of targeting children, there already exist heavy usage rates by people of this age range. In addition, by offering a convenient location where they can consume a brand that they already revere, Nutella will be offering this segment the best of both worlds; fun and convenience.
- Last Hurrahs (Ages 28-40): The expectation is that when it comes to a Nutella store, 28-40 year olds will demonstrate similar behavioral characteristics as that of the 18-27 year old segment, albeit less frequently. As people get older, and their lives get busier and busier, there becomes increasingly less time to do things that they once loved. In addition, as you get older there are some things you just can't get away with doing anymore, or at least not as frequently because your body just won't let you. The same Nutella store targeted towards 18-27 year olds will likely have a small secondary market in the form of 28-40 year olds. The value proposition offered to these people will likely not have to be drastically different from that which is offered to the 18-27 year olds because these are people who will go to Nutellaly for the self-expressive benefits, to convince others, and themselves, that they still have it, a last hurrah of sorts.
- Ages 41- and Older: More so than any other segment, this segment has the least to gain from the opening of a Nutella store. This segment is likely to be more rigid in their beliefs and characteristics, and would likely never set foot inside a Nutella store. These people will possess a more exaggerated and intensive form of the Last Hurrah's beliefs. Their primary reason for not consuming products from Nutellaly will be rooted in health concerns. But in addition, the perception of being the youthful brand will likely have no appeal to this segment, in fact it may even disenchanted them. This is a more affluent segment of people who are

looking for above all else, sophistication, which ironically enough puts them as more likely candidates to shop at a specialty store dedicated to one of Ferrero's other brands, Rocher. However this segment is likely to be too small to warrant substantial investment in the form of a specialty store. In addition, with these people representing an older audience, accessibility becomes a lot bigger of an issue than it is already. The question beckons, "will a specialty store be sufficient for Rocher to reach this market of potential customers?" The answer is likely no, meaning different channels outside that of a physical store would have to be explored as well.

After evaluating the attractiveness of all possible segments, as well as each group's wants and needs, it was determined that Nutellaly is best created in an effort to appeal to a new target of 18-27 year olds. Potential consumers 41 and older, just don't overlap well with the youthful brand identity of Nutella. In addition, this market is too small and may even require Nutella to conceive a more elaborate strategy for providing these people convenience, especially given mobility issues for the older consumers who fall within this segment. Creating a store for children likely does not provide a steady enough revenue source for Nutella. It is for this segment that the spread would likely be more successful. Remember that it is parents who will be making these children their breakfast, therefore it becomes a question of what is more convenient for them, to make the breakfast themselves or take them to Nutellaly? The answer is likely to make it themselves. After 18-27 year olds, teenagers probably are the segment most likely to enjoy a Nutella store. However, the overly pseudo-raunchy personality that a store dedicated to teenagers has to employ is likely to push away other secondary segments. In addition, Nutella is somewhat of a prestige brand, warranting at least a small price premium, especially relative to peanut butter. The question becomes where are these teenagers getting the money necessary to purchase food at Nutellaly? Small children have their parents buy it for them, all the other segments are capable of purchasing Nutella products on their own, but teenagers are just for the better part, broke. Their exiguous income would hardly be enough to purchase anything worthwhile at the Nutella store. Significant additional investment in the physical store, and therefore more money, would also be needed for this segment as well as they would demand a lot of supplemental services like games that other segments wouldn't demand. The Last Hurrahs are the secondary market to the 18-27 year old market. They wish they still were in this group, and as a result will also be likely to shop at Nutellaly, just not as frequently

## **2. Branding Strategy and Positioning:**

After a brand decides which segments it wants to pursue, it must determine how it wants to be positioned within those segments. The positioning process entails giving your brand's target customers a clear and desirable understanding of what the product represents relative to competing products. While the Nutella spread is currently targeted towards children, the slightly revamped and revised strategy has Nutella encompassing more emotional benefits and self-expressive benefits, becoming the brand that makes you feel youthful. This will have to be articulated through various promotional campaigns, commercials, special events as well as others, but the expectation is that, if done correctly, persuasive messages should be effective in arousing the interest of the new target, 18-27 year olds.

Brands, in the long-run, in order to be successful, need to include emotional and self-expressive benefits to insulate themselves from competition, but they also need to offer a relevant differentiated benefit. The revised identity really only encompasses the emotional and self-expressive benefits, what still needs to be articulated to the new target is a distinctive message as to what the new functional benefits of the brand will be. Brands cannot be all things to all people, and with that said, a Nutella store is not going to be for everyone. In addition, the idea of Nutella becoming the brand that makes you feel youthful should be a believable jump in the minds of 18-27 year olds. With that the question beckons what is characteristic of their behaviors and lifestyles of this new target? These people are typically aspiring professionals or devoted students who although having busy lives, still want to have a good time and have fun.

The brand promise, or positioning statement rather, is the most important part of a brand's design. A brand in order to be successful must promise a relevant, compelling, and differentiated benefit to their target market. The ideal benefit to offer to prospective customers has three essential qualities:

- (1) It must be meaningful to the target
- (2) Your brand/company is able, and uniquely suited to deliver it
- (3) The competition is not doing the exact same thing

As said earlier, the new target consists of young professionals and students who in addition to their work, value having a good time. However, since these people are so busy they don't really have time to have fun. Therefore, in order for a brand to be successful reaching out to this target, they need to be readily accessible, almost borderline intrusive, and be a fun brand that they would want to be around. There is no doubting that Nutella is a fun brand, even to date, many of their promotional endeavors project just that, but the additional benefit their target needs is added convenience. A specialty store in Manhattan, New York will make Nutella very accessible to these two groups of people. In addition,

the products this store provides, specialty-made items as well as pre-packaged products, helps further both the perception of being fun and convenient.

When it comes to delivering this benefit of convenience, there is no one more uniquely suited, or rather suited to do it uniquely than Nutella. Nutella is a decadent hazelnut spread that is unlike anything else in the market. Though their popularity will surely lead to an onset of potential competitors in future years, they are currently the only brand that offers a hazelnut spread with any real recall ability. And while Nutella maintains its popularity and still exists as this minority product in a world saturated with peanut butter, they will maintain their ability to offer something unique that so many people want.

Although Nutella's competitors in the spread category do not offer specialized stores, Nutella does have some competition from Hershey's and M&Ms in the form of specialized stores. However, while similarly trying to appeal to families much like Nutella has tried to in the past, these stores are targeted mostly towards one-time purchasers, tourists. It can be argued that given the nature of what Nutella offers, predominantly dessert like items, and the built-in questions regarding their health benefits, they too shouldn't count on consistent repeat purchasers. Nevertheless because Nutellaly will be in close proximity to their target on a more consistent basis than these other stores, it will be targeting a more stable consumer base from whom they can hope to make revenue from.

Food from Nutellaly, particularly the more elaborate freshly-made specialty items, probably shouldn't be consumed by the same customer on a daily basis. Although extreme austerity and borderline deprivation isn't the answer in life, over indulgence isn't either. Moderation is key. Nutella is for that busy on-the-go consumer who wants to get away from the mundane every once in a while, get together with a couple of friends and sit down and dream of a hazelnut world full of delicious Nutella; and if a world of Nutella is too much now then perhaps just a store will suffice.

### **3. Unique Selling Proposition:**

Nutellaly is targeted at consumers who are college students and young professionals, ages 18-27, residing in New York, who live busy lives and are searching for convenience, taste, and fun in a single product offering. Nutellaly offers this target the ability to consume the unmatched flavor of Nutella in a variety of convenient ways, in a convenient and fun location, thus making the location the go-to destination for consumers seeking an unforgettable palate-pleasing experience.

### **Marketing Mix (4 Ps):**

#### **1. Product:**

Nutellaly is an extension of the Nutella brand identity that was created in an effort to appeal to a new target, 18-27 year olds. Nutellaly was conceived after a detailed observation, analysis, and understanding of the new target's wants and needs. Nutellaly, which will be strategically situated in the heart and soul of Manhattan, will stand out as the go to destination for gourmet dessert products for the on-the-go consumer. A Nutella store is an excellent alternative for busy individuals who both, are always in a rush and want to spoil themselves every once in a while. The creation of Nutellaly will also be a great outlet to consume the product for some of Nutella's biggest fans, who just want to indulge their sweet tooth and have a little fun.

Nutellaly is not intended to be a chain. There are numerous reasons for not opening up multiple Nutella Store locations, but perhaps the biggest is the fact that there are little to no economies of scale generated by increasing the amount of brick and mortar locations. Real estate is very expensive. Some companies, particularly tech-based companies typically do not need to invest much money into commercial real estate. Companies that sell physical goods, on the other hand, much like Nutellaly intends to, typically do need to invest large amounts of capital into multiple locations. This has serious potential to hurt Nutellaly's bottom line. However, Nutella has to be realistic about the costs they incur. Nutella, both out of out a need to keep their costs low and to be in line with the brand's already established identity, should stride to create a location that brings customers to them instead of saturating the market with multiple locations in order to reach customers. As said previously, and will likely be said again, the guiding principle is always to be exclusive while being inclusive.

Perhaps the store's biggest attraction will be that the recipes behind their delicious specialty-made items will be conceived by top culinary experts in the field. The fact that the recipes will be concocted by top chefs, one, is an excellent point of differentiation, but two, will also add credibility to the notion as to whether the expansion to a specialized store is warranted given that other places also sell Nutella-enriched items as well. In addition to freshly-made products, the store will also have pre-packaged products as well. Currently Nutella does not offer any easily transportable, pre-packaged, convenience based goods in the United States. In the beginning, all of these delicious and nutritious dishes and pre-packaged products will only be readily available at Nutellaly. In an attempt to undermine any notions that the product isn't as healthy as some perceive, all of these products will be fortified with vitamins, minerals, and antioxidants.

The store layout for Nutellaly is of supreme importance. The layout, while needing to scream comfortable, relaxing, and playful, will also need to be set up in a way that

allows the operations of the store to run efficiently and effectively. First, in conjunction with its brand identity, the interior design will feature an abundant use of the color red. Red is one of the predominant colors used in Nutella's branding, but in addition, scientific evidence has proven that the color red induces hunger. Nutellaly will have an outside seating area and two floors, one floor for casual customers who decide they want to eat at the store location and another floor for reservations. Nutellaly will also feature waiters and waitresses for those patrons who choose to use these seated areas. Nutellaly will strive to make each patron's visit an unforgettable one. To foster the perception of being a fun brand, Chefs when making the on-the-spot, freshly-made products will use Nutella that is contained in a Nutella fountain. A Nutella fountain, though seemingly trivial, with a beautiful display will actually go a long way into making each patron's visit a sweeter, more unforgettable experience. In the end, the expectation is that, just like the spread, people will go "nuts" for Nutella's new specialty store, Nutellaly.

## **2. Price:**

There are many factors to consider when pricing the products at Nutellaly. First and foremost, at this point it is not possible to establish the pricing for each individual item that Nutellaly will offer. What is possible however, is to establish an overall theme that the pricing of these products says about the brand identity. Nutellaly should strive to give the impression that it offers a unique, high-quality value proposition. Nutellaly should be viewed as an attempt to move the Nutella brand's value higher in the minds of consumers. Sometimes an advantage exists at the high-end of a category, in this case, the spread category, where people are willing to pay more because of newsworthy and perceived developments in what otherwise may be considered a tired category. Nutellaly is this newsworthy development that will attempt to elicit a response in the minds of consumers and drive them to action. With that, a strategy of prestige pricing, where companies charge a higher price to foster the perception of high-quality, should be followed.

## **3. Place:**

Nutellaly is the first part of a multi-step process to move Nutella up higher in the minds of consumers. Where Nutella ultimately hopes to be as a result of moving up in the minds of consumers is the # 1 spread in the United States, in front of peanut butter. In order to do this however, Nutella needs to increase exposure and spread brand awareness by expanding its current universe of product offerings. What Nutella is currently lacking with their product offerings is the benefit of convenience, giving consumers the ability to easily consume Nutella in a variety of different locations in a variety of different

ways. Therefore, the multi-step process that Nutella should employ to make them more accessible to their consumers is as followed:

1. Open Nutellaly in Manhattan, New York
2. Move distribution of successful pre-packaged products, previously only sold through Nutellaly to other locations

In the beginning, the distribution of new Nutella products, freshly-made and pre-packaged, is going to be limited to the one physical site. However, Nutella will give away free samples of some of their pre-packaged products outside, and in close proximity, to the physical store. The reasoning behind this is to drive up the in-store traffic by offering these new pre-packaged products only in Nutellaly, thus forcing prospective buyers to go to that one physical site if they wish to buy. The hope is that this will become the bait necessary to get customers to enter the store and once inside, they'll be hooked. This exists solely as a ploy to generate foot traffic, the long-term hope is that these prospective customers who wander into the store will either purchase either the freshly-made products or pre-packaged products. For those pre-packaged products that gain popularity, the expectation is that the distribution of these products can be expanded to include other stores as well. If Nutella was to continue distributing these goods only through the specialty store even after their brand awareness objectives are complete, then they run the risk of potentially just hurting their own profitability.

#### **4. Promotion:**

In general, the main objectives behind promotional campaigns will be to inform potential customers of the benefits of the Nutella spread, and letting the favorable product associations trickle to the store. However, it is important to remember that both the spread and store will exist simultaneously, and it would be an egregious error to ignore one altogether in the promotion process. Each deserves their own campaign of promotional endeavors. Promotions for the spread, as well as the store, should focus on, among other things, the product's delicious taste, fun brand personality, and active role in encouraging healthy lifestyles, however the mediums that they use, and the strategies they employ, will be different. The Nutellaly strategy that focuses on reaching busy people, always on the go, is as followed:

1. Spreading awareness by using billboards in close proximity to trains in close geographic area to Nutellaly
2. Advertising on a train's exterior, not interior
3. Free Samples to drive in-store traffic

4. Paying for advertisement space in newspapers like the Wall Street Journal and New York Times (both online and digital)
5. Spread the happiness: Fan Contest/Event where winner gets their own Nutella-enriched product sold in store

It is important to remember that Nutellaly, at its core, is a convenience-based product/location that attempts to make life easier for the on-the-go consumer. Therefore when both deciding the geographic location of the store, as well as where to promote, Nutella must first ask themselves “Where are all the busy people?”

Manhattan, New York is a hub for busy people, encompassing everyone from office workers to public servants like Police Officers. An area in Manhattan that receives a large amount of foot traffic, and would be an ideal location for Nutellaly, is near Grand Central Station. If Nutella could set up billboards for the store in close proximity to Grand Central, it has very good odds of being seen.

Advertisements inside trains are nothing new or special, and they are widely ignored. In addition, advertising inside a run-down old train, doesn't exactly elicit the feeling of prestige that Nutella is trying to obtain by creating this store. However, by not using public transit as a means to advertise, with NYC transit bringing over 4 million people, on average, each day backwards and forwards each day, you are ignoring a large population of potential customers [11]. Also not to be ignored is the fact that commuters are typically busy people with light TV viewership and high disposable incomes which is exactly the new demographic that Nutella is trying to reach. While advertising inside a train has lost its appeal, advertising on the outside of a train is actually still a relatively new and fresh way of getting potential customers' attention.

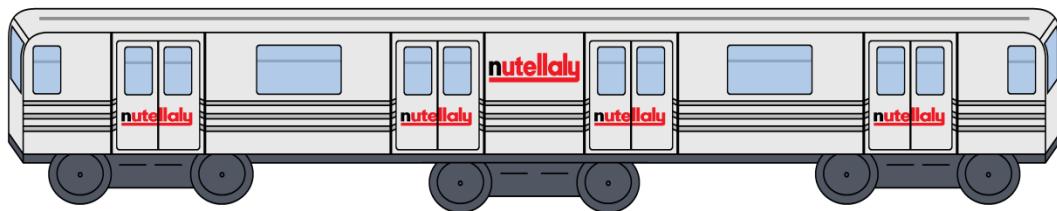
In conjunction with the product and place section of this report listed above, Nutellaly will also give out free samples of their pre-packaged products in close proximity to the store. The giving out of free samples of pre-packaged Nutella products, that are to only be distributed at Nutellaly, will be one of Nutella's earlier promotional endeavors and, an effective way of generating in-store traffic later on.

In addition to asking themselves “Where are all the busy people?”, Nutella must also ask themselves “How do I reach all the busy people?”. Nutella should advertise in predominant business newspapers like the Wall Street Journal and New York Times, in both their digital and paper forms. In addition, getting free publicity from these papers as a result of being in an article is also a great way of generating favorable buzz.

Lastly in line with their relatively revamped identity as the brand that makes you feel youthful, Nutella will have a promotional contest/event to also help generate favorable buzz. The fan contest will be a way for Nutella to give back to their community of avid fans. In conjunction with advertisements for the actual spread, Nutella will encourage

fans to submit their own recipes and entrees to be sold at Nutellaly when it opens. Those who win will be rewarded with an additional prize, an all-expenses paid trip to Italy would be good here, because the physical store itself will try to emulate the ripe Italian culture.

The launching of the physical store is planned for February 5<sup>th</sup>, 2012, the sixth annual World Nutella Day.



Above: A rough depiction of what a Nutellaly promotion on a train would look like.

### Marketing Objectives:

As stated earlier, there exists 6 main strategic goals and objectives behind opening the specialized store:

1. Challenge peanut butter for the lead as the #1 spread in the United States: In spite of its growing popularity, Nutella, to date, still only maintains a niche role in the market relative to peanut butter. Brand awareness for Nutella has never been stronger, but their lack of creative marketing is only enabling other potential market entrants to gain ground on them and eat up market share. Nutella needs to adopt the challenger mentality, not the other way around. Nutellaly is Nutella's way of creating a lighthouse identity, which is a brand's way of projecting who they are intensely, consistently, and saliently [12]. With a lighthouse identity, consumers have a better understanding of what the brand stands for, and if they accept that message, it means that they will navigate to and around the brand. The spread category has been lacking in imaginative direction for some time, it is a tired category that has had little to no innovative ideas in recent years. Peanut butter manufacturers for years have seen basic line extensions as innovation, and because of this haphazard perception have allowed the industry to become stagnant and devoid of any true imagination. However, by opening a physical store, Nutella will be assuming thought leadership of the category by showing that they have come to a genuine understanding of what their consumers really want, added convenience with a splash of fun. Nutella will be able to do this because they'll be admitting to themselves that their current value proposition is no longer adequate. If Nutella can break away from their previous conventions of medium, the jar, and provide their loyal consumers with what

they really want, then after more than 25 years, they can finally become the leading spread in the United States.

2. Challenge Starbucks and McDonalds' lead for best in-store ambiance: In order to take the lead for best in-store ambiance, Nutellaly's design will need to scream comfortable, relaxing, and playful. The allure of the store should go beyond just Nutella based food items, as a comfortable ambiance that encourages people to linger, can go a long way towards driving customers to make casual purchases. Like Starbucks and McDonalds, customers will have free access to Wi-Fi, but in contrast to Starbucks and McDonald's in store design, Nutellaly will also feature waiters and waitresses for those patrons who choose to use the seated area. And also unlike both Starbucks and McDonalds, Nutellaly will also include an outside seating area as well. Nutellaly wants to encourage its customers to stay as long as they want, while also striding to be like a relaxing resort where patrons can put their feet up and watch all their problems "just melt away".
3. Own the taste of hazelnut: In striding for this goal, Nutella doesn't just want to be associated with edible products. In addition to challenging pre-existing stores like Starbucks and McDonalds for best in-store ambiance, Nutella also needs to challenge them on coffee sales as well. New Yorkers especially love their coffee, as they drink approximately 6.7 times as much coffee as do people who live in other major cities [13]. In general, companies that specialize in their product category are perceived as providing more value. With that said, through a Nutella-infused coffee blend, Nutella needs to foster the perception that they are the leading provider of hazelnut flavored coffee. At the end of the day, the goal is to make people automatically associate hazelnuts with Nutella, though no small feat, if customers think Nutellaly offers the best cup of hazelnut joe, then it will be a good start on their way to accomplishing this goal.
4. To use as a plateau to further distribute Nutella-enriched products: The strategy for Nutella when it comes to the physical store, and pre-packaged goods is actually going to be a cyclical process. Not a stretch to believe, but there will actually exist a symbiotic relationship between the store itself and the newly manufactured pre-packaged goods. In the beginning pre-packaged Nutella products, which will only be sold in Nutellaly, will be given out in an attempt to generate foot traffic in the physical store. The hope later on is that, after the brand-building initiatives have been concluded, these pre-packaged products will become so popular that distribution can be expanded elsewhere. However, in order to obtain data that is relevant in determining whether or not there exists sufficient demand to move distribution elsewhere, Nutella typically would need to invest extensively in scanner research. Scanner research is a type of quantitative research that uses data obtained from scanner readings of UPC codes at check-out counters. But as a

result of having the sales of these products centralized, that is under one roof and location, as opposed to needing the data from multiple stores aggregated as a comprehensive total, Nutella can very easily monitor the demand for these products. As a result, Nutella can determine which products to distribute elsewhere, which products to keep on their shelves a little bit longer, and which products to terminate the production of altogether. Also as a result of having everything centralized in the beginning, Nutella can also determine and measure the extent that a price change affects the demand for their products and subsequent profit margins as well.

5. To remedy the problems of transportability and some consumers' inability to create from Nutella inspired recipes: To date, in the United States, Nutella does not offer any pre-packaged products that contain Nutella as an ingredient. As said earlier, Nutella & Go is widely available in Italy, but not yet in the U.S. Part of Nutella's brand identity has been to encourage fans to use the spread in their own unique recipes. As a result, Nutella no longer needs to rely on their own creativity to move the brand forward, but rather can take guidance and inspiration off what their community of avid fans have come up with. The fact of the matter is that there exists a myriad of recipes, widely available over the internet, that Nutella can very easily manufacturer and distribute. It is on Nutella however, to determine the value proposition of these items and decide whether these recipes they procure online should be made into freshly-made or pre-packaged goods. Nevertheless, Nutella should now be able to make transporting these an easier process, and in addition, by finding and creating these delicious treats, make it easier for consumers with poor cooking prowess to now eat these products as well.
6. To solidify their role as a top breakfast provider, while also expanding to other parts of the day as well: Nutella has made their bread and butter as the supplemental product that makes children want to eat their healthy, but perhaps not-so delicious breakfast item. But now as this brand is trying to expand their scope, and branch out to other times in the day, this association with just breakfast is actually limiting them. The best course of action for Nutella is to create campaigns aimed at riling up demand during what could potentially be non-peak times, lunch time and dinner time. If Nutella can create not just the perception of illusiveness but the perception of scarcity, by making certain menu items only available at certain times in the day and certain days of the week, Nutella may very well be able to effectively generate in-store traffic by making prospective customers feel as if they have to buy now or won't be able to later on. The only downside of this strategy is that this strategy is specifically for the physical store. Even if the specialty store is capable of breaking away from this association with just breakfast as a result of the strategy it is unlikely that it will affect the spread's association with just breakfast.

## Conclusion:

Ultimately the introduction of a Nutella specialty store is expected to help Nutella both increase its brand awareness, and overtake peanut butter as the leading spread in the United States. Through delicious chef-inspired creations that consumers can't get elsewhere, additional convenience and accessibility, a revamped branding personality, and an unrivaled in store ambiance, not only will Nutella be making a move to vitalize a static industry, but they will also be reinforcing the notion that they are a fun brand that consumers should stride to be around. Nutella is poised to take the next step and become more than just a household brand, but an everywhere and every hour brand. Nutella can taste the opportunity, now all that is left is for the customers to come and taste their treats.



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