

Ritter Sport

A family owned chocolate bar producer on the global market

A report by

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for the course

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Knusperflakes

Vollmilch

Rum Trauben Nuss

Weisse Voll-Nuss

Ganze Mandel

Vollmilch

Edel-Bitter

Knusperkeks

Cocos

Pfefferminz

Nugat

Cappuccino

Trauben Nuss

Voll Erdnuss

Joghurt

Ritter
SPORT

Marzipan
mit 100% Edel-Marzipan

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Picture on preceding page: Ritter Sport chocolate bars. Taken from:

<http://www.region-stuttgart.de/sixcms/media.php/153/Ritter%20Sport%20Schokotafeln.jpg>

Introduction and overview

Why I chose this topic

One company, one product. In a stagnant market this company can either decide to maintain its revenues, or go with its product into other markets. The German based Alfred Ritter GmbH & Co. KG (Ritter Sport) with its product Ritter Sport chocolate decided to expand by strengthening their position in countries they are already active in and by entering new markets outside Europe. With a declared commitment towards global expansion and the one product strategy, this company is outstanding.

Moreover, the current company leader Alfred T. Ritter proved brave when he invested € 15 million in new a marketing campaign and alongside increased retail prizes by 20 % - all this in 2007/8, the year of the financial crisis. Ritter was not only brave but also smart. Today, the marketing campaign proves its success in rising revenue; details are the family's secret.

The report's outline

Ritter Sport's focus on one product enables the researcher to easier evaluate different aspects related to the brand and the geographical markets the brand is active in. Germany, Europe, the USA and Asia are discussed in the following.

Theories on brands and brands' impact on buying decisions are explained and applied on Ritter Sport as a brand and Ritter Sport's product chocolate.

With two different business models, the SWOT-analysis and the Ansoff Product-Market Growth Matrix, it is sought to find

out whether Alfred T. Ritter's course of expansion put Ritter Sport on a promising path.

About Ritter Sport

In 1912 Alfred and Clara Ritter founded a sweet and confectionary production in southern Germany. The products were sold locally but the increasing demand for chocolate and luxurious products during the roaring 20th soon made an expansion of the manufacturing site necessary and the sweets were sold regionally. The significant squared Ritter Sport chocolate bar was introduced in 1932 after Clara Ritter saw the need of soccer players for a chocolate bar in a convenient size. It should fit into a pocket and the package should be reclosable and safe. As the weight of 100 g was to be preserved, the shorter and squared chocolate bar grew in depth. This made it possible to add full hazel nuts and other flavourings to the chocolate. Over the years different varieties of chocolate were developed. The innovative Ritters packed each kind in a differently coloured envelope, initiating the colour code which nowadays is used by competitors.

In the 70s the company focused on the production of the well known Ritter Sport chocolate bars and stopped production of confectionaries. Until today, the focus is on this one product that only differs in styles and sizes.

The family owned Ritter Sport company has about 800 employees at its only production site in Waldenbruch, southern

Germany. As the company is not obliged to report financial information, available data are limited. But the turnover inside and outside Germany were € 190 million and € 90 million, respectively in 2006. 70 % of the chocolate bar production is sold in Germany; by this reaching a market share of over 20 % and ranking at eye level with Milka (Kraft Foods). Among the 90 countries Ritter Sport exports to, the most important ones are in Europe. Led by Denmark (20.5 % market share), Italy (8.5 %) and Austria (5.1 %) are most important. In total, Ritter Sport's is number 3 in Europe with a market share of about 7 %. Ritter Sport is available in the USA, but only in some retailers and with a very low market share.

The company founder's son led Ritter Sport successfully during the 60s and 70s, but after his death none of his two children Alfred T. and Marli wanted to lead the family's company. As a result, a board of directors was the executive power. The management's expansion plans increased over the years and included a production line in Russia, where Ritter Sport has a market share of 3.6 %. This share was seen to increase due to economically growth in Russia and concomitant demand for chocolate. However, quality problems in the factory and stagnating sales with low margins in Germany drove the company into the red.

Alfred T. Ritter disagreed with the management's work and decided to take over the full responsibility; he became executive leader in 2005. He closed the factory in Russia and limited production again to Wal-

denbuch where the quality of raw materials for the chocolate production could be ensured. Rather than foreign direct investments, Alfred T. Ritter defined expansion by export to be the most viable step. Targets are grouped:

- i) reaching a leading position in the main markets (e.g. Germany, Denmark, Italy, Russia)
- ii) achieving growth in markets with a big perspective (e.g. USA)
- iii) creating a basis for sales in new countries (e.g. Spain)

Ritter Sport's slogan *Quadratisch. Praktisch. Gut.* (Quality. Chocolate. Squared.) appeared to be out of date (see box 1) and together with a marketing company a new concept was created that should give Ritter Sport a more personal touch. In 2007 the campaign *Ritter Sport Friends* started and showed great success since then. The campaign's idea: people dressed in Ritter Sport polo shirts shout from big placates in train stations why they like their favourite Ritter Sport taste. Of course the polo shirts colour matches the favourite tastes package's colour. And of course the *friends* like it because of the good taste and the high quality. Putting emphasize on promoting ingredients of high quality, Ritter Sport sought to reinforce the consumers believe in it by increasing the price for its chocolate bars by 20 %. The sales dropped in the beginning but are back to normal again, thus leaving a higher margin.

By introducing organic chocolate in 2008, Ritter Sport keeps path with consumers demand for healthy and sustainable

Box 1. Austrian consumers on Ritter Sport

People in Austria mostly watch German television and therefore chocolate advertisements delivered via this medium. Also the major chocolate brands offered in supermarkets are the same (Ritter Sport has a market share of about 5 % but is known by 96 % of the people), so that research on the Austrian market can –to some extent- be projected to Germany. A non-representative survey conducted in Austria in 2006 may illustrate how people in Austria and Germany think about the brands Ritter Sport, Milka and Lindt:

Table 1: Austrians' feeling about chocolate brands' attributes (not-representative)

Source: http://www.theobroma-cacao.de/fileadmin/Dokumente/Diplomarbeit_Romstorfer.pdf

Attribute	Ritter Sport (% total agreement)	Milka (% total agreement)	Lindt (% total agreement)
constant	31	78	54
normal	30	40	15
truthful	25	58	52
of high quality	20	42	71
expensive	6	4	72

Highlighted with yellow are the attributes “of high quality” and “expensive”. As Lindt demonstrates, a brand can be seen as expensive when the quality is in path with the high price. While only 20 % think that Ritter Sport has a high quality, 42 % think that Milka has. As both are only by few people considered to be expensive, another outcome of the survey is understandable: the preference for a second favourite brand. When asked, participants in the survey answered that Milka and Lindt with 46 % and 23 %, respectively, are their second favourite brands. Ritter Sport is the second favourite chocolate brand for only 3 % of the persons asked (10 % said that they do not have a second favourite brand).

products. Together with seasonal varieties, the company now offers 23 different varieties of chocolate and package sizes of 250 g, 100 g, Ritter Sport Minis and the more confectionary style chocolate cubes. Polo shirts and other merchandise products are available in Ritter Sport's online shop and in the flagship store in Berlin.

Ritter Sport acts in different levels of social

and ecologic responsibility. Firstly, there have never been dismissals for operational reasons and women and men are paid equally. Secondly, the energy used at the production site in Waldenbuch comes to 30 % from a combined heat and power plant while the remaining 70 % come from green energy. Thirdly, and probably most notable, Ritter Sport founded in 1990 the initiative CACONICA in Nicaragua which is

supported since then with more than € 2.5 million. CACAONICA teaches local farmers in organic growing methods and buys cacao for a price higher than the world price. 350 farmers are member of the cooperative which is certified by the Fair Trade Labelling Organization.

In August 2010 Ritter Sport bought 30 % of Chocri, a small chocolate producer located in Berlin. Chocri's business concept is the production of individual chocolate bars. People create on Chocri's website their chocolate bar, choosing from dozens of ingredients, and get it send via post. Up to 1000 bars of 100 g are produced daily and sold for about € 7.00 each.

Ritter Sport's competitors on different markets

Only chocolate bar brands are taken into consideration as competitors. Although brands sold with a similar price tag are most important, we shall also have a look at products that are priced higher and lower.

Most chocolate bar brands competing with Ritter Sport in the supermarkets' shelves belong to Kraft Foods. Depending on the country, Kraft Foods owns mostly one or two major brands that are sold in the similar price range as Ritter Sport. Besides Kraft Foods and the retailers' own products, smaller brands which are restricted to the region they are produced in compete for the consumers' attention.

The German chocolate market

With 82 million people eating about 8.5 kg chocolate per year, Germany is Europe's biggest market for chocolate. Here, Ritter Sport has a market share of over 20 % and sells ~ 70 % of its production. The German market is facing stagnation today and even a steady decline in the future as the population is significantly decreasing. A 100 g bar Ritter Sport costs about € 0.80.

Milka (Kraft Foods) is the biggest competitor, having a similar market share as Ritter Sport and being priced similar. Also offered in the same price range is Kinder Schokolade (Ferrero). Several retailers sell no-name chocolate bars mostly at a price about half of that of Ritter Sport (€ 0.40), but increasingly also their own brands at a price of about € 0.60. Moreover, smaller brands are present, e.g. Sarotti. The top

premium chocolate brand is Lindt. Despite its moderate market share, Lindt is important as present for Christmas, Easter and birthdays.

Dr. Tischler, Kraft Foods, in an interview with the *Association of the German Confectionary Industry*:

"The German chocolate market is for producers one of the toughest in Europe. It is a predatory market characterized by price battles, however, also exhibiting high creativity of producing companies. I do not see an absolute market growth. (...) Shifts in the market are visible as consumers' demand increases for chocolate with high cocoa amount and also "health and wellness" products. Convenient packaging could foster the trend of smaller product sizes. (...) Moreover, products having a higher value due to certain ingredients could have a chance."

http://www.bdsi.de/de/wir_ueber_uns/koepfe_des_bdsi.html/interview_tischler/

21.10.2010, Translated from German

The European chocolate market

About € 25 billion will European consumers spend on chocolate in 2010. A regionally different development can be seen with stable markets in the Western countries (e.g. Germany, Denmark) and growing markets in the East (e.g. Poland, Russia). Ritter Sport can be bought in most European

countries; however, the market share differs greatly from country to country with over 20 % in Denmark but only 2 % in the Netherlands. In total, Ritter Sport has a market share of about 7 % which makes it number 3 in terms of sales. Kraft Foods, Europe's number one, is present with its strong brands almost in every European country: Toblerone, Dairy Milk in UK, Marabou in Sweden, Milka in Germany, Austria and Poland. Ferrero's Kinder chocolate is available throughout Europe but with mostly lower market shares. However, as Ferrero's different products such as Nutella and Kinder Surprise have a similar design, the brand Kinder chocolate is well known. Sold in almost every country are brands known only to the people living in that specific country. Lindt has six production sites in Europe and is presumably available in every country.

Consumers' tastes and chocolate eating cultures vary in European countries. Reasons are the general perspective on food, the climate, the economy, and the countries' unique history of chocolate production methods. Ritter Sport, which offers only chocolate bars of varying sizes and tastes, is therefore limited to countries where its chocolate matches the consumers' preferences and habits. Spain for example is a rather difficult market as people prefer chocolate drinks to chocolate bars. However, most people in most countries have chocolate preferences that are covered by one of Ritter Sport's varieties.

The American chocolate market

In many aspects the American chocolate market is special. Most people buy confectionaries and only to a few extend chocolate bars. The country's large size has led to the emergence of only a few nationwide acting retailers. Chocolate produced in the USA is considered to be of low quality and taste which makes consumers prefer foreign, especially Swiss and European, brands. Americans consume about 6 kg chocolate per year and spend almost € 10 billion on it. The market development is similar to the West-European one: stagnating sales but shifts towards high quality

Prices for chocolate in the USA, California, 2007



ingredients and awareness of producers' social responsibility. Strongest brand is Hershey, accounting for 38 % of all chocolate sold. Chocolate bars as well as confectionaries belong to the company's products. Hershey as a brand is seen by Americans as a national icon reflecting patriotism and representing the nation's mentality. With a growing interest for high quality and premium chocolate, brands like Toblerone and Lindt are reaching stronger market shares. Ritter Sport sells its chocolate in the USA since 1988. Prices for Hershey, Lindt, Toblerone and Ritter Sport chocolate bars do not differ greatly in US supermarkets and a 100 g bar costs between \$ 2.50 and \$ 3.00 (see pictures on preceding page). Ritter Sport seeks to make its brand interesting for consumers between 18 and 40 years who see themselves as being up to date, active and outdoors. Distribution is sought to be increased by selling Ritter Sport in nation wide acting retailers such as Wal-Mart, and the drug shops Walgreens and Longs Drug which open their sales area to new product categories.

Chances and challenges in Asia's growing markets

Asia's chocolate market is, compared to the European and American, very small. Chi-

nese consume only 0.2 kg chocolate per year while for Germans this figure is over 40 times higher. A big potential is thus given and chocolate brands from all over the world seek to have a piece of the pie. Multinationals such as Kraft Foods and Hershey press into the market and 70 % of the Chinese chocolate market are dominated by foreign companies, among which Hershey has a market share of 23 % in 2010. Local Chinese producers cannot compete with multinational companies on a level playing field. Their product quality is behind the one of imported chocolate as selection of raw ingredients and production facilities lack know how and technology. Also brand management is underdeveloped.

Ritter Sport is available on the Chinese and Indian market, however, the export value is comparatively low and Ritter Sport has not publicised any plans for its expansion into these new markets. Presumably it will be difficult for Ritter Sport, as a comparatively small company with limited budget and only little possibilities of co-branding, to compete with Kraft Foods and Hershey about the placement of their brands in the supermarkets and in the consumers' awareness.

Buying decisions and branding

The European and American market are predatory markets where brands have to shift consumers' buying behaviour towards their products. Ritter Sport wants to be among the leading brands. How is its starting position? What are the brand's characteristics supporting its rise to the top? To which extent can the consumer be influenced? How involved is the consumer in the buying decision?

Brands' characteristics

As a general observance in the food retailing business it is expected that the number of brands offering similar products will condense while the retailers offer products under their own brand. Squeezed out of the market or at least leaving it with a smaller share behind are all the other brands outside the consumers' focus.

In her book "Products as messages" (*Produkte als Botschaften*) Helene Karmasin identifies five characteristics a successful brand has to have. If, and to what extent, Ritter Sport carries and communicates these characteristics are outlined here.

1) Deliver differentiation: brands highlight a difference even where there is no difference
Chocolate bar producers offer varieties such as the standard milk and dark chocolate, but also diverse unique or even seasonal varieties. While there is an obvious difference given by unique varieties, the standard milk chocolate has not. Ritter Sport differentiates from other brands by referring to high quality, a convenient pack-

age format (squared), and a sporty and healthy lifestyle. Moreover, choosing Ritter Sport makes the buyer become one of the *Ritter Sport Friends*, a peer group one can identify with.

2) Create homogenization: grouping the product in a product category

Ritter Sport sells chocolate made of high quality ingredients. Also organic chocolate is offered. Together with the company's social responsibility, Ritter Sport's chocolate is in a category with other products appealing to people who buy with a deliberated decision; a product of the described kind fits their self identification.

3) Being individual, and outstanding: a profile only applicable for this brand

Ritter Sport has only one product: chocolate. The brand can build on its experience in the manufacturing of chocolate. Sticking to the decision of not involving in Christmas or Easter products, Ritter Sport can claim stability and maintain the characteristic of being part in a healthy and fitness aware lifestyle. Additionally, Ritter Sport is family owned with only one production site in Germany. In a globalized world where multinational companies are accused for exploiting natural resources and humans in third world countries, being family owned is seen positive and as a constant anchor.

4) Having high value of brand recognition: fast and definite recognizable

Ritter Sport's unique package format makes

it easy to recognize in the supermarket's shelf. When the consumer has a preferred variety, the envelope's colour gives a fast and consistent guidance.

5) Offer additional value: the product carries a value promised by the brand

Ritter Sport is a family owned company with high values in respect to social and environmental responsibility. The ingredients are of high quality and the manufacturing in Europe ensures that. It is okay to eat chocolate for pleasure in an active lifestyle.

Involvement of customers

The supermarkets' shelf is the place where the consumer makes the final buying decision. Chocolate from brand A or B, variety X or Y. Being influenced by advertisements, talks with friends, personal values, the appearance of the product and its price, the consumer also has one or more reasons for buying chocolate. It may be a present, a reward for achievements, to comfort one, or just for the pleasure of chocolate's taste.

To explain what involvement means and what the differences between high and low involvement are, it is easiest to start describing high involvement. High involvement purchases are seen by the consumer to be of importance. The product holds, for example, a financial risk. Also in relation to ones peer a product can be of high impor-

tance. Clothes for group identification are of such kind. As a result, the consumer pays attention to advertisements and makes an elaborated buying decision after pondering about the possible effects. In contrast to all this are low involvement purchases, which include the buying of chocolate (except where chocolate is a present and few other situations). These purchases are characterised by decision forming upon few important information. The consumer chooses a product that is most unlikely to cause troubles and gives an adequate level of satisfaction. Brand loyalty is low. Advertisements are recognized at random and repetition is important. A noticeable presentation, an appealing packaging or and attractive communicator in advertisements assist the buyer in recognising the product in the supermarket.

Ritter Sport sells chocolate in the segment for low involved consumers. As these consumers have a low brand loyalty, market shares from other brands can be shifted towards Ritter Sport. Two prerequisites for this shift are fulfilled: having strong brand characteristics; having an appealing marketing. That both together can lead to an increased market share is shown in Germany, where Ritter Sport was able to increase the price and maintain its sales – a result of the marketing campaign *Ritter Sport Friends*.

Business and economic models

SWOT analysis on Ritter Sport

Ritter Sport's future on the global market is full of opportunities and threats. Competitors like Kraft Foods dominate chocolate sales with brands that are strong in single market places. What strengths and weaknesses Ritter Sport has to withstand the strong global acting competitors, and if external effects are positive or negative, is best described in a SWOT analysis. As this report deals with the family owned company Ritter Sport on the global market, the SWOT analysis' objective is: becoming a family owned chocolate producer with strong international sales. (page 14)

Ritter Sport does not provide information on how they want to expand into the Asian market. Therefore, only Europe and the USA are meant by global market in this analysis.

Findings

Being family owned has one major advantage: investors' pressure for high dividends and steady expansion and growth does not exist. Instead, the family has long term interests and in the case of Ritter Sport seeks to build a trustful relationship to its employees. Social and environmental responsibility is more authentic, same as for the promise of using best ingredients. The segment of organic chocolate is in line with this, can achieve higher margins and appeal new consumer groups.

Europe as well as the USA is the biggest market for Ritter Sport to expand in.

Today, the company has over 20 % market share only in Germany and Denmark. In all other countries growth is still possible. However, total sales in the developed world are declining which presses Ritter Sport to new countries where they meet existing brands. Investments in marketing can be too high for a comparatively small company, when the expansion is spread to too many countries at the same time. The condensation of brands in one segment leads smaller manufacturers to leave the market, giving space for strong brands to grow. As chocolate is a low involvement product, consumers are often not loyal to a brand, playing into the hands of Ritter Sport who established a successful marketing campaign and offer a product with a unique package format.

While the production in Germany guarantees access to high quality ingredients, steady energy supply, developed logistics, skilled employees and other benefits a developed country offers, the labour costs are high. At times like Christmas, where people prefer to buy special chocolate products made for this time, the factory is below its capacity limit but costs remain. Appreciation of the Euro, which is seen lately, leads to smaller margins from sales outside the Euro-area. If these negative events come together with rising cocoa prices, in the worst case scenario even with taxes on sweets, Ritter Sport will face difficulties in remaining profitable. What in normal situations is a strength becomes a

weakness in bad times: the focus on one product

Other threats worth mentioning but difficult to predict or prevent include the cooperation between Kraft Foods and retailers in order to exclude Ritter Sport from

the supermarkets' shelf. Also the succession of Alfred T. Ritter can result in a company leader who is unlucky in company management. While in a share holder company this person would be replaced, in the family owned company he or she will stay.

SWOT analysis

Internal	<p>Strengths:</p> <ul style="list-style-type: none"> - concentration on one product - highly established in home market - successful marketing campaign in Germany - ensuring high quality - showing social responsibility - family owned and can thus not be pressed for dividends but have long term perspective - a strong brand and an outstanding package - fast decision making - as loyal employer attracts good employees - distribution channels exist for Europe - organic chocolate can generate a higher margin - investment in Chocri pays back with information about consumers preferences 	<p>Weaknesses:</p> <ul style="list-style-type: none"> - production is only based in Germany - just one product offered - family owned structure can lead to leaders that are not the first choice - no products for Christmas or Eastern, the strong chocolate present times - high costs in production - dependence on high quality ingredients - missing expertise in FDI
External	<p>Opportunities:</p> <ul style="list-style-type: none"> - people in developing countries start consuming chocolate - healthy people appealed by the word Sport - smaller manufacturers leave the market - German products are known for their high quality - eating chocolate is pleasure when economy turns down - the availability of the favourite chocolate variety is important for consumers - supermarkets offer Ritter Sport Mini at the cashier (SuperBrugsen in Denmark) - low consumer involvement in buying process - low market share in Europe and the USA 	<p>Threats:</p> <ul style="list-style-type: none"> - rising cocoa prices or even shortfall in cocoa supply - declining population in Europe - large retailers do not sell small brand - quality scandal which affects the brand - only 3 % of people see Ritter Sport as their favourite 2nd brand (see box 1) - Kraft Foods urges retailers to not sell Ritter Sport - private labels of retailers - tax increase in sweets - appreciation of Euro

Ansoff Product-Market Growth Matrix

The Ansoff Product-Market Growth Matrix (Ansoff Matrix) is a good tool to structure possible areas of growth for a company. Ritter Sport's aim is to grow in new markets and to increase their market penetration in existing markets. Whether this is a comprehensive strategy is sought be explored. It is to note that the Ansoff Matrix lacks the category of modified products, which is, when we think about the 23 chocolate varieties Ritter Sport offers, very important. This category of modified products was introduced by Philip Kotler who additionally distinguishes in the modified Ansoff Matrix between *new geographical market* and *new target group*. The revised version of the Ansoff Matrix will be used here. Often, the Matrix is fed with calculations about revenues to quantify the outcomes. For reasons of data availability, I will only describe the qualitative growth possibilities (see page 16).

Findings

Ritter Sport focuses very much on the penetration of existing markets. As the company is present in most European countries and in some areas of the USA, but has a low market share in these countries, this strategy is the least risky way of increasing sales. As the markets are already developed growth can only come from shifting market shares towards Ritter Sport, which requires the input of advertisements. Attracting a new group of consumers might also be possible; the health aware person who is inter-

ested in high quality ingredients and organic products. Asia as market is tagged with a question mark, as only limited information about expansions into this region is available. In total, the expansion into new geographical regions is not a major target for Ritter Sport. With regards to the possibilities of growth in markets where the company is already present, the exclusion of expansion into new markets seems wise, taken the potential risks into account.

In general, Ritter Sport modifies the products regularly. They not only have 23 varieties, but also seasonal ones that attract consumers who like to taste something new. However, they do not produce chocolate varieties for specific markets. With the different sizes (250 g, 100 g, minis) Ritter Sport offers diversity that probably fits most chocolate bar consumers. Ritter Sport's cubes are small and single packed chocolate cubes with different fillings. This product is more chocolate confect than chocolate bar and attracts new consumer groups, e.g. the American family preparing sweets for children coming on Halloween. By this Ritter Sport opens its brand for people who buy chocolate products for other reasons than does the typical consumer of chocolate bars. Merchandise articles will not play a major role in the revenue, but the fact that people are willing to pay for a product carrying the brand name is a good indicator for that Ritter Sport and its marketing campaign *Ritter Sport Friends* is appealing to consumers.

Market Product	Existing target group and geographic market	New geographic market	New target group
Existing products	<ul style="list-style-type: none"> - increasing advertisements - communicating social and environmental responsibility - creating higher value by high quality in gradients - offer more varieties in countries where only some out of the 23 are available 	<ul style="list-style-type: none"> - every state in the USA - Asia (?) 	<ul style="list-style-type: none"> - people who are willing to pay a higher price for high quality
Modified products	<ul style="list-style-type: none"> - new varieties - seasonal varieties - organic chocolate - different package sizes 		<ul style="list-style-type: none"> - people who prefer organic products - people who are willing to pay a higher price for high quality
New products	<ul style="list-style-type: none"> - confectionary style Ritter Sport cubes - T-shirts, bags and more as merchandise articles 		<ul style="list-style-type: none"> - people who want to buy chocolate as present - people who prefer confectioneries to chocolate bars - spontaneous buying at the cashier - brand affine people

Conclusion

Can Ritter Sport as a family owned chocolate bar producer grow on the global market? Where is growth possible and who are the competitors? Which products are sold? How strong is the brand? How is the company's starting position?

Growth in developed markets such as Europe and America, where Ritter Sport is already present, is possible. Market shares will have to be reallocated, though. Customers' involvement in the purchase of chocolate bars is low, which means that people are often not loyal to one brand, rather impressionable by repetitive advertisements and an appealing package design that is easy to recognize. Ritter Sport's products incorporate these attributes. In fact, the brand has all five attributes a successful brand has to have.

Being family owned is an advantage for the company in the present situation. Due to the absence of strong monetary interests of investors, Alfred T. Ritter is able to strengthen the company in a least risky way: by deepening the market penetration in countries Ritter Sport is active in. More and better advertisements, seasonal chocolate bar varieties and a promise of high quality ingredients culminating in organic chocolate are the keys to achieving this. Least risk comes along with least opportunities. And in fact the predatory markets in Europe and the USA are not growing. The

competitors, established companies like Kraft Foods and Hershey are strong in distribution networks and sales. Entering the Asian market for these companies is comparatively easy. Beneath this, their biggest advantage is that they expanded into other product segments, generating sales with different groups of consumers and being less prone to fluctuating sales in one product category. Ritter Sport offers only one product in different varieties, the chocolate bar. This focus is a strength while the company is trying hard to gain market shares, but it will be a natural growth barrier once the maximum market share is reached. Booming economies, namely China, are until now not in Ritter Sport's focus. In the long run they will have to catch up on the brands penetrating the market today.

The acquisition of other companies is not planned and would not fit into Ritter Sport's business model of offering one product with a big market share in Europe and the USA. However, Ritter Sport bought 30 % of Chocri, a small company producing chocolate according to consumers' wishes. This acquisition enables Ritter Sport to get information about the consumers' taste. Whether there are seasonal variations, long time shifts, or trends coming up: Ritter Sport will know about it and produce chocolate that hits the consumers' current taste.

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All information used in this report comes from internet based sources (or information published additionally on the internet; exceptions are at the end). These sources were inquired during September 15 and October 24 2010. Outstanding sources are marked (••) and commented.

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•• <http://www.ritter-sport.de>

Information about company history, business figures, product varieties and social and environmental activities.

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•• Matzler, Kurt (1997): Kundenzufriedenheit und Involvement. Deutscher Universitäts-Verlag

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