Confectionery news.com

Breaking News on Confectionery & Biscuit Processing

INDUSTRY VOICES – CURTIS VREELAND

A dynamic bean-to-bar market creates the 'New American Chocolate' – but is it a game for small players only?

By Curtis Vreeland, 02-Oct-2015

Related topics: Markets, Premium, Chocolate

Confectionery consultant Curtis Vreeland assesses the growing US bean-to-bar chocolate market and asks several artisanal chocolatiers how and if they can co-exist with multinationals.

The chocolate bean-to-bar renaissance is part of a general movement within the food industry of consumers wanting to know more about the food they eat and of producers satisfying this need by crafting products that use locally-sourced and less processed ingredients. This trend follows other food product trends, such as craft beer, olive oil, cheese and coffee.

But *"due to the sourcing challenges and lack of small scale equipment, it took chocolate a little longer to start this transformation",* says Todd Masonis, co-founder of San Francisco-based Dandelion Chocolate.

Curtis Vreeland, president of **Vreeland & Associates** , specializes in US confectionery market research and trend analysis

What's the appeal of bean-to-bar chocolate?

"Since chocolate itself enjoys such a huge number of aficionados, learning to make chocolate from scratch will appeal to a large segment of those fans as a business, and to consumers who share these values," says Pam Williams, whose chocolate school, Ecole Chocolat, has trained many aspiring chocolate makers.

Another supportive element of the trend was timing, since the US economic recovery gave consumers *"the psychological security [and] disposable income to indulge in pricey bean-to-bar chocolate,"* explains chocolate industry veteran Terry Wakefield.

Can artisan chocolatiers compete with the multinationals?

A $100m market

Curtis Vreeland estimates the US bean-to-bar market is worth **$75 million to $100 million** per year for the approximately 100 full-time chocolate makers. That translates to 1,125 to 1,500 MT of beans.

Are multinational manufacturers jousting for the same consumers or is this a different market segment?

"I think most small artisan chocolate makers don't consider themselves to be competing with multinationals. They are just trying to create a good product and educate people about how they are different," adds Mr. Masonis.

"Artisan chocolate makers have a completely different approach to flavor and production," says Ms. Williams. And consumers are more supportive of *"buying local and small businesses,"* notes Melanie Boudar, owner/chocolate maker of Sweet Paradise Chocolatier.

But are bean-to-bar chocolate makers really on multinational companies' acquisition radar?

According to Brad Kintzer, chief chocolate maker for Berkeley, CA-based TCHO, the craft chocolate world is not an easy space to dominate. *"Relatively small volumes and small profit margins are current pinch points in the craft chocolate industry until more consumers are comfortable spending $5 or more for a bar of chocolate."*

Mr. Wakefield adds: "Most small bean-to-bar producers will never get big enough to be acquisition targets for any large company. The challenge for most artisan chocolate makers will be to effectively market their products to drive sales of over $500,000 per year."

How strongly can a multinational compete in this space?

California-based TCHO is a startup in the bean-to-bar chocolate space. The company is owned by Wired magazine founder Louis Rossetto

Dandelion Chocolate's Todd Masonis argues it will be tough for multinational to compete long-term in the space.

"I think the larger companies will try to ride or co-opt some of the ideas - more certifications on the label, more photos of farmers on packaging, 'artisan' and 'craft' highlighted in advertisements, more flagship, experience-based stores. Ultimately, I think it will be challenging because a core part of this movement is a more personal connection and trust with the customer which is harder to pull off at scale."

And when a mega-chocolate manufacturer acquires a craft chocolate maker, the parent seems to have a hard time maintaining its creativity, passion and loyal customer base. As cautionary examples, Mr. Wakefield points to Scharffen Berger, Dagoba and Joseph Schmidt, three companies that lost considerable craft brio under Hershey's ownership and Green & Black's under Kraft.

Nestlé's Cailler launch

Nestlé estimates the premium chocolate market will grow at a compound annual growth rate of 8% in emerging markets and 8.4% in developed markets - faster than mainstream global chocolate, which is forecast to grow 5%. The company has **launched its bean-to-bar 'super-premium' brand Cailler globally** to capatilize.

Interviewees:

- Todd Masonis, co-founder/chocolate maker, **Dandelion Chocolate** , San Francisco, California (pictured left)
- Pam Williams, founder and lead instructor, **Ecole Chocolate Professional School of Chocolate Arts** , and President of the **Fine Chocolate Industry Association** (pictured center)
- Brad Kintzer, chief chocolate maker, **TCHO** , Berkeley, California (pictured right)
- Melanie Boudar, owner/chocolate maker, **Sweet Paradise Chocolatier**
- **Terry Wakefield** , confectionery industry veteran