



Darrell Lea - The Business

Darrell Lea Chocolates was established in 1928 and has grown steadily since then to become Australia's largest privately owned confectionary company, with approximately 1,000 employees, and exporting to a range of overseas markets.

The company operates approximately 75 of its own Darrell Lea branded retail stores and has over 470 other independent operators distributing through store locations or fully branded stands around Australia. The display units, located within other stores (pharmacies, newsagents, video outlets, etc) allow Darrell Lea greater geographic distribution and penetration of markets than may otherwise prove too small to warrant the overhead costs of a fully branded store.

Darrell Lea is a manufacturer by nature, producing most of its own products that are stocked in the retail channel.



The Challenge

Business Models

Business models need to evolve over time to meet the needs of the market and the changing dynamics of the economic environment

As a primary manufacturer, Darrell Lea's distribution strategy as a retailer and wholesaler had grown over the years in many varied and disparate forms. The range of company stores, licensees, sub licensees, agencies and retail sales units (RSU's) created branding, supply, pricing, operations, marketing and consistency issues. These issues extended over a broad geographic area including metropolitan and extremely remote regional areas where the Darrell Lea name was well recognised and respected.

The primary challenge was identifying the appropriate business models that would enable Darrell Lea to realise their future growth and performance objectives. This challenge had to be tackled with due respect for the existing relationships and commitment of over 470 businesses that had grown as part of the broader Darrell Lea family and culture over many years.

Evolution

The ability for any business to evolve the distribution strategy underpinning current performance is built on a thorough understanding of the proposed change and its impact

One Step at a Time

Darrell Lea has progressed into the future with a healthy awareness of the history of the company, and a commitment to performance

The Solution

Darrell Lea engaged DC Strategy as a channel specialist to assist the senior management team and owners of the business to evolve the distribution strategy in the company.

The primary objective was to identify the comprehensive distribution strategy that would provide a foundation for the future growth and performance of Darrell Lea across Australia.

The project focused on:

- An extensive economic analysis of all existing distribution business models and Darrell Lea's existing fixed cost base and operational framework
- Identifying the sales volume penetration across Australia to understand the impact of volume and pricing and how these translate to profit growth opportunities
- Analysing the impact on commercial and operational objectives and understanding how existing business models could be transitioned whilst respecting the existing relationships
- Ensuring the sustainability of the distribution channel matched the medium to long term direction in the company.

**The Outcomes**

Darrell Lea has taken the time to comprehensively analyse the historical performance of the company gaining a greater understanding of how to evolve the distribution strategy and consequent operational performance. The evolution and growth in distribution is focused on the next 3-5 years and is based on the following outcomes:

- An understanding across Australia of the sales penetration of Darrell Lea in regional and metropolitan areas which provides a focus for growth
- The variety of business models and relationships were analysed and understood in terms of how they will transition over time which was communicated in a series of 'Road Shows' across Australia
- The operational performance improvement expectations in terms of branding, marketing, sales, supply and operations were identified
- An understanding of the sensitivity of the volume and product margin

Darrell Lea has an interesting opportunity to continue the successful growth of one of Australia's most recognised family businesses with a distribution strategy that respects the traditions of the business and embraces the future challenges in the market.

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