


ENTREPRENEURS | 11/27/2012 @ 4:40PM | 132 views

From Boutique To Big Business: How A California Chocolatier Is Going National

 Jeremy Caplan, UPS

[+ Comment now](#)

When the Venezuelan Antonorsi brothers opened a chocolate boutique in Encinitas, California, in 2002, they lavished attention on tiny truffles, not large distribution networks. But in the decade since, Chuao (pronounced chew-WOW), has exploded into a national player in the super-premium chocolate-bar market.



Chef Michael Antonorsi founded Chuao Chocolatier with his brother. (Photo courtesy of Chuao Chocolatier)

This fall, chef Michael Antonorsi and his brother Richard are relaunching their collection of 10 chocolate bars with new packaging and streamlined distribution. They're taking advantage of strong demand from a variety of outlets — including Whole Foods, Wegmans and other specialty markets — for products like their Maple Bacon Bar and the Firecracker, filled with popping candy, chipotle and sea salt.

Named after a cacao-rich region of central Venezuela, Chuao Chocolatier morphed from a single location retail outlet in 2002 into a specialty food up-and-comer in 2005, shipping 2,000 bars per flavor every month. That monthly number has since grown tenfold. Consumers now buy the pricey, swanky bars, often for \$5 and up, at some 2,500 spots around the country. The company has begun discussions about eventually shipping to Japan and Hong Kong.



UPS Voice:
Amazon Tries Selling Wine Online For Third Time

 Natalie Burg
@UPS

To reduce costs, CEO Sergio Alvarez is consolidating Chuao's distribution network to work with fewer distributors. Alvarez is banking that fewer, more robust partnerships will yield economies of scale: As each distributor carries more product into stores, the overall per-unit cost of distribution will drop.

One thing Chuao can't change is the weather. The company generally trucks its product cross-country. In a hot region, that means paying a 40% premium for refrigerated trucks when delivery routes cross desert areas. Though there's not much the company can do about that now, in the future — should plans call for expansion — Chuao could consider adding regional distribution centers, so that trucks

wouldn't have to drive long distances in chocolate-melting weather.

CEO Alvarez, who came to Chuao from Hewlett-Packard, said one of Chuao's challenges is dealing with shortsighted industry practices. "There are a lot of newcomers in the chocolate space because the barriers to entry are so low," Alvarez said. "It's easy to start a local shop; but when they start to grow regionally or nationally, newcomers naively comply with what distributors and retailers push for, including big discounts and free product up front."

The big break for Chuao came in 2005, when it won a coveted award from the National Association for the Specialty Food Trade, helping put the then three-year-old chocolatier on the culinary map. That same year, Chuao shifted from wrapping bars by hand to semi-automated packaging.

Rapid growth thereafter required occasional improvisation. Communications director Brooke Feldman remembers once driving an order to a customer's home after he called to ask about the status of his shipment. "When I showed up at his door he was shocked," Feldman said. "I told him that we make the chocolate with care, so we want to make sure it's delivered that way, too."