

regions like Texas and Southern California that had larger Hispanic influences. Gradually though, distribution expanded nationally and Cholula appeared widely in both restaurants and grocery stores. Initially, the product was positioned alongside other Mexican food staples like taco mix and tortillas. While this placement strategy was crucial to kick-starting sales, management was cautious to avoid “pigeon-holing” the brand. In other words, the Cholula team wanted consumers to perceive the product as one that was instead versatile and could be used across different types of foods.

Cholula achieved this shift in brand perception through organic social media advertising. Knowing that the Millennial submarket responds well to peer influence and a sense of discovery, Cholula encouraged its fans to share descriptions and photos of their meals using the product in creative ways on social media.

Relying purely on word-of-mouth advertising has helped Cholula achieve 10 percent market share in the U.S. hot sauce category (Tabasco has 18%) and sell an average of 10 million bottles a year by 2015. The brand’s marked success in moving distribution from targeted Latin American markets to the condiment aisle in mass retailers shows the potential for international brands to meet the needs of emerging U.S. submarkets.

Questions:

1. Based on the information in the case and any outside resources, perform a profitability analysis of the hot sauce industry. What is Cholula’s biggest challenge?
2. Using outside resources, offer an assessment of the size of the hot sauce market in the U.S. Be prepared to defend your method for market sizing.

Sources:

Elizabeth Segran, “Hot Sauce, USA,” *Fast Company*, August 27, 2015, <http://www.fastcompany.com/3050328/most-creative-people/hot-sauce-usa>

Roberto A. Ferdman and Richie King, “The American Hot Sauce Craze in One Mouth-Watering Chart,” *Quartz*, January 28, 2014, <http://qz.com/171500/the-american-hot-sauce-craze-in-one-mouth-watering-chart/>