

# Finding the recipe to success in the chocolate industry

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## Abstract

This article provides an overview and analysis of the chocolate industry in Latvia, specifics of the chocolate business and main manufacturers of chocolate in our country are presented.

In the process of creating own handmade chocolate bar manufacturing business, analytical studies of the planned enterprise were carried out: TOWS Analysis, Stakeholder Analysis, Microenvironment Analysis, strategic importance and possible risks, competitors were analyzed as well. Authors consider different Business Alternatives in chocolate industry. The economic value of each project is determined, their cost estimates, internal rate of return and net present value are calculated.

According to the results of various analyzes and calculations, the best project is own business of manual production of chocolate bars called "Mini Choco Factory".

*Keywords:* chocolate business, analysis, production, alternative, evaluation.

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## 1 Introduction

There is a sufficient number of chocolate producers in Latvia. However, new manufacturers are not afraid to enter the market [4].

Moreover, despite the apparent abundance of chocolate products, the emergence of new manufacturers, especially those producing high-quality chocolate, so-called "premium" brands are strongly encouraged [3].

Its relatively uncomplicated production technology makes this business idea very attractive for entrepreneurs.

Earlier chocolate market was represented by a couple of industrial giants, now on the shelves of shops there are a lot of products released by small new brands.

Handmade chocolate business is slowly gaining momentum, largely due to the fact that it is very "fashionable" today to buy unique high-quality chocolate. Such products, mainly, can be provided to customers by small companies that do not pursue quantity because quality is more important to them [4].

Chocolate business attracts entrepreneurs for many reasons: relatively small starting investments, a growing demand for exclusive sweets, a high level of profitability and the average payback period of costs [5]. The chocolate industry is worth almost 10 billion dollars annually [1].

To "experience the charm" of the chocolate business, authors of this article analyze several possibilities of chocolate business.

The purpose of the authors is to create and implement a successful model of organizing own business in the chocolate industry.

## 2 General part

The authors of the article developed a concept of own business: "Mini Choco Factory" chocolate shop with handmade chocolate production on site, it will be located in Radisson Blu Hotel Latvija, the relevance of which was confirmed by a survey of hotel guests and visitors.

As a result of increased competition, there is a need for an adequate assessment of the competitive environment. In

order to do this, authors used the world's leading practices to estimate the opportunities and weaknesses of the enterprise, analyzed the strengths in the development of which the company can increase its competitiveness and withstand threats. At this stage of the development of an innovative product model, assessments of key success factors for the business and its competitors are compared. Strategy development should be based on the strengths of the business in order to minimize the impact of weaknesses [2]. To do this, authors used TOWS Analysis, Stakeholder Analysis and Microenvironment Analysis.

To determine the success of "Mini Choco Factory" project, careful planning and analysis of possible alternatives to this business was carried out.

Of the three proposed Business Alternatives: "Mini Choco Factory" in Radisson Blu Hotel Latvija; Chocolate store with Nelleulla and Al Mari Anni chocolate bars in Radisson Blu Hotel Latvija; "Mini Choco Factory" in Grand Hotel Kempinski Riga, the latter is excluded. At the time of the research and in nearest 2 years, the Kempinski Hotel is unable to provide a rental space. In turn, Radisson Blu Hotel Latvija is ready to provide a place for rent, because hotel administration foresees great potential of both ideas and considers cooperation as mutually beneficial. Therefore, Work Breakdown Structure (WBS) is made up of two alternatives that show what actions must be completed in order to start a business. These results are presented in Gantt charts.

During an economic assessment of the two above-mentioned Business Alternatives, an analysis of total costs at the development stage and at the implementation stage was made.

According to the results of cost estimation and calculation of the internal rate of return for both projects, it turned out that the project of opening own shop-production "Mini Choco Factory" is more profitable. However, it takes more time and money to implement it than for Alternative 2.

## 3 Conclusions

The present work showed that the realization of the entrepreneurial potential for the production of handmade

chocolate bars will be profitable for the entrepreneur and is more successful business model than the sale of ready chocolate bars of other brands.

Main developments of the study have significant importance for professionals in the chocolate industry. The results of this work will be useful not only for young

entrepreneurs but also for professionals in the chocolate industry who are interested in improving their business.

The practical significance of the study lies in the fact that a new business idea that was proposed with the goal of making a profit can be put into practice.

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