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## Explorative assessment of market environment for bean to bar chocolate business in Coimbatore City – Application of SWOT analysis

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### Abstract

Indian food scenario is on constant change post globalization with various new innovations taking up the food space. The regular Indian customer now has access to information on social media and other sources which has created demand for novel products. The chocolate industry has seen a constant growth in India which has slowly becoming an alternative to the existing sweet market. As gifting is a major business in the country especially during the festive seasons, chocolates are preferred due to their extended shelf life and easy availability. The commercial chocolates which have previously controlled the market now has witnessed competition from bean to bar chocolates or craft chocolates which gives the consumer a personalized experience. The study was conducted to analyze the strength, weakness, opportunities and threats faced by bean to bar chocolate market in Coimbatore city.

**Keywords:** 3

### Introduction

Chocolates are made from cacao beans and have been known to humanity for thousands of years. The word chocolate is derived from ‘xocolatl’ which means bitter water <sup>[1]</sup>. The chocolate industry around the world has evolved over time with the recent addition of bean to bar or craft chocolates dominating the market. Cadburys, Nestle and Amul are the three brands that has the high brand visibility for an average Indian chocolate lover. These commercial chocolates are made in large batches and usually have added ingredients to enhance the product <sup>[2]</sup>. Bean to bar chocolate industry retains the basic recipe of a humble chocolate which was traditionally used. Cocoa butter is retained in this segment of chocolate making. India, known extensively for traditional sweets have slowly grown as a major market for chocolates. Various companies around the world looks forward into the country’s per capita consumption as a huge potential market to enter into. South India due to its favourable weather is the home for most of the cacao trees grown in India. Chocolate makers have recognized three major groups of cacao beans used to make chocolates: Forastero, Trinitario and Criollo <sup>[3]</sup>. Cacao trees in South India are usually grown under coconut or rubber plantations due to their requirement for shade. Coimbatore located in between Pollachi and Kerala, two major cacao growing areas is one of the major focal point of many bean to bar chocolate makers in the country.

### Materials and Methods

SWOT analysis is a commonly used tool in business that is used to understand the innate strengths, and weakness as well as the opportunities and threats that exist in the external environment. The internal and external analysis have vital importance for the company performance and success <sup>[4]</sup>. The analysis aids in understanding the pros and cons of business in comparison to competition and also helps in taking important business decisions. The world of bean to bar chocolate does not market itself as much as the commercial counterparts. The products are sold with pride and passion and this makes the idea of discounts and fancy marketing tricks unnecessary. Marketing tools are necessary to study and understand the needs and behaviour of consumers and the best ways to address their demands. The SWOT analysis was attempted using the information provided by the primary sources like consumers, manufacturers, retailers and from secondary sources like e-journals and articles. This study attempted to analyse the market for bean to bar chocolate brands in Coimbatore city.

## Results and Discussion

### Strengths

In SWOT analysis, the strength of an industry helps in the understanding the competitive edge it has over the others in the market in terms of its operations [5]. A city filled with well-travelled personalities and industrialists has a constant need for quality upgradation in the areas of food, fashion and technology. Higher spending power and the exposure to quality products around the world makes the consumer demand for similar products in the city. Social media also plays a major role to market these craft chocolates with consumers having direct access to discuss with the makers about the ingredients used, its origin and nutritional content of the final form chocolates. The city being small, and compact makes the word-of-mouth marketing a significant tool to promote any handcrafted product and bean to bar chocolate market has good market potential in such an environment.

The growing concern with news and media reporting more and more about the processed foods has made the craft food industry prevail. A quality chocolate with personal touch from manufacturing company, a strong reason to buy the chocolate like health and ethics is a major strength for bean to bar chocolate brands in Coimbatore city.

The trending concept of handmade and home-grown products around the world had made people follow in the city also and this adds on to a major support in sales of handmade bean to bar chocolate. Gluten-free, vegan, and other trends are on the rise thus healthy products increase in popularity naturally [6]. The rise of keto and paleo diet has made cocoa butter naturally present in chocolate more popular and consumers are willing to pay a premium for the same.

The gifting of chocolates is another major growing trend in India. Coimbatore with cluster of industries and corporate companies can be tapped by bean to bar brands for a healthy, ethical gifting option with good packaging during Diwali, Christmas and other festivals. The needs of bean to bar chocolates for direct consumption but also in the form of value-added products in baking and confectionary gives it a competitive edge. Customization of chocolate based on customer needs is a strength in micro batch making of chocolates.

The location of Coimbatore city near to the cacao growing areas also is a big strength for bean to bar chocolate makers. The supply chain is well developed due to the close proximity of the farms to the manufacturers. The grinders which are the main machinery used in making bean to bar chocolates are mostly manufactured in the city and the access to machinery and service facility is easily available.

### Weaknesses

Weakness is the disadvantage a business has over its competitors in the market. The potential customer population of the city for bean to bar chocolates is limited. The demand is lesser than the supply currently. The expensive ingredients and low profit margin make the bean to bar chocolate industry less sustainable in the long run.

The alternate chocolate options available are less expensive due to the limited manufacturing costs compared to bean to bar chocolates. Customers often fail to understand the differentiation between homemade chocolates and bean to bar chocolates thus making it difficult to penetrate the market. The bean to bar industry is still not completely understood by consumers thus supporting the alternative markets in existence today.

The major stakeholder in the bean to bar chocolate industry is the farmer who provides the chocolate maker with beans to their liking. The work put in by the farmer makes the beans being sold at higher price by the chocolate maker. The commercial brands purchase in huge quantities with better distribution network but the bean to bar micro batch makers struggle to source beans in such huge quantity thus end up in paying higher price. The farmers also lack interest as the quantity of purchase often is too less for their benefit.

The need for skilled labour to aid in manufacturing is an impediment to scaling up. The commercial chocolate processing is often completely mechanized while the bean to bar chocolate manufacturing requires human intervention and application of science to achieve a good quality final product. The limited quantity manufactured thus results in slower market growth. This low production is also as cribbed to the expensive labour who also have to be trained for bean to bar chocolate making and their retention is also difficult.

The market becomes highly region specific as the products melt faster with no addition of stabilizers or preservatives and thus making it harder for distribution in other cities. The bean to bar chocolate brands competes amongst themselves in catering to a small population that can afford expensive chocolate but also demands healthy ingredients and fancy packaging. In between all of these, bean to bar chocolate makers forget the need for good marketing to sell their products and often end up with good products but not many formats and potential locations to market. Also, the time taken to make bean to bar chocolates by grinders is very high thus making it an expensive and time-consuming business.

### Opportunities

In a SWOT analysis, the opportunities are considered to be the possible advantages which can be utilized by business. The major opportunity of bean to bar chocolate left unexplored is the availability of the chocolates to make other finished products. Restaurants and food connoisseurs are exploring the opportunity to use and taste high quality creations which is possible only with good raw materials. Supply of bean to bar chocolates to other business is an opportunity that is yet to be fully explored by the industry.

Supply of bean to bar chocolates is only possible if there is more demand in Coimbatore that can help the brands to increase production. This in turn can help in sourcing more cacao beans from farmers thus reducing the cost of raw materials usually faced as a weakness in bean to bar chocolate industry. Also bringing in the farmer as a working partner in the business can help reduce the cost and enable profit sharing or other methods to help in good returns to the farmers. As more consumers are made aware, the chances of purchase of bean to bar chocolate increases. By coming together to have a chocolate festival or having tasting sessions, the bean to bar chocolate brands can create more awareness thus making the consumers opt for their healthier version of chocolates.

The increase in the number of retail stores with health as a concept should be noted. Coimbatore has stores like Wild Earth foods, Organic stores etc., which target audience with health and ethical ingredients as focus. Such stores would be a place to sell craft chocolates in city. Various other stores that sell imported chocolates with good quality have gone unnoticed previously and can also be an option to sell the premium priced bean to bar chocolates in Coimbatore city. Promoting the chocolate bars in cafes and restaurants is another option that can be explored. Factors such as

celebratory packaging, nostalgia can be used as a tool to brand bean to bar chocolate bars to reach to more consumers. As the motto such as Make in India are gaining more popularity, the bean to bar should be seen as a way of celebrating Indian raw materials and Coimbatore brands in this segment should target the city audience by going all local. Marketing tools need to be used to increase sales in the city. The bean to bar chocolate brands in the city is not equipped with good websites or presence on social media platforms. The use of this to educate consumers about the product can help in better sales. The bean to bar brands in Coimbatore should also focus on doing more stalls in festivals and exhibitions thus increasing the potential customer base. The consumers growing knowledge about the existing commercial chocolates being unhealthy and lack of alternative should be seen as an opportunity by bean to bar brands in Coimbatore city.

**Threats**

The major existing threat for bean to bar chocolates in Coimbatore city is the use of the term by commercial brands to market their products. The industry is commonly seen as a small-scale personalized chocolate making segment which is being replaced by brands entering the segment with higher investment. As the players become more commercial, the lack of connect with consumers can cause start-ups in the segment to struggle. The price the commercial brands using the bean to bar tags would be unmatched and the real local players who are in the market would find it difficult to sustain. The bean to bar chocolate industry around the world faced the problem of saturation and the bubble of success burst thus causing many companies to close down [7]. The Coimbatore city has more brands than needed already and with more

players likely to come in as the cost of starting a bean to bar chocolate business is comparatively lesser, the chances of closure in Coimbatore is perceived to be higher. Consumer understanding of bean to bar chocolates in Coimbatore is currently associated to local brands like Soklet, Chitra'm and M&N. The entry of bigger companies would make the differentiation between the products very limited and thus making consumer think twice to pay a premium for the local bean to bar chocolate. Also, the nearness of Ooty, which is known for the homemade chocolates, often causes misunderstanding to the consumer thus affecting sales of higher priced bean to bar chocolate. The business is dependent on consumers and the brands need growth in market to sustain on the long run. As the consumers are becoming more demanding, the constant need to reinvent makes the brands highly competitive [6]. The brands to survive often reduce costs which makes the long-term sustainability difficult without a growth in sales. Also, the social media gives information about similar brands which belong to other cities. The non - Coimbatore companies with good marketing and delivery system are an option to the consumers in Coimbatore thus reducing the sales of the local bean to bar chocolate brands. Consumers also have a misconception that any form of chocolate is not good for health and some social media forwards have impacted sales of chocolates previously [8]. The industry is filled with threats and opportunities, thus making it important for bean to bar chocolate brands in Coimbatore to come up with good innovative marketing strategies to sustain in the market. The summary of SWOT analysis of bean to bar chocolate market in Coimbatore is presented in Table 1.

**Table 1:** SWOT analysis of bean to bar chocolate market in Coimbatore

Swot Analysis For Bean To Bar Chocolates In Coimbatore			
Strength	Weakness	Opportunities	Threats
<ul style="list-style-type: none"> <li>Well - travelled customer clientele</li> <li>Constant demand for quality</li> <li>Growing market for chocolate as a gift</li> </ul>	<ul style="list-style-type: none"> <li>Very small consumer base</li> <li>Supply is more than the demand</li> </ul>	<ul style="list-style-type: none"> <li>Business to business market is not explored</li> <li>Possibility for reducing the raw material cost</li> </ul>	<ul style="list-style-type: none"> <li>Commercial brands marketing as bean to bar</li> <li>Multinational companies can monopolise the market</li> <li>Start-ups cannot compete</li> </ul>
<ul style="list-style-type: none"> <li>Small city with high influence of word-of-mouth marketing</li> <li>Health-conscious consumers</li> <li>Ethical sourcing needs</li> </ul>	<ul style="list-style-type: none"> <li>Questionable long term sustainability plans</li> <li>Lack of consumer understanding of alternate markets</li> </ul>	<ul style="list-style-type: none"> <li>Creating awareness with tasting sessions, workshops</li> <li>Working partnerships with health focused stores</li> </ul>	<ul style="list-style-type: none"> <li>More number of companies resulting in saturated market. Thus reducing the sales</li> </ul>
<ul style="list-style-type: none"> <li>Support for handmade and willingness to pay premium for quality</li> </ul>	<ul style="list-style-type: none"> <li>An informal farmer and chocolate maker relationship.</li> <li>Expensive labor issues in scaling up</li> </ul>	<ul style="list-style-type: none"> <li>Showcase the products in café and restaurants in city.</li> </ul>	<ul style="list-style-type: none"> <li>Non-Coimbatore companies selling via online platforms.</li> </ul>
<ul style="list-style-type: none"> <li>Location of Coimbatore near cacao growing areas</li> <li>Grinder and chocolate making machinery manufacturing hub.</li> </ul>	<ul style="list-style-type: none"> <li>Region specific market and damage during transportation</li> <li>Poor marketing skills of manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>Improve packaging to suit needs of consumer</li> <li>Increase customer base with better online marketing practices</li> </ul>	<ul style="list-style-type: none"> <li>Rising health-conscious market and perception of chocolate as unhealthy</li> </ul>

**Conclusion**

Bean to bar chocolates or craft chocolates has given a healthier option for chocolate loving diet conscious consumers around the world. The bean to bar craft chocolates is manufactured in a controlled microenvironment in small batches with no added preservatives or vegetable fat unlike their counterparts. With bean to bar chocolates, the entire supply chain from sourcing to end product is transparent and

traceable [9]. Coimbatore is a potential hotspot for the bean to bar segment given its proximity to sourcing areas and thrifty health-conscious consumers. Analyzing the business environment for an industry gives a holistic view which would help the existing business and new entrants to plan their production and marketing plans accordingly. The current study has been done to understand the Bean to Bar Chocolate Market in Coimbatore City using SWOT Analysis. The

results conclude that the health-conscious consumer base who are willing to pay premium for good quality products and the location of the city in terms of sourcing serve as the main strengths. The weakness of the market includes lack of awareness among consumers and poor marketing skills. The opportunities for bean to bar chocolates in Coimbatore city are B2B sales and online marketing both of which are under-explored. A saturated market with commercial companies selling their products under the label of bean to bar and the erroneous perception of consumers that chocolates are unhealthy are perceived to be the major threats. Hence, planning the production and marketing activities with reference to the results would help the companies make the most of their opportunities and strengths, and manage the weaknesses and threats giving them a winning edge over their competitors.

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