

**FACTORS INFLUENCE THAI ENTREPRENEUR TO INVOLVE  
IN CHOCOLATE INDUSTRY**



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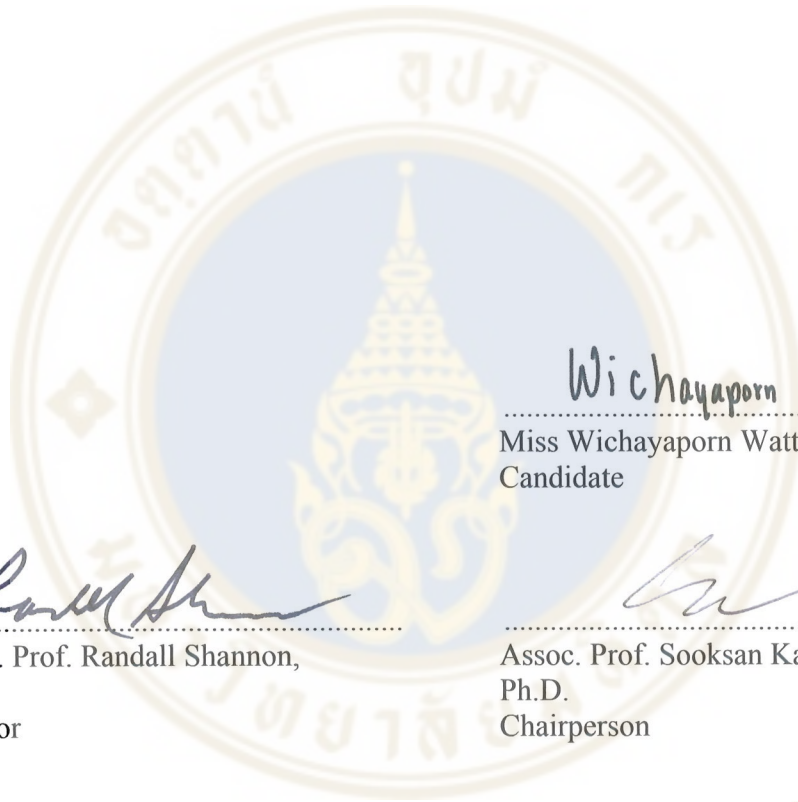
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## **FACTORS INFLUENCE THAI ENTREPRENEUR TO INVOLVE IN CHOCOLATE INDUSTRY**

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M.M. (ENTREPRENEURSHIP MANAGEMENT)

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### **ABSTRACT**

Chocolate has been one of the most powerful economic plants in many countries for decades. Most people around the world believe that the best quality chocolate always comes from European countries. However, Thailand is one of the most suitable places to grow cacao plants because of the weather conditions. Currently, a few Thai people are starting to process Thai single origin chocolate and expose the product in the market. Chocolate is a new upcoming trend in Thailand following the coffee specialty. It has lots of taste notes, which sellers can deeply communicate with customers to bargain for higher prices. There is still a lot of market share for new players together with opportunity. People in this Thai chocolate community are supporting each other to expand the market. The objective of this study was to discover the factors that influence Thai entrepreneurs to be involved in the chocolate industry. The purpose of this research is to study the variety of the single origin cacao and chocolate in Thailand, how those entrepreneurs started to join the chocolate community, and the opportunity that they see in the market. This thematic paper implied qualitative research methodology, interviewing 5 entrepreneurs from 5 different fields, which are farmer, processor, chocolate maker, brewers, and community leader.

**KEY WORDS:** Chocolate / Cacao plants / Single Origin / Entrepreneur / Opportunity

20 pages

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# CHAPTER I

## INTRODUCTION

### 1.1 Background and motivation for research

I am interested in the Chocolate industry since once I want to open a cafe and I have to find what will be used to differentiate myself from other cafes that already exist in the market. At the beginning, I was thinking about a green tea specialty, but when I was observing, there were lots of cafes that focused on tea, and I was not quite getting into it. However, when I tried chocolate specialty drinks made from Thai cacao beans, they were surprisingly new to me and looked interesting in terms of taste varieties and less market competition. I believe that if I ask anyone, they will probably say that they love chocolate and know what it is, but if they try this kind of single origin chocolate from Thailand, it would be something beyond their expectations because of the taste and feel that is different from what they have tried.

Chocolate has been dominated by European countries since it appears to be an economic plant there that raises the GDP of those countries. So, they keep the knowledge of making chocolate from others in order to make themselves the only people that can sell good chocolate products. People around the world perceive that good chocolate is made in Europe because they are the only ones who sell it for decades.

Thailand is one of the countries that is suitable to grow cacao trees because the conditions of land level and weather are favourable for cacao, which makes Thai cacao seem to be desirable for firms all over the world. According to Ejan news (2022), Thai cacao is somehow oversupplied in the market since there was a fake company that sold small cacao trees to farmers and promised to buy the seeds back, but that company left those farmers without providing any knowledge to grow, which made cacao beans does not have a good quality and could not be sold anywhere else. Therefore, the low-quality cacao can only be sold at a low price, which leads to a lower overall market price in the market.



According to my observations, after trying the first one, I began looking for others, and I discovered that a few Thai chocolate brands are beginning to sell in the market. I am wondering why I have never seen them before and have other people known about these Thai chocolate brands? In the past few years, there has been a group of people who are interested in Thai cacao, trying to raise awareness of Thai single origin chocolate by starting to create their own chocolate brands, opening chocolate specialty cafes, and setting up a chocolate drink competition.

This research will focus and find out the key factors that influence Thai entrepreneurs to become involved in the Thai chocolate industry in a world where chocolate is almost dominated by big corporate firms. I would like to discover more about how and why they started to do business in the Thai chocolate industry, as well as explore the community, which seems to be a very small group, and how to be successful in this market.

## **1.2 Research objective**

The objective of this research is to study how Thai chocolate brands begin and the variety of the single origin cacao and chocolate in the Thai market that is different from the imported ones, in terms of taste, smell, and eating experience. Also, to find out how they differentiate themselves from the existing brand and why their products can be sold at a higher price.

## **CHAPTER II**

### **LITERATURE REVIEW**

Everyone has tried chocolate since they were young. None of them disliked it. Some of them consume it as a snack, while some consume it as a drink. Most Thai people usually consume chocolate from foreign countries, such as countries from Europe. They generally think that good chocolate is imported from other countries because they have been consuming it since they were young.

#### **2.1 What is chocolate?**

Chocolate is a product of cacao plants that has been well-known for many decades since it has a signature flavour. It was called "Food of the Gods" by the Maya people, a group of South American people, who first found and cultivated cacao plants in 400 AD (Verna, 2013). Cocoa has been well-processed by European people, they have the knowledge of transforming cacao beans into consumable products. They have to import the cacao beans from Africa because of the fact that European countries have unsuitable and unfavourable conditions to cultivate cacao, unlike those in Africa. According to Montagna & Diella & Triggiano & Caponio & Giglio & Caggiano & Ciaula & Portincasa (2019), the suitable conditions to grow cacao plants are at the lower level of a rainforest, which is hard to find in European countries. It grows well in high temperatures ranging from 18 to 32 degrees Celsius with high humidity both during the day and at night.

#### **2.2 Brand Awareness**

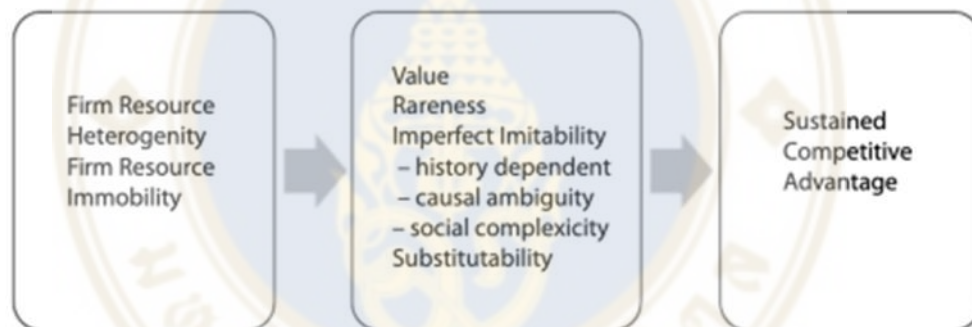
According to Zhang (2020), brand awareness is one of the most important aspects that firms should be concerned about because it can influence people to make a decision on the purchasing process. When consumers are confronted with a situation in

which they have to choose between two brands, most of them always choose the one that they have heard of before.

According to Keller (2008), brand awareness refers to how much customers can recognize or remember the brand. Customers are more likely to buy the product with high awareness without taking time to recall it.

### 2.3 Competitive Advantage

According to Cegliński (2017), in doing business, a company should build and maintain its competitive advantage in order to compete with others in the market. Those who have a competitive advantage can ensure that they outperform the market average.



**Figure 2.1** Competitive Advantage

To increase competitive advantage, firms need to gather all of the existing resources and add the value that is different from others to gain sustained competitive advantage to run business successfully.

According to Powell (2001), the idea of competitive advantage is used by strategic management theories to explain business performance. In order to sustain competitive advantage, the firm needs to be well-managed and operate the company carefully by generating the right resources to the right position.

## **2.4 Customer Segmentation**

According to Kim & Jung & Suh & Hwang (2006), corporate success can be highly defined by the organization's capability to create and preserve customer loyalty and relationships. Consequently, it is very important for companies to understand customers' profiles and values in order to generate strategies based on them. Customer segmentation is the process of dividing customers into groups based on their common characteristics, such as lifestyle, perspective, behaviours, profile, values, needs, or even geographic location, so that companies can tailor their marketing to those customers more persuasively and provide the best offers based on customers' preferences. This largely helps with customer management, as the process would break down customers into groups so that companies could tackle each group differently to generate the customer's full monetization potential and establish relationships and loyalties. Companies can also target the customer segment based on their capability, resources, and requirements, whether large, small, or niche.

## **2.5 Entrepreneur Opportunity**

Entrepreneurship could not exist without opportunity. Even if an entrepreneur is working hard or has a high level of creativity, without an opportunity, that person cannot change his creativity into success. Some people define opportunities as a chance to present new innovative products or services, while others think about creating new ventures (Short & Ketchen & Shook & Ireland, 2010). It can be implied that people with creativity or experience need to have the opportunity at the same time to become entrepreneurs and create new things. Otherwise, those people are still people with nothing happening.

## **2.6 Product Differentiation**

According to He and Deng (2020), product differentiation is a marketing technique used by companies to set their products apart from competitors' goods. It can be both tangible, like shape or colour, or intangible, like quality or service. The buyer

can be notified of the differences between a product from one company and those from other companies that operate in the same environment using any distinguishing criteria, such as packaging, label, place of production, or selling method.

According to Schmalensee (1982), at the beginning of each product launched, there was a pioneer brand that entered the market before others. This pioneer brand always took the advantage of product differentiation because the brands that enter the market have to differentiate themselves from the one that exists, which makes the product more variety. However, when customers already notice the pioneer brand, they automatically remember that brand as a representative of this kind of product. For example, for Thai people, they always call the copy machine 'Xerox'.



## **CHAPTER III**

### **RESEARCH METHODOLOGY**

The reader will be able to comprehend the in-depth meaning and realistic information from the interviewee's perspective by reading this paper's focus on qualitative research approaches technique, which we used to draw our conclusions. More importantly, it is the ideal method for gathering information from those who are deeply interested in this topic of research.

#### **3.1 Data Collection**

In this qualitative research, the interview option has been selected to get a deep insight into how these entrepreneurs became involved in the Thai chocolate industry. The main objective is to deeply understand their ideologies and processes since they are small firms that are going to compete with big corporate firms already existing in the market. A total of five Thai-based entrepreneurs were selected to participate in one-on-one interviews. Those participants consisted of entrepreneurs in different roles of market from upstream to downstream, including farmer, processor, maker, and brewer. The reason I chose these five entrepreneurs is because they are the pioneers who initiated and pushed the use of Thai Single Origin Cacao to the market that provides unique values and raises awareness of Thai Single Origin Chocolate. Those five entrepreneurs are also the architects behind the rise of the Thai Single Origin Cacao industry and the establishment of a community that totally develops the supply chain and value chain of Thai Cacao as a whole, from cultivating to processing and end product.



### 3.2 Sample

This research gathers the information by interviewing 5 people who are involved in the Thai chocolate industry; including, chocolate maker, farmer and processor, brewer, and community leader.

#### **Selected Interviewee 1 (chocolate maker)**

Interview date : October 15, 2022

Personal background : He is a chocolate maker and Cocoa roaster who owns a chocolate brand, working in the chocolate industry for more than 5 years. Starting without any knowledge of cacao or chocolate, he did his internship in a cafe and the owner introduced him to look deep into the chocolate details. After a year, he had an opportunity to work in a chocolate company as a chocolate maker's assistant and explore more to gain some experiences. He found out that Thai craft chocolate is wonderful and perceived it as a 'new world', since everyone only knows about commercial chocolate in the market. He said that he is still young, if he catches the trend of chocolate at an early stage and becomes a specialist, he will become successful in this field in the future.

#### **Selected Interviewee 2 (farmer/processor)**

Interview date : October 16, 2022

Personal background : He was an office worker who was bored with his work and wanted to quit to do other things. Since his family owns an empty land, he finds something profitable to grow, which he found out that cacao is unfamiliar in the surrounding area and could be sold in the international market. He mentioned that people all over the world love to consume chocolate but there were still less Thai people focusing on it. First, he began to grow cacao at Rayong but he faced the situation of an unwanted product, at that period, there were less processors and chocolate makers, so he could not sell his product anywhere. As a result, he started to learn how to make chocolate online by himself, tried to develop the process, and expanded to grow more cacao in Chanthaburi. He believed that cocoa is not just a food, it can also be transformed into a cosmetic product.

#### **Selected Interviewee 3 (brewer)**

Interview date : October 17, 2022

Personal background : He is a barista in his own coffee shop located in Bangkok. In the beginning, he liked to drink coffee and brew it for himself everyday.



With this preference, he wanted to share the taste to other people, so he opened his own coffee shop and focused on specialty coffee sourcing from local farmers across Thailand. One day, his friend introduced a friend who is a chocolate maker to him, after trying Thai craft chocolate, he found out that it is interesting since it also has many taste notes like coffee. Therefore, he added craft chocolate specialty to his menu, and that chocolate maker became his supplier until now.

#### **Selected Interviewee 4 (brewer)**

Interview date : October 18, 2022

Personal background : He is an owner of two restaurants in Bangkok and wanted to expand his next business line into cafes. He believed that coffee already has a lot of players in the market and requires lots of skill and experience, so he came up with the idea of chocolate that he has liked since childhood. He also believed that branding with the focus of only one thing is the most important thing to do business because it will create a strong brand. Finally, he opened a cafe at the beginning of 2022, which mainly focuses on craft chocolate drinks.

#### **Selected Interviewee 5 (community leader)**

Interview date : October 26, 2022

Personal background : He is an owner of a chocolate cake shop selling for more than 15 years with 3 branches in Thailand. A few years ago, he realized that he wanted to differentiate his product by using selected chocolate from Thai origin cacao in order to present the taste of Thai chocolate. So, he started another business with his colleague who was a chocolate grower from Nan, Thailand. This business focuses on making Nan's chocolate taste stable in order to serve customers who use it for bakery like himself. He believes that people who use chocolate as an ingredient really want stable quality and taste to create finished products. Last year, Thai craft chocolate specialty was starting to bloom, many people jumped into the industry, but all of them still lost their way. As a person who worked in the chocolate field for many years, he saw the potential and opportunity in this chocolate industry, so he started to lead the community by providing knowledge, setting the events, matching the suppliers and users, and creating competition. He believes that competition can create more skilled people and all of them will develop and push Thai chocolate to the world market.

### **Interview Question**

The interview questions were created to gather detailed responses for the framework covered in the literature review section. In addition, the majority of the questions were designed as open-ended to enable interviewees to freely express their thoughts and share their personal experiences about the chocolate industry and how interviewees become involved in the Thai chocolate industry.

#### **Interview Questions :**

1. Can you please share your background? How long have you been in this chocolate industry?
2. Why did you choose to do chocolate?
3. How did you begin?
4. What is the meaning of your brand name? And how do you develop it?
5. Who are your suppliers? Which city are they in?
6. What are the opportunities that you see in this industry?
7. How do you differentiate yourself from the existing players?
8. What is your competitive advantage?
9. Who are your target customers?
10. Where do you position yourself in the market?
11. What is your current marketing strategy? What are the channels that you use?
12. What makes customers willing to pay an extra charge for your single origin chocolate instead of mass produced chocolate in the market?
13. Do you see any changes in customers' behaviour in consuming chocolate?
14. What are your biggest challenges you have faced? And how did you resolve them?
15. What is your objective toward the brand and chocolate industry in the next 5 years?
16. How do you see the Thai cacao community as a whole?

## **CHAPTER IV**

### **FINDINGS ANALYSIS**

This chapter describes a more detailed analysis of the interview sessions discussed in the previous chapter, it will help to identify the factors that influence Thai specialists to be involved in the Thai chocolate specialty industry and learn more from their perspectives. After interview sessions, there are many interesting topics that have been discussed and explained. All of them have their own reason to be a part of this industry, they have to face different challenges and receive lots of opportunities from people in the same community. The following part below represents the main topics that gather from the interview sessions including the key factors that influence those entrepreneurs to enter the Thai craft chocolate market.

#### **4.1 Key Themes**

##### *Taste*

Thai craft chocolate specialty has its own taste that is different from normal foreign chocolate in the market. The taste is more sour than what people have ever tried. Since Thailand is a land of agriculture, there are lots of fruits grown everywhere across the country, which affect the microorganism under the soil that create flavour to the chocolate.

According to the farmer/processor, he mentioned that the taste of the chocolate comes from the fruit that grows around; for example, when he grows bananas to give the shade for cacao trees, the chocolate will have a banana flavour with sweet and sour taste. This kind of taste that is created by nature cannot be controlled, he can only provide the best conditions and try to control surrounding things that can affect the microorganism, which means he can only control as much as he can to produce the nearest taste, but still a bit different in each batch.

According to the chocolate maker, he said that *'the signature of Thai*

*chocolate is the flavour that is created by microorganisms*'. In each batch of chocolate production process, the taste will change all the time compared with any other batches, which means that people can experience the flavour once, when it is out of stock, they cannot create the same taste any more because the taste is created by nature.

According to the brewers, they think that different taste notes that come in small batches help them to gather customers frequently because customers who are consuming the story and wanting to explore more taste rather than consuming the same thing. As one of them said *'Like coffee specialty, customers try different single origin coffee to try different taste notes, customers who try single origin chocolate would do the same thing'*. According to the community leader, he has a different opinion about the taste of chocolate. He said that Thai chocolate has a signature taste, it is a bit sour and sweet from Thai tropical fruit. However, if we want to use it as an ingredient for baking or export it to other countries, the taste should be stable because it will be easier for the users to mix with other ingredients

Most of them think that the tastes that can be experienced at once and could not find anywhere else is a uniqueness of Thai craft chocolate, whereas, the community leader thinks that to be able to sell in the market, the chocolate should have stabilized taste and produce in a large quantity.

### ***Price***

According to the chocolate maker, brewers, and community leader, they mentioned that people are willing to pay more for Thai chocolate specialty because experiencing Thai craft chocolate is somehow seems to be new world for customers, as most people that consume chocolate since they were young are likely to believe that chocolate products from abroad are the best. Also, when people who love to consume chocolate know the story that every taste can be tried only once, so they are more likely to taste as much flavour as they can at any price. Moreover, craft chocolate is a very niche market, so they can charge higher prices than normal imported mass products.

According to the farmer and processor, he argued that *'Thai chocolate does not cost higher price than imported high quality chocolate, but normally people only consume mass production products, which come with a lower price'*. Therefore, it depends on the story that sellers share to customers to encourage them to pay a higher price to earn that specific experience.

Therefore, the price is set depending on how much their target customer is satisfied and willing to pay for their experience of buying this chocolate product.

### ***Trend***

All of them stated that currently it is an early stage of upwarding trend of chocolate specialty in Thailand.

According to the brewers, they mentioned that *'most of their customers are people who drink specialty coffee'*. These types of customers already understand that sour flavour is delicious and most of them want to explore new things. When the baristas share with them a story of craft chocolate, they are convinced to try. After trying for the first time, if they get into a new journey of specialty chocolate, most of them want to try another one the next time.

According to the chocolate maker, he believed that chocolate drink is going to be a *'new world'* for everyone who tries because its taste is specialized from other drink products. There was a trend of coffee and matcha specialty, now it is going to be a chocolate turn.

According to the community leader, he mentioned that people in this generation are addicted to showing their lifestyles. The ones who explore or try new things first and post on social media are people who lead the trend. In order to push the trend forward, he tried to set the competition to encourage producers to develop the quality and spread the word wider.

### ***Opportunity***

All of them mentioned that they are the first group who are early adopters in the current Thai chocolate specialty industry. With this early stage, it made them have an opportunity to capture the whole market. Moreover, there are only a few competitors in the market, so they do not have to fight against each other. At this time, the producers are still learning and developing in every section. In order to make a good chocolate, the quality needs to be controlled in each production process from upstream to downstream.

According to the chocolate maker, he saw an opportunity in this upcoming trend, which he mentioned that *'it is because Thailand has a full supply chain of cultivating cacao until producing it into bars'*. He believes that the product can be sold itself as long as it has a good quality, so he creates a connection with his supplier and educates each other to exchange knowledge.



According to the farmer/processor, he believed that there is still an opportunity in this industry because there is still less midstream and downstream to process cacao into cocoa and chocolate. He stated that *'Thai chocolate is more varied than other countries because we separated origin by province, while other countries categorized it by the whole country'*. The more origin makes people more interested and enjoy the product. Customers are starting to pay attention to the product origin to know what they consume, they are more health conscious. This single origin craft chocolate will provide them transparency information v about the product they ate, which creates a long story of supply chain.

According to the brewers, they mentioned that coffee and matcha specialty seem to be saturated because there are lots of players selling the same thing in the market; on the other hand, chocolate specialty is quite new for customers, so there might be a chance for them to try.

According to the community leader, he said that *'I believe that everyone loves chocolate, we have been familiar with it since we were young'*. Normally, we import chocolate from other countries, while Thailand has a very good condition to grow cacao plants. Moreover, Thai farmers, processors, makers, and brewers have an efficient skill and experience to transform cacao into chocolate products. The taste and quality can beat the big brands in the market, but there are still less players in the industry to run the trend.

As a result, there are plenty of gaps for new players to be in this industry, without having to compete with each other. The one who catches the trend will be the one who leads the community, and all of them will easily succeed then later adopter.

### ***Community***

In this chocolate industry, there is a community called *'Chocolate Entrepreneur'*, where people who are involved in the chocolate industry share knowledge and supply for each other. All of them try to drive the trend to capture the market.

According to the chocolate maker, he said that if he wants to get good quality cacao seeds, he has to provide some information to the processor in order to help them develop the process of seed preparation. This will help the processor to understand which method will generate what taste, and the chocolate maker will get the right taste

he wants.

According to the community leader, he set the event at the shopping mall to gather all chocolate entrepreneurs in order to let them show their products to customers. When customers see that there is this type of interesting product in the market, the trend will rise and the market size will get bigger. Not only events that drive the industry, he also set the competition in order to let chocolate producers develop themselves and show their potential.

According to the brewers, both of them agree that it is good to have more players in the market because now it is in the early stage, there should be products frequently appearing in the market to gain more awareness to rise up the trend. One of them mentioned that ‘people will know this chocolate specialty more if there are more competitors’.

Therefore, all of them agree that currently they connect to each other like a friend and family, who help each other in many ways. They are willing to raise awareness to customers rather than compete with each other.

**Table 4.1 Entrepreneurs’ Perspectives**

Themes	Entrepreneurs’ Perspectives
Taste	<ul style="list-style-type: none"> <li>- Lots of taste notes</li> <li>- Sour taste</li> </ul>
Price	<ul style="list-style-type: none"> <li>- Willing to pay depends on story shared</li> </ul>
Trend	<ul style="list-style-type: none"> <li>- Upward trend follow coffee specialty</li> <li>- Social lifestyle</li> </ul>
Opportunity	<ul style="list-style-type: none"> <li>- Large market</li> <li>- Less players/competitors</li> </ul>
Community	<ul style="list-style-type: none"> <li>- Support each other</li> <li>- No competition within the community</li> </ul>



## **CHAPTER V**

### **CONCLUSIONS AND RECOMMENDATIONS**

Currently, it is an upward trend in the Thai chocolate specialty industry. People seem to be interested in craft chocolate because of its wonderful taste that represents a new world to them. Most Thai chocolate entrepreneurs can charge higher prices due to the fact that this kind of chocolate has a story from growing until serving, which is valuable to customers and encourages them to have a strong willingness to pay for this new experience.

Not only customers that have an opportunity to try new things, the entrepreneurs that start in this period also get the opportunity to capture large market size with less players in the market. When there are only a few players, people in the chocolate community are willing to help each other rather than compete and beat others out. These help the Thai chocolate industry to rapidly grow in the near future.

The interesting point that I have learnt from interviewing these Thai chocolate entrepreneurs in depth is that I know more about Thai chocolate than before, which changed my mind about 'imported chocolate is the best chocolate'. International chocolate brands that sell in the market are chocolate produced with the artificial flavour to make the taste stable, unlike Thai craft chocolate that has flavour from each process, since growing, processing, roasting, making, and brewing.

For the recommendation, this paper will benefit small firms, in any role such as farmers, processors, chocolate makers, or brewers, that are going to enter Thai chocolate market in this period to make them understand more about background of the chocolate, how people in the community act, and the opportunities that they will gain while entering the industry. They might understand more about existing firms' perspective toward the market and the shared market capacity in order to weigh pros and cons before being part of this community.

In summary, the key factors that influence Thai entrepreneurs to become part of the Thai chocolate industry are the upward coming trend that provides new

experience to customers, with the opportunity to produce good quality chocolate from upstream to downstream, which Thai environment is suitable for cacao plants, and the community that currently support each other. Moreover, the taste of Thai craft chocolate is very new to customers, they are more willing to pay for an experience that can only try one and could not be tried anywhere else anymore.

### **5.1 Limitation of the Study**

In this paper, there are some limitations of this research since the topic is too niche and there are only a few people who know about Thai craft chocolate specialty, so it has to be coped by using a qualitative research approach to interview some entrepreneurs in the industry.

This paper has been focusing only on 5 Thai Entrepreneurs inside the chocolate industry, which most of them are successful in their career, so the answer could be biased from their perspective since I could not reach the entrepreneur that failed to become part of the chocolate industry. Moreover, there were only a few players in the market, which the data might not be enough to conclude.

### **5.2 Further Research**

This paper was limited to Thai chocolate entrepreneurs, which currently has only a few people. As they predict, in the near future, there will be more new players appearing in the market and there will also be more customers who have tried before. To be more precise, further research should be conducted to approach both customers and entrepreneurs to understand the market and consumers' perspective.

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