

## **JSC Choco Group: Value-based business model for small food industry company**

Case study on Executive level

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### **Abstract**

JSC “Choco group” is a Lithuanian capital company operating in Kaunas county. It is a small company with 16 employees. All products are produced in Lithuania using thoroughly selected ingredients that meet the highest quality standards. Company produces more than 75 products such as bars of dark, milk, and white chocolate, chocolate bars with different added ingredients, glaze, cacao glaze, and different fillings for bakery, confectionary, and ice-cream manufacturers. The company's products are sold in the local market. According to the head CEO, the company's activities are based on values. In addition, the company's product basket is full of eco-friendly, vegan, sugar free chocolate bars, which allows it to offer chocolate even for most capricious chocolate lovers. During the in-depth interview, the head of the company asked several questions: If you were in the company's shoes, what strategy would you adopt as a solution? What actions would you take? Which markets would you choose? Which partners? What business model would you deem the most suitable? How, where, and to whom would you communicate the main values of the product?

### **Keywords**

Value based business model, stakeholders, risk management, sustainable development, foreign market, project quality assurance.

### **Learning objectives**

- To identify and evaluate the challenges and requirements of particular foreign market.
- To identify, evaluate and justify scalable products that ensure value-based growth of the company;

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- To investigate barriers and factors of market entrance.
- To develop project business case and plan.
- To develop strategy of project risk and quality assurance.

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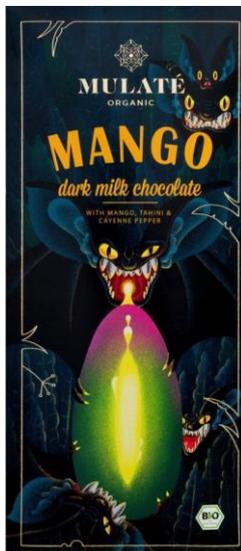
## Characteristics of JSC „CHOCO GROUP“

*‘Maybe it is not necessary to build a rocket to reach the moon, maybe it’s enough to have a piece of chocolate?’* say representatives of UAB Choco Group, a company in Ilgakiemis (Kaunas region).

UAB Choco Group is an innovative company that develops and manufactures the highest quality chocolate and its products:

- *Chocolate, cacao glazes, and fillings for manufacturers (ice-cream producers, confectionary, bakeries);*
- *Chocolate products: bars, chocolate bites, spreads.*

It is a Lithuanian capital company with 16 employees. All products are produced in Lithuania using thoroughly selected ingredients that meet the highest quality standards, and the chocolate package of unique design hide exceptional and unusual tastes. At the moment, the company’s product range includes more than 75 products such as bars of dark, milk, and white chocolate, chocolate bars with different added ingredients, glaze, cacao glaze, and different fillings for bakery, confectionary, and ice-cream manufacturers. In addition, the company’s product basket is full of eco-friendly, vegan, sugar free chocolate bars, which allows it to offer chocolate even for most capricious chocolate lovers.



More products you can find <https://www.chocostore.eu/> .

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The competition in chocolate market is intense. Chocolate competes not only with chocolate, but also with other sweets; that's why it is extremely important to find your place and to select your customer. Of course, it is important to persist, constantly search for new tastes, unusual form and design solutions, and to offer new products to the market' says the CEO of Choco Group Vytautas Stankevičius. Today company is capable of producing 300 t per month and 600,000 bars per month.

Although broadening the product range is a priority, sales and export are equally important. Over 40 per cent of company's products are exported to Finland, Sweden, Hungary, Czech Republic, Ireland, United Kingdom, Saudi Arabia, Taiwan, South Korea, etc.

**A values based business.** CEO says, *'We do not have time-tested traditions, but we have strong / deep ambitions and a modern, responsible approach to the customer and business partner, the product, the environment, and the community.'* JSC Choco group values cover the following:

- Reliability, quality, and safety (certified FSSC in line with IFS procedures);
- Health (priorities: BIO, VEGAN, NO ADDED or less sugar, NO PALM OIL, enriched with valuable ingredients (PROTEINS, MCT, etc.));
- Sustainability (priorities: nature and people protection, renewable energy);
- Social responsibility (priorities: young artists, young entrepreneurs, youth health).

CEO Vytautas Stankevičius: *'Our company is actively seeking for new partners and possibilities.'* The most important achievement in 2021: *MULATE rebranding. Created MULATE Sub-brands (ORGANIC, PREMIUM, BITES, CUT and GO, CHOCO); and 4 NEW MULATE COLLECTIONS created. Created MULATE Organic MANGO (1 SKU), MULATE Premium (8 SKU), MULATE Bites (10 SKU), CUT & GO Mulate (6 SKU). MULATE Choco (4 SKU) + (2 SKU Cream).* Our goals for 2022 are as follows:

- To increase MULATE branded product sales. In 2021 MULATE branded product sales were less than 20 % in comparison to all our sales;
- To increase the general production. In 2021 we used only 20 % -- 30 % production capacity in the mass production and 20 % in chocolate bar production.

UAB Choco Group is not only actively looking for business contacts by participating in international exhibitions, projects, and events; it also uses additional international

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communication opportunities provided by Kaunas Chamber of Commerce and Industry and the Enterprise Europe Network i.e. consultations, B2B events, and business partner search.

At the end of 2020, UAB Choco Group applied to the network representatives and filled in a questionnaire to search for business partners abroad. The questionnaire was published in the database of the EEN network connecting almost 70 countries and soon attracted interest from France, Denmark, Sweden, Poland, and Germany. In addition, the company participated in B2B events for food companies organized by EEN *Riga Food 2021*, *FoodeirEEN*.

Today, we are happy that some of the contacts established with the help of the EEN network have already developed into closer cooperation i.e. the first order for Lithuanian chocolate products has already been placed by a Polish company. What's more, negotiations on distribution opportunities and conditions have also started with a German company.

## Challenge

CEO Vytautas Stankevičius claims that despite successful expansion, the company has ambitious goals and faces challenges. It is reflected in the story told by the CEO: 'In collaboration with the specialists of Eastern alternative medicine, the company has created a new collection of chocolate bars. The recipes combine different natural ingredients to make the chocolate functional and to positively affect people's health and well-being. The idea of this collection is based on the experience of Eastern alternative medicine used for centuries, yet it has not been confirmed by medical research.'

To examine the possibilities of introducing the product into the local market, a focus group that includes marketing experts from various fields was formed. The idea, story, and origin of the chocolate collection was introduced to them. The focus group provided the following reflections:

- It is very deep and interesting, yet it is difficult to understand that chocolate may have such an effect on people;
- The majority of customers make the decision to buy something based on brand name or prior choice experience. The decision to buy is made within seconds. Customers rarely read the ingredients or analyze personal benefits.
- You will need to communicate a lot (which is expensive) to educate people about the effect of individual ingredients and that of their combination.

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Based on these reflections, the company's managers made the decision to stop the project for an indeterminate period of time, to wait for the moment when:

- There will be more resources for communication;
- Opportunities of the day that give more rapid financial return will be seized;
- Suitable partners will be found to present the product ideology not only in chocolate bars but also in the products of manufacturers the company works with i.e. ice-cream, soft cream cheese, etc.

## Recommendations

For Bachelor's students, essential information required to work on the case study should be provided in the main text or in the appendix.

For postgraduates, the search for external information essential to the case study may be part of the assignment.

## Questions:

### The CEO asks:

1. If you were in the company's shoes, what strategy would you adopt as a solution?
2. What actions would you take?
3. Which markets would you choose?
4. Which partners?
5. What business model would you deem the most suitable?
6. How, where, and to whom would you communicate the main values of the product?
7. Develop business case and project for the solution implementation. Business case has to cover study of feasibility. Project management plan has to include WBS, schedule, resource plan, budget, a risk and quality assurance plan.

## Recommended literature:

1. A Guide to the PROJECT MANAGEMENT BODY OF KNOWLEDGE, 6th edition.

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2. Better Practices Of Project Management Based On IPMA Competences, John Hermarij.
3. International project finance: law and practice, J.Dewar .
4. Project management best practices: Achieving global excellence, H Kerzner.
5. , G.Singh.
6. Product Management: Strategy, planning, marketing, organization and execution, J.Holm, C.Olesen
7. Sustainable Development Goals (SDGs)  
<https://www.un.org/development/desa/disabilities/envision2030.html>

## Teaching Notes

### Link to case study theme:

Development projects, stakeholders, risk management, value-based business model, foreign market, project quality assurance.

**Audience:**  Please select all that apply

UG students

PG students

(a) Synopsis and type of the case

**[Synopsis]** The case was developed in close cooperation with JSC “Choco group” manager. JSC „Chocco group“ has a status of small enterprise. Since its establishment, the company has developed its activity in different types of chocolate production. Few interviews were conducted in order to collect qualitative data. In this case, the main products and production process of the company, collected on the basis of officially available sources, are presented. An in-depth interview with the company's manager was conducted to identify the key challenges that JSC “Choco group” faces. This case aims to provide students with knowledge of how project management approach can be used in order to make integrated decision to implement complex change combining value based business, new foreign market entrance and sustainability.

**[Type]** This case is decision case.

Decision Case:

The decision case asks students to state what they would do in the circumstances described and requires them to formulate a project-based action plan. In the role of a decision maker or in diverse roles (similar to a role play), students must develop a variety of feasible approaches and exercise judgment in selecting the approach with the highest probability of success for identification}

### Recommendations

Incident case, background case, exercise case are recommended for undergraduates;  
situation case, complex case, decision case are recommended for postgraduates

(b) Teaching objectives, target groups and target courses

**[Objectives]** This case is designed to reach such learning objectives as:

- To identify and evaluate the challenges and requirements of adaptation of a company and its business strategy to a particular foreign market.
- To identify, evaluate and justify scalable products that ensure sustainable economic growth of the company;
- To investigate barriers and factors of market entrance;
- To develop a project business case and plan.
- To develop strategy of project risk and quality assurance...

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**[Target group]** The case is written for Postgraduates Students

**[Target courses]** The case is especially intended for courses in Management, Project management and Enterprise management.

(c) Teaching approach/area and strategy/organisation

**[Approach/area]** The case is intended to develop project management competencies such as project conception/business case for new foreign markets initiation, project stakeholders analysis and risk management.

**Project conception justification/business case.** In accordance to PMBOK 6 (2017) “*The project business case is a documented economic feasibility study used to establish the validity of the benefits of a selected component lacking sufficient definition and that is used as a basis for the authorization of further project management activities. The business case lists the objectives and reasons for project initiation. It helps measure the project success at the end of the project against the project objectives*”. A business case may include deep analysis of business needs and situation. Business needs analysis covers such topics as Determination of what is prompting the need for action; Situational statement documenting the business problem or opportunity to be addressed including the value to be delivered to the organization; Identification of stakeholders affected; and Identification of the scope. Analysis of the situation includes Identification of organizational strategies, goals, and objectives; Identification of root cause(s) of the problem or main contributors of an opportunity; Gap analysis of capabilities needed for the project versus existing capabilities of the organization; Identification of known risks; Identification of critical success factors; Identification of decision criteria by which the various courses of action may be assessed.

Business case and project development covers such steps:

- To analyse Sustainable Development Goals (SDGs) <https://www.un.org/development/desa/disabilities/envision2030.html> and make a decision on which topics of SDGs are relevant to the company's case
- To investigate the export potential of JSC Choco group products.
- To identify challenges and their scope in order to enter new markets in the context of SDGs.
- Evaluate the possibilities of potential international markets to sell products; What challenges will the company face in meeting Sustainable Development Goals (SDGs);
- Develop Business case for introduction to international markets (list of products; target markets; marketing strategy; stakeholders; list of risks);
- Develop project plan (WBS, schedule, resource plan, budget, a risk and quality assurance plan).

## Recommendations

**I competencies** may be developed for bachelors (narrow, function based)

**T competencies** may be developed for postgraduates (wide, horizontal managerial and function based)

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The case is prepared for teamwork. Therefore, before starting to work on the case students have to organize teams. The team should consist of 3-4 team members. The case can be studied in the classroom or combining homework and work in classroom.

**[Strategy/organization]** of the case study has been organised as follows [a typical structure may be the following]:

1. **Case Briefing:** First the teacher should present topic, its purpose, time frame and course. After, students should read the case study carefully. A 40-minute time period should be allowed for this. The teacher can ask students to read case before coming to class. Students should be given time to discuss details of the case study and the associated work assignment with the teacher. A further 30 minutes should be allowed for this.
2. **Case Coaching:** While working on the case, students should have the opportunity to interact with the teacher in the form of coaching sessions. For this purpose, approx. 60 minutes should be scheduled again.
3. **Upload of analysis results:** After 2 weeks, students should upload their results to the learning platform in the form of a presentation.
4. **Case Presentation:** Participants should be given a period of 8-10 minutes to present the results and followed by a 10 minutes discussion.

(d) Evaluation/Grading

**[Evaluation criteria]** Evaluation shall take place based on the following criteria:

Criteria	Description
<b>Case research</b>	<p>Completeness (<i>disclosure of the substance of the content, use of appropriate terms</i>);</p> <p>Accuracy (<i>deep and complete understanding of the topic, ability to discuss using the information provided</i>);</p> <p>Argumentation (<i>discussion, giving appropriate examples, facts, statistics in comparison with the works of other authors</i>)</p>
<b>Case presentation</b>	<p>Case presentation structure (<i>clarity of the logical sequence, adherence to the sequence during presentation</i>).</p> <p>Answers to questions (<i>detailed, with examples, demonstrating deep and complete knowledge of the topic, ability to discuss</i>).</p> <p>Quality of presentation preparation (<i>volume of the presented text, whether the text is legible, clarity of graphics, absence of grammatical and stylistic errors</i>).</p>
<b>Class participation</b>	<p>Preparation for the class activity (<i>having the necessary material, getting acquainted with it, performing the necessary tasks before the session</i>).</p> <p>Quality of comments (<i>clarity of ideas, consistency, reasoned answer to the questions, use of appropriate terms</i>).</p>

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	Initiative and involvement in task solving, discussions
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1. **[Grading/weights criteria]** Evaluation shall take place based on the following criteria [a typical scheme may be the following]:

Maximum number of points achievable, thereof for 100

- Case research: max. 50 points
- Case presentation: max. 10 points
- Class participation: max. 40 points

...

Final graduation:  $50 + 10 + 40 = 100$

### **Recommendations**

Differences in the level of education and experience, e.g. masters students and postgraduates, can be taken into account both in the weighting of the evaluation criteria and in differences in the requirements.

(e) Analysis and solution outline