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Consulting Report - CAC Oro Verde

THESIS TO OBTAIN THE DEGREE OF MASTER IN BUSINESS ADMINISTRATION GIVEN BY

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Dedications

To my lovely wife, Hiba Sidki for all her unconditional support, comprehension and priceless love. To my parents, Martha Cosavalente and Luis Pérez for their efforts, support and for showing me the best things in life.

Abstract

CAC Oro Verde is a Peruvian coffee and cocoa cooperative located in San Martín, Peru which is seeking to explore a niche market of cocoa beans located in Canada. Thus, the main objective of this consulting report is to identify and develop a plausible business opportunity within this market. For that purpose, a marketing strategy, a marketing mix and a financial assessment were developed in order to have a clear implementation plan for this business opportunity. Based on the analysis, the main opportunity identified is the fine flavour Fair Trade and Organic certified cocoa beans market. Moreover, considering the possibilities of the cooperative and the segments that were analyzed, the bean-to-bar segment was identified as the target market. Moreover, direct exporting and developing a partnership are the two most suitable entry methods for the bean-to-bar segment and British Columbia was identified as the best location to penetrate. The marketing mix suggested was deployed in an implementation plan with a timeline of 30 weeks and a cost estimated in 109,000 USD.

Due to the fact that the recommended product to enter the market is considered a premium and high-quality product and, considering other benchmarks of the market, then the prices proposed are from 5,000 USD to 6,500 USD. Furthermore, the project was financially assessed considering 18 different scenarios varying prices and percentages of market share. From that, it was determined that the breakeven points in terms of market share are from approximately 4.9% for the 6,500 USD price to 6.1% for the 5,000 USD price. These percentages of market shares represent between 8.9 TNE to 11 TNE per year in order to break even in such a niche market. For the best-case scenario, CAC Oro Verde has the potential to make a net profit of approximately 530,000 PEN in year one if the cooperative is able to attain 20% market share which in five years would represent a net present value of approximately 3’400,000 PEN which indicates a 192.4% internal rate of return on the initial investment showing that the project is feasible and viable.

Resumen Ejecutivo

CAC Oro Verde es una cooperativa peruana ubicada en la región de San Martín, Perú con mucho interés en explorar el mercado nicho canadiense de cacao. Así, el principal objetivo del proyecto de consultoría es identificar y desarrollar una oportunidad de negocio viable en este mercado. Para ello, se evaluó y planteó una estrategia de marketing, un marketing mix y se realizó una evaluación financiera con el fin de determinar una solución viable que pueda ser implementada. A través de este estudio, se identificó que la mejor oportunidad de negocio y mercado nicho para la cooperativa se encontraba en el mercado de cacaos de fino aroma que cuentan con certificaciones de comercio justo y orgánico. Asimismo, tomando en cuenta las necesidades del mercado y las posibilidades de producción de la cooperativa, se eligió al segmento bean-to-bar como el mercado a penetrar. Del mismo modo, se identificó que exportar directamente hacia socios comerciales es el mejor método de entrada hacia la provincia elegida, British Columbia. Por otro lado, el marketing mix propuesto se desplegó en un plan de implementación cuyo costo y duración estimados son 109,000 USD y 30 semanas, respectivamente.

Debido a que el producto ofrecido es considerado de alta calidad y, tomando en cuenta otros puntos de referencia en cuanto al precio del producto, se determinó que el rango más aproximado de precio sugerido es desde 5,000 USD a 6,500 USD. A partir de ello, se realizó la evaluación financiera a 18 diferentes escenarios variando el precio y la cuota de mercado posible de alcanzar. De ese análisis, se determinó que el punto de equilibrio se alcanza cuando la cuota de mercado es entre 4.9% y 6.1% de la demanda, es decir, desde 8.9 TNE a 11 TNE vendidas por año. En el mejor escenario, CAC Oro Verde es capaz de lograr utilidades netas por 530,000 PEN en el primer año si es que se logra alcanzar una cuota de mercado de 20% lo que en cinco años significaría un valor presente neto de 3’400,000 PEN y una tasa interna de retorno de 192.4% demostrando que el proyecto es viable y factible.

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Chapter I. General Situation of the Organization

For this consulting project, the Inter-American Institute for Cooperation on Agriculture (IICA) plays the role of a sponsor between the consultants and the Oro Verde Coffee Cooperative (CAC Oro Verde). The consulting report will be directly coordinated with IICA; however, CAC Oro Verde is ultimately the main client in regards to purpose of the consultation process.

1.1 Presentation of the Organization: Oro Verde Coffee Cooperative

CAC Oro Verde involves 56 producers of coffee and cocoa, working together towards a common goal of producing and distributing their goods. CAC Oro Verde is located in the region of San Martín in the province of Lamas (Cooperativa Agraria Cafetalera Oro Verde, 2015). From the last decade, the cooperative has been working on improving its products in order to be differentiated from other producers. Thus, they have reached several certifications such as organic products, Fair Trade certification, among many others. The continuous growth of the cooperative has boosted the interest for entering new markets such as the Canadian cocoa market. Thus, CAC Oro Verde's intention is to penetrate the Canadian cocoa market in order to expand its business to new markets.

1.1.1 History and milestones

CAC Oro Verde was founded on December 7th, 1999 in San Martín, Peru. Since then, the cooperative has been working hard on improving the economic, social and environmental aspects of its business. Since 2002, the cooperative has certified its products in order to export coffee and cocoa to specialty markets. Currently, cacao is one of its main exporting products that represents 50% of sales. In terms of environmental care, by 2014, the cooperative has planted over 850,000 trees, having the final goal to plant over 2'000,000 trees by 2019. In terms of diversity and inclusion, the cooperative has 1,687 members located through 67 basic committees in four provinces of San Martín such as: (a) Lamas, (b) El

Dorado, (c) San Martín, and (d) Picota. Considering the number of its associates, it is appropriate to mention that 70% belongs to the Lamas ethnic group; whereas 30% belongs to different ethnicities. Therefore, this consolidation strengthens the union of the members as well as promotes a very rich cultural diversity, preserving the traditions in the cultivation of coffee and cocoa (Cooperativa Agraria Cafetalera Oro Verde, 2015).

1.1.2 Products of focus and certifications

According to Barry Callebaut (2017), there are three main types of cocoa beans in the world: (a) *Criollo*, (b) *Trinitario*, and (c) *Forastero*. *Criollo* cocoa beans are native to Central and South America as well as the Caribbean islands and Sri Lanka. Only 5% of the world's production is *Criollo* cocoa beans. Among its characteristics, *Criollo* cocoa beans are particularly difficult to grow, as they are extremely vulnerable to a variety of environmental threats. However, these beans have a white to pale pink colour and their taste is described as delicate yet complex, but rich in secondary notes of long duration. *Criollo* cocoa beans are prized as an ingredient in the very finest of chocolates (Barry Callebaut, 2017).

Trinitario cocoa beans are a natural hybrid biological class resulting from cross-pollination. It counts for the 15% of the world's cocoa beans production. *Trinitario* trees combine the best of the two other main varieties: (a) the hardiness and high yield of *Forastero* trees, and (b) the refined taste of *Criollo* trees. Moreover, its quality varies between average and superior. It is the predominant fine flavour cocoa. It can now be found in all the countries where *Criollo* cocoa beans was once grown: Mexico, the Caribbean islands, Colombia, Venezuela, Peru and in parts of Southeast Asia (Barry Callebaut, 2017).

Forastero cocoa beans are the most commonly grown cocoa in the world. *Forastero* cocoa beans are mainly grown in Africa, Ecuador and Brazil and account for 80% of the world's cocoa beans supply. What makes it so popular is that it is much hardier and less susceptible to diseases. It has a much higher yield than the *Criollo* and *Trinitario* varieties

(Barry Callebaut, 2017). *Forastero* cocoa beans are mainly used to give chocolate its full-bodied flavour. Its bitter taste has a short duration and is unsupported by secondary flavours, which is why it is often blended with superior cocoas.

Products of focus. CAC Oro Verde produces the highest quality of *Criollos* and *Trinitarios* cocoa beans and are handled under an adequate agroforestry system and post harvest process. The whole production is centrally fermented in appropriate spots in which *Brix* degrees, acidity and temperatures are controlled throughout the process. Then, each lot is evaluated and classified according to the degree fermentation. Thus, cocoa beans that are oriented to specialty markets are rigorously processed and evaluated with highly specialized equipment (Cooperativa Agraria Cafetalera Oro Verde, 2015).

Certifications. Currently, the cooperative has reached the following certifications for its cocoa beans products: (a) Organic NOP, EU and COR; (b) Rainforest Alliance; (c) UTZ Certified; (d) Fair Trade; (e) Symbol of Small Producers; (f) Green Gold Top Grade; (g) Green Gold Grade 1; and (h) Green Gold Grade 2 (Cooperativa Agraria Cafetalera Oro Verde, 2015).

1.1.3 Mission

CAC Oro Verde's mission is to provide relevant, efficient and sustainable services with a gender approach to improve the productivity and the quality of agroforestry products taking into consideration the involvement of the organization which is supported by the technical teams, promoters and leaders using appropriate methodologies in the technical-productive management plans (Cooperativa Agraria Cafetalera Oro Verde, 2015).

1.1.4 Vision

Their vision is make the cooperative and its partners profitable in their productive and commercial activities and improve their living conditions (Cooperativa Agraria Cafetalera Oro Verde, 2015).

1.1.5 CAC Oro Verde's strategic objectives

The strategic objectives set by the board of directors of CAC Oro Verde are related to the production, transformation, conservation, classification, elaboration, transportation, marketing, import and export of products from the agricultural activity related to coffee and cocoa products to improve the economic, social and cultural levels of all the stakeholders of the cooperative (Cooperativa Agraria Cafetalera Oro Verde, 2015).

1.2 Industry Analysis

The industry analysis for CAC Oro Verde will based on Michael Porter's five forces which include: bargaining power of suppliers, bargaining power of buyers, threats of new entrants, threats of substitutes of products, and the extent of competition.

1.2.1 Bargaining power of suppliers

The power of suppliers indicates the extent that suppliers can afford to do things such as raising prices, limiting quality of their products or limiting availability, or even passing costs to other players within the industry. Peru participates in the world market with 1.7% of the world production of cocoa beans and rank eighth place in the global cocoa industry. Ivory Coast is the world's leading producer with 39.8 % of global production. Peru is also the third largest producer of cocoa beans in Latin America, after Brazil and Ecuador (Instituto Interamericano de Cooperación para la Agricultura, 2017). Moreover, several suppliers require different inputs such as bags, soil, seeds, seedlings, fertilizers among others. In addition, they also require tools such as scrapers, machetes, scalpers, knives, scissors, etc. The cost of switching from these suppliers are very low. The small producers of the raw material seeds of CAC Oro Verde are highly reliant on them to be able to have access to the consumers and therefore do not have high bargaining power. These suppliers are the small farmers based in the forest. A challenge for them is to produce large quantities on their own or provide direct service to the big national and international clients. The main reasons why cooperatives are needed are because the capital requirement, technological knowledge, transportation and channel of distribution is what, for example, CAC Oro Verde can support them with (Martin, 2014). CAC Oro Verde is in good negotiation with their suppliers over the years, which has helped them have the upper hand over the bargaining power. Thus, considering the current situation of the industry, bargaining power of suppliers of CAC Oro Verde is low.

1.2.2 Bargaining power of buyers

CAC Oro Verde offers two kind of products conventional certified cocoa beans and fine flavour certified cocoa beans. For the first type of products, the bargaining power of buyers is high. The reason is there are already many local and global suppliers trading in the Canadian market. The large variety of available options makes the switching cost very low (Porter, 1998). On the other hand, for the second type of products, the bargaining power of buyers is low as it is a rare form of cacao and the Canadian cocoa market has much less suppliers of this kind of cocoa beans. The list of top Canadian cocoa importers as of 2014 comprises both well-known multinational companies such as Nestle, Hershey, Mars as well as the small and medium sized enterprises, for instance, Mum's, Hummingbird and it is showed in Appendix A.

Certified cocoa beans products mainly include two kinds of them: (a) Organic certification, and (b) Fair Trade certification. The Organic cocoa market still only represents a very small share of the total cocoa market, sitting at an estimated 0.5% of total productions. Although small, consumer demand for Organic cocoa products is growing at a very strong pace, as consumers are increasingly concerned about health and the quality and the safety of their food supply. (Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017). Regarding the Fair Trade certification, the awareness of the importance of this certification has also been increasing due to the accessibility to information consumers now have online. The niche market for high quality cacao beans is driven by the strong sense of social responsibility being exhibited by today's consumers. Moreover, the annual growth of Fair Trade certified products in Canada has been estimated at 48% (Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017). The shifting consumer trends for more authentic, certified Fair Trade and Organic products are being reflected in the purchasing patterns by consumers.

The participants of a survey in Canada regarding the cocoa market trends were asked to categorize the three main factors that influence their decision to source from a particular cocoa beans supplier. Among all the factors the quality of the products was considered the most important attribute by 77.8% of the participants, followed by certification and direct source both with 44.4 % (Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017). Thus, the growth in the demand of cocoa beans is more significant for producing fine flavour cocoa, which is perceived as having superior quality and for which higher volume and higher prices are paid for CAC Oro Verde products. Because of the growing demand, standard and high restrictions from Canadian food and safety authority are being implemented and, therefore, there are not so many suppliers of fine flavour certified cocoa beans that are already in Canadian cocoa market. Hence, considering the demand to supply ratio, the bargaining power of buyers is low. However, considering the market is relatively small for CAC Oro Verde, the bargain power of buyers can easily change in future depending on consumer taste, preference and behavior.

1.2.3 Threats of new entrants

Threats of new entrants are medium for the conventional cocoa beans in Canada as it is easier to produce and maintain. However, for fine flavour certified cocoa beans production, threats of new entrants are low. The main threats are coming from the new cocoa beans suppliers of Peru and in general from Central and South America who are trying to enter to the Canadian cocoa market. However, there are many requirements need to be fulfilled before entering to this market, for instance, for the Organic and Fair Trade certifications in Canada where an equivalency arrangement is in place, Organic products may be certified by a certification body accredited in that country such as: (a) Argencart S.A., (b) Bolicert, and (c) OCIA. These products must certify that they comply with 95% or more Organic ingredients and they must display the Canada Organic logo on the label (Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017). Any agricultural product that is labelled Organic including food for human consumption, livestock feed and seeds is regulated by the Canadian Food Inspection Agency (CFIA).

Producers of these products must be prepared to demonstrate that organic claims are truthful and not misleading, and that all commodity-specific requirements have been met. Furthermore, authorization body like FLOCERT requires many steps to follow for the Fair Trade certification starting from an application, auditing, analyzing and follow up. Thus, setting up this kind of business in the rainforest takes a lot of time and effort. At the same time, there is a huge risk involvement with the packaging, building the distribution channel in Canada, government policy and capital investment (Wilkinson, 2013) which also lead to have a very demotivating aspects for the new entrants want to start similar Organic and Fair Trade cocoa business. As a consequence of all the facts mentioned above often put negative, this is one strong reason why the Organic cocoa beans producers that are selling their production in the Canadian market is relatively small, and also why the growth rate is not high either.

1.2.4 Threats of substitutes

The main type of cocoa beans that CAC Oro Verde produces are *Criollo* and *Trinitario* cocoa beans. Moreover, in total, around 97% of them comes with different certifications and they are supplied in different forms depending on customers need. Hence, the threats of substitutes of cocoa beans as a product is low in general. In addition, a new trend emerging in the chocolate market are small bean-to-bar companies and organizations which are also known as small batch or craft chocolate (Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017). The term bean-to-bar encompasses the manufacturers who oversee all stages of the chocolate production chain, from sourcing the beans to making actual bars of chocolate. Such organizations tend to source their cocoa beans from ethical and environmental farmers. These types of organizations are an example of the new trends in the worldwide cocoa market which have the desire for fine flavour cocoa beans as opposed to conventional cocoa beans (Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017). Considering that *Criollo* and *Trinitario* cocoa beans have a higher quality than *Forastero* cocoa beans, this last one can be substituted with a finer version but with more expensive substitute. On the contrary, CAC Oro Verde's product *Criollo* and *Trinitario* cocoa beans do not have the alternative yet because of their finest quality. In addition, due to the fact that fine flavour cocoa beans are typically paired with another certification that highlights sustainable sourcing and socially conscious consuming, it is more difficult to find a clear substitute for this product.

There are some additional aspects to take into account for determining the threats of substitutes. Firstly, certifications such as UTZ, Fair Trade, Organic and Rainforest Alliance are often found in combination with fine flavour cocoa beans creating opportunities for the fine flavour cocoa market to flourish. Secondly, the market share of fine flavour cocoa beans in relation to the total world production of cocoa beans is relatively a small and is a highly-specialized and separate market, accounting for only 5% of total cocoa beans production with only 23 producing countries (Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017). Thus, due to the uniqueness of CAC Oro Verde's products, the threats of the substitutes are low. However, palm oil or coconut oil are being considered as alternatives of cocoa butter (Frank, 2014) and, in the future, they can become substitute products of that type of product. Even though cocoa butter is not a primary product that CAC Oro Verde offers, it is important to keep in mind.

1.2.5 Extent of competition

The competition for conventional cocoa beans of CAC Oro Verde is medium to high because of the existence of many established suppliers in Canada. This happens since the main competitors for the conventional cocoa beans comes from the African market where 73% cocoa producers are from (Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017). On the other hand, the competition for fine flavour cocoa beans was very low few years ago which has recently started to rapidly grow as small batch or bean-to-bar companies are on the rise. This is because there were few competitors of *Criollo* and *Trinitario* cocoa beans that mainly came from other Latin American and Caribbean countries such as Brazil, Venezuela, and Dominica (Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017).

The Canadian fine flavour cocoa market is less than 4% of total cocoa beans imports. Fine flavour cocoa beans sold in the North American market originates mainly in Latin American and Caribbean countries that produce over 70% of the world's supply for fine flavour cocoa beans compared with its 13% share of the overall cocoa market. Dominican Republic is the largest Latin American supplier of this type of cocoa beans, followed by Mexico and Peru. (Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017). The main local competition of the CAC Oro Verde are other organizations of small cocoa beans producers in Peru that, at the same time, collect the production of small producers of cocoa beans whether they are or not members of producers' organizations. Thus, some competitors are: (a) Machu Picchu Foods, (b) Exportadora Romex, (c) Amazonas Trading, (d) SUMAQAO among others (Instituto Interamericano de Cooperación para la Agricultura, 2017). Even though there are strong companies that supplies fine flavour cocoa beans, the extent of competition is low to medium since the world's demand for fine flavour is growing rapidly at almost double speed than conventional cocoa beans' demand (Homann, 2016). This statement leads to conclude that even if the supply is growing lately, the demand for this kind of product is rapidly growing as well, assuring the need of the market for fine flavour cocoa beans that should be satisfied. There is still a niche market in this kind of products.

Moreover, most of the Peruvian competitors have some disadvantages within their organizations that are related to the fact that they do not provide links with the small producers, nor do they offer complementary services. In addition, they cannot concentrate large volumes of production and they also do not have Organic or Fair Trade certifications that are really demanding. Thus, although Peruvian competitors are growing they still have to face and overcome these difficulties in order to supply in the fine flavour cocoa market (Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017). As a consequence, most Peruvian competitors are conventional cocoa beans suppliers and a very few of them are the suppliers of the *Criollo* and *Trinitario* cocoa beans which are increasing in demand. Although competition is high in the conventional cocoa beans industry, there is a low to medium threat for CAC Oro Verde considering they have a differentiated product such as *Criollo* cocoa beans which are also fine flavour certified Organic and Fair Trade cocoa beans. Therefore, it can be concluded there is great opportunity to enter into the niche Canadian cocoa market.

All the aspects regarding the Porter's five forces for the cocoa beans industry focused on the Canadian cocoa market are shown in Figure 1 as well as the final result for each aspect.

Figure 1. Porter's five forces analysis of the cocoa beans industry focused on the Canadian cocoa market. Adapted from "How Competitive Forces Shape Strategy", by M. E. Porter, 1979, *Harvard Business Review*, 57 (2), pp. 137-145.

1.3 External Analysis

In order to gain a better understanding of the Peruvian and Canadian cocoa industry, the PESTE analysis will explain the external environment including the followings key factors: (a) political, (b) economical, (c) social, (d) technological, and (e) environmental.

1.3.1 Political factors

Regarding the political factors, it is relevant to analyze: (a) the rule of law, (b) the bilateral relations between Peru and Canada, and (c) legislation and standards.

Rule of law. Canada's government has low level of corruption and has an immaculate record of independence and transparency. Enforcement of contracts is secure and expropriation is highly unusual and, in addition, cases of corruption are prosecuted vigorously. In contrast, Peru's corruption levels are a serious problem within the security forces, the judiciary, customs agencies, and the ports, as well as in local governments (The Heritage Foundation, 2017). Therefore, there may be some differences in regulations and reliability that can cause a miscommunication or challenges with transparency between to two countries.

Bilateral relations. Since the Canada-Peru Free Trade Agreement in 2009, Peru has become Canada's second-largest bilateral trading partner in South and Central America. According to Canada International (2016), both countries have the intention of increasing their bilateral relations and are have the vision to commit to responsible resource management, trade and investment, and cooperation in the areas of development, education, defense and security. Global affairs Canada has managed a bilateral development program in Peru since 1968 which is an important component of their relations.

According to Canada International (2016), their bilateral program is aimed to reduce poverty and inequality in Peru by improving and including poor populations in the benefits of sustainable natural resources, the prevention and resolution of extractive-related conflicts and by promoting economic diversification in selected regions. Within this program, Canada also provides assistance to developing primary level intercultural and bilingual education for indigenous children, to increase the quality in the management of the national education sector to increase technical and practical education for employment. Another aim of the program is to focus on the protection and promotion of human rights of the populations that are most vulnerable. The Free Trade Agreement and bilateral development program is in line with the vision of the CAC Oro Verde.

Legislation and standards. Exporters must be aware and ensure that they meet all the strict requirements for food standards in the Canadian market including proper labelling, packaging, product classification and documentation (GNA Business and Economics, 2017).

According to the Canadian Food Inspection Agency (2015a), under federal legislation for import activities, there are several acts to consider such as:

- Agriculture and Agri-Food Administrative Monetary Penalties Act (AMPs)
- Canada Agricultural Products Act and associated Regulations (CAP Act)
- Canadian Food Inspection Act
- Consumer Packaging and Labelling Act
- Customs Act
- Export and Import Permits Act
- Food and Drugs Act
- Plant Protection Act
- Weights and Measures Act

In Canada, the Food and Drugs Act and Regulations is the primary legislation that applies to all the food sold in Canada, whether it is imported or domestic (Canadian Food Inspection Agency, 2015b). Minimum health and safety requirements as well as provisions preventing fraud deception is outlined in this legislation which includes the regulations for labelling, composition, packaging, treatment, processing, sale and advertising. Health Canada also considered to be under that federal government which includes regulations for: (a) food and nutrition, (b) natural health products, and (c) drugs and health products ensuring that they are safe effective and high quality.

According to the International Trade Center (2015), there are two processes that are important guides to consider while entering the Canadian market: (a) International Labour Organization Labour Standards (ILO), and/or (b) the Sustainability Assessment of Food and

Agriculture (SAFA). These two processes are specific to the Peruvian cocoa entering the Canadian market which are adapted from the International Trade Center. The requirements have factors under sections that involve the environment, social, management, quality and ethics shown in the Figures 2, Figure 3, Figure 4, Figure 5, Figure 6, Figure 7.

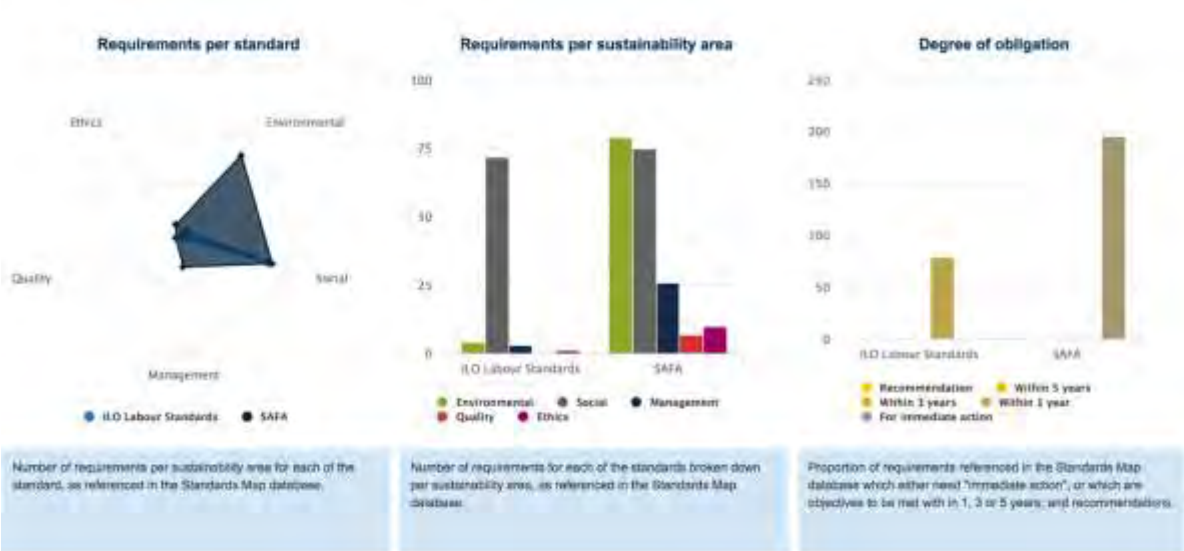

Figure 2. Requirements of ILO versus SAFA. Adapted from *Standards Map: Your Roadmap to Sustainable Trade*, by International Trade Center, 2015, (http://www.standardsmap.org/compare?standards=263,181&standard=0&shortlist=263,181&product=Cocoa&origin=Peru&market=Canada&cbi=78:78:756. Copyrighted by the International Trade Center).

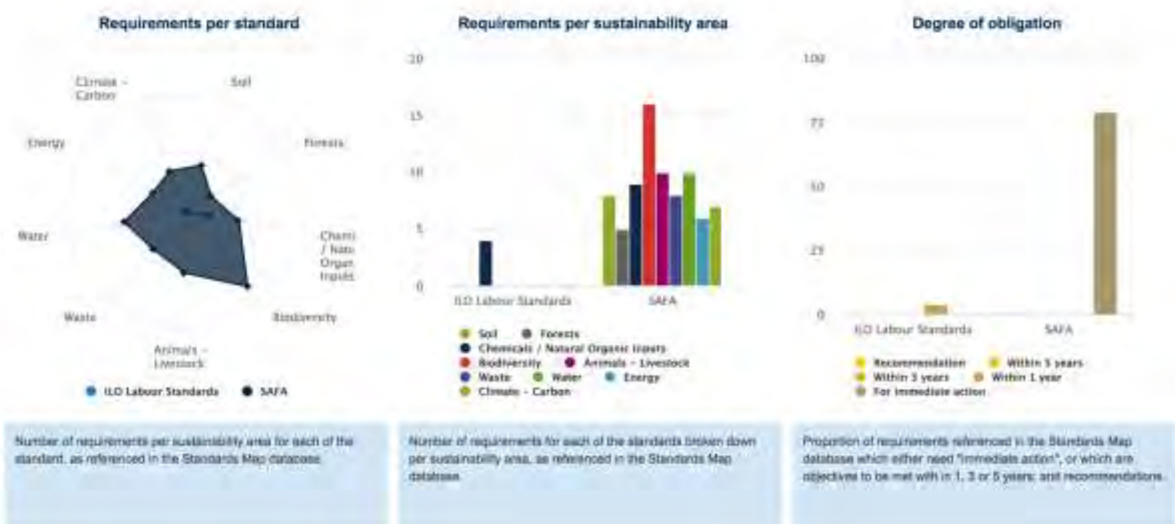

Figure 3. Environmental standards of ILO versus SAFA. Adapted from *Standards Map: Your Roadmap to Sustainable Trade*, by International Trade Center, 2015, (http://www.standardsmap.org/compare?standards=263,181&standard=0&shortlist=263,181&product=Cocoa&origin=Peru&market=Canada&cbi=78:78:756. Copyrighted by the International Trade Center).

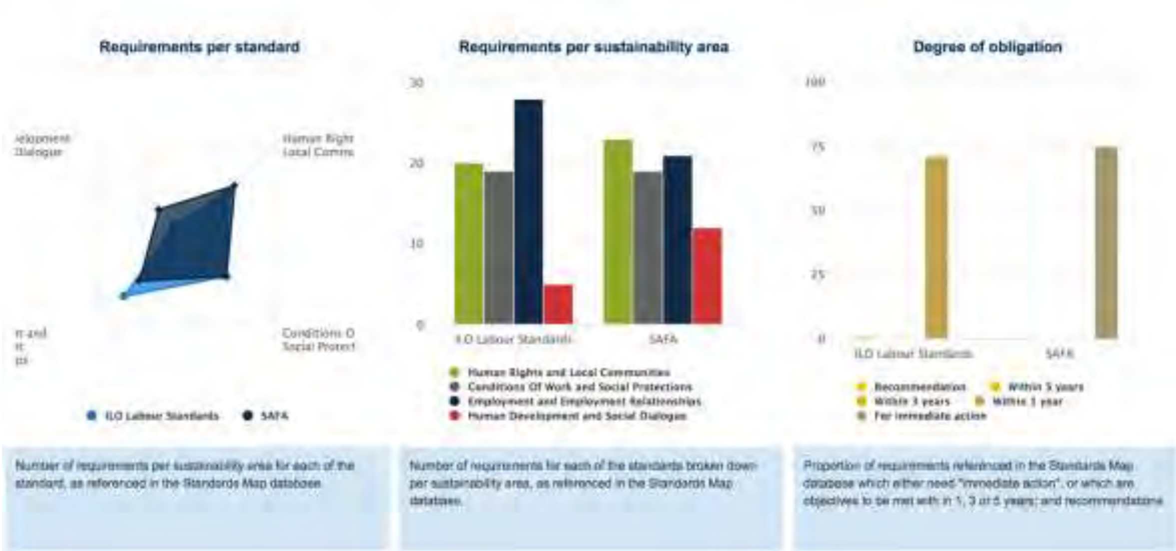

Figure 4. Social standards of ILO versus SAFA. Adapted from *Standards Map: Your Roadmap to Sustainable Trade*, by International Trade Center, 2015, (http://www.standardsmap.org/compare?standards=263,181&standard=0&shortlist=263,181&product=Cocoa&origin=Peru&market=Canada&cbi=78:78:756. Copyrighted by the International Trade Center).

Figure 5. Management standards of ILO versus SAFA. Adapted from *Standards Map: Your Roadmap to Sustainable Trade*, by International Trade Center, 2015, (http://www.standardsmap.org/compare?standards=263,181&standard=0&shortlist=263,181&product=Cocoa&origin=Peru&market=Canada&cbi=78:78:756. Copyrighted by the International Trade Center).

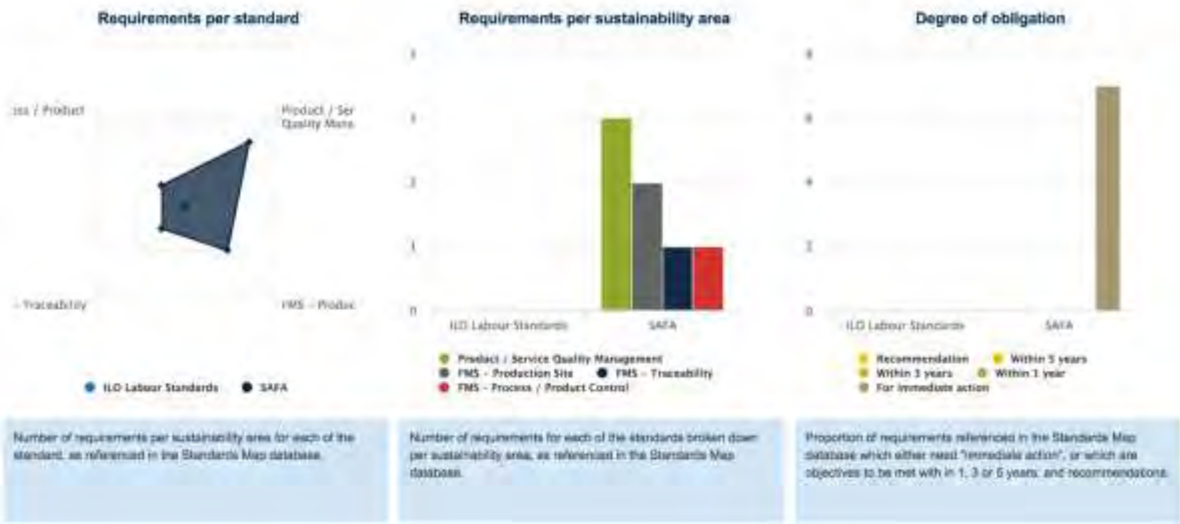

Figure 6. Quality standards of ILO versus SAFA. Adapted from *Standards Map: Your Roadmap to Sustainable Trade*, by International Trade Center, 2015, (http://www.standardsmap.org/compare?standards=263,181&standard=0&shortlist=263,181&product=Cocoa&origin=Peru&market=Canada&cbi=78:78:756. Copyrighted by the International Trade Center).

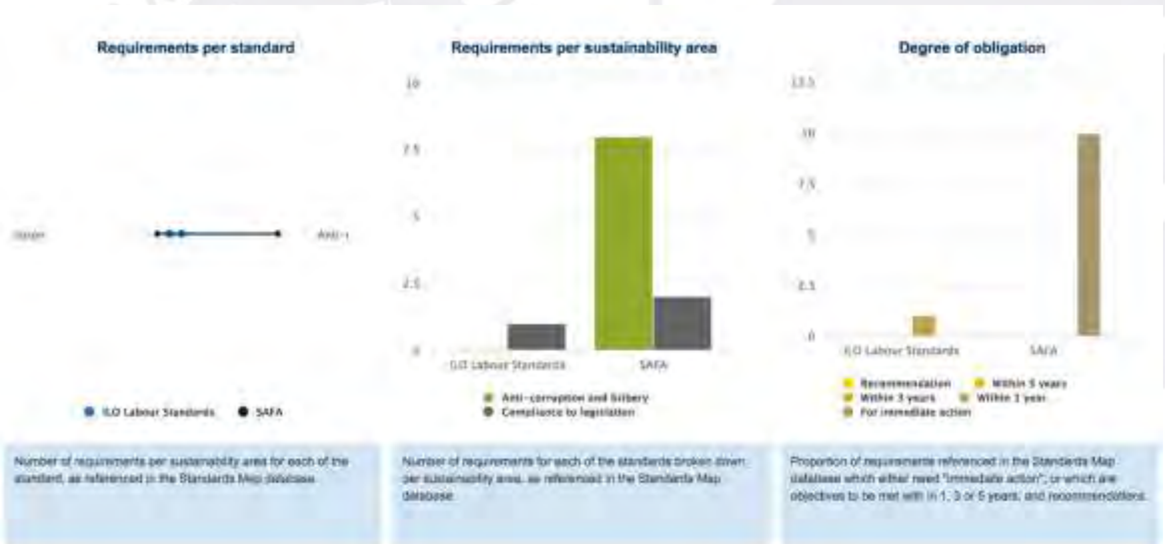

Figure 7. Ethics standards of ILO versus SAFA. Adapted from *Standards Map: Your Roadmap to Sustainable Trade*, by International Trade Center, 2015, (http://www.standardsmap.org/compare?standards=263,181&standard=0&shortlist=263,181&product=Cocoa&origin=Peru&market=Canada&cbi=78:78:756. Copyrighted by the International Trade Center).

Generally, SAFA has many more factors to consider compared to the ILO standards. The ILO was founded in 1919 is a specialized agency of the United Nations, which promotes decent and productive work. Their focus is on promoting freedom, equity, security and dignity. The standards are formulated in conventions and recommendation. All member states meet at the International Law Conference held annually in June at Geneva, Switzerland to ratify conventions by translating labour standards into national policies, laws and regulations. In contrast, SAFA provide an international reference for sustainable management, monitoring and reporting in food and agriculture at all levels of the supply chain. SAFA defines what sustainable food and agriculture systems are: (a) environmental integrity, (b) economic resilience, (c) social well-being, and (d) good governance. SAFA outlines a procedure for an integrated analysis of the dimensions of sustainability including the appropriate indicators to rate performance. Individual practices are addressed only implicitly in terms of their achievements of the stated objectives (International Trade Center, 2015).

1.3.2 Economical factors

The economic factors when exploring the external environment will be specific to the Canadian and Peru environment. This section will include information on: (a) the Canadian economy, (b) growth of cocoa in the Canadian market, and (c) the Peruvian economy.

The Canadian economy. The gross domestic product (GDP) per capita in Canada is 45,553 CAN, has a 1.2% growth and a 2.2% five-year compound annual growth (The Heritage Foundation, 2017). With its almost 36 million populations, its GDP is 1.6 trillion CAN. There has been an uptrend since the mid 1980 of high household debt levels in Canada which represent a significant vulnerability for the economy (Marketline, 2017). In Vancouver, Toronto, and Ottawa there has been rising consumer debt due to mortgages where Statistics Canada reported was 167% of consumer income, which would have negative impacts for overall consumer spending. According to the Euromonitor International (2017a) the renegotiation of NAFTA, and Canada’s real estate market are two risk factors that have the potential to have a negative impact on the economy. However, Canadian consumer spending in 2017 remains stable and is its GDP growth rate is estimated to grow 2.6%.

Growth of the cocoa market in Canada. The cocoa industry is continuously increasing and according to the GNA Business and Economics (2017), there is a huge gap in the processed cocoa industry that still needs to be tapped into. Imports for cacao and cocoa preparations into Canada from Ghana alone are US$1.3 billion and are at a growing rate of 3.4% over the last five years. The Trade Facilitation Office Canada has signed a Memorandum of Understanding (MOU) in September 2014 and is jointly working with the other institutions to support exporters in the processed sectors. Canada is ranked seventh in the world for chocolate exports behind countries like Germany, Belgium, Netherlands, Italy, United States and Poland. Behind Canada in exports are France, United Kingdom and Switzerland. According to Workman (2017), Canada is also the fastest-growing chocolate exporter since 2012 with a growth rate of 44% in 2016. Canada's ability to produce chocolate relies on importing raw cocoa because it has no natural source available internally (Workman, 2017).

The Peruvian economy. According to the United Nations COMTRADE database on international trade, Peru's exports to Canada was US$1.68 billion during 2016. Cocoa and Cocoa Preparations account for US$19.43 million. Table 1 indicates that the trade balance in Canada from Peru has shown a 30.2% increase in their deficit for in the chocolate and confectionary manufacturing from cacao beans industry from 2015 to 2016. The trade balance between Peru and Canada within this industry in contrast to all the other countries is the only one that is in a negative trade balance indicating the comparative advantage over the other countries in the world.

Table 1

Chocolate and Confectionary Manufacturing Trade Balances from Cocoa Beans in Canada from 2012 to 2016 in CAN

NAICS 31132 – Chocolate and confectionary manufacturing from cacao beans						
	Year	2012	2013	2014	2015	2016
Peru	Total Exports	9,574	-	4,018	1,154	1,889
	Total Imports	1’072,190	937,740	3’362,998	2’441,377	3’497,644
	Trade Balance	-1’062,616	-937,740	-3’358,980	-2’440,223	-3’495,755
Others	Total Exports	663’030,383	730’415,972	868’847,393	1,153’302,154	1,324’158,006
	Total Imports	569’893,363	604’097,135	742’135,691	829’064,418	981’765,771
	Trade Balance	93’137,020	126’318,837	126’711,702	324’237,736	342’392,235
All Countries	Total Exports	663’039,957	730’415,972	868’851,411	1,153’303,308	1,324’159,895
	Total Imports	570’965,553	605’034,875	745’498,689	831’505,795	985’263,415
	Trade Balance	92’074,404	125’381,097	123’352,722	321’797,513	338’896,480

Note. Adapted from “Canadian Trade Balances”, Statistics Canada, 2017 (https://strategis.ic.gc.ca/app/scr/tdst/tdo/crtr.html?timePeriod=5%7CComplete+Years&reportType=TB&hSelectedCodes=%7C31132&searchType=KS_CS&productType=NAICS&currency=CDN&countryList=specific&runReport=true&grouped=INDIVIDUAL&toFromCountry=CDN&areaCodes=774&naArea=9999).

1.3.3 Social factors

According to Marketline (2017), Canada has a strong Human Development Index (HDI) performing well on various social parameters. Canada is ranked 10th out of 188 countries on the Human Development Index. The median age is 40.6 years with 81.8% of the 35.9 million population in urban cities (United Nations, 2016). According the Business Development Bank of Canada (2017), the five trends on Canadian consumer behaviours are: (a) millennials are driving the consumer revolution, (b) the mobile and digital rule, (c) one size does not fit all due to the fact that consumers want personalized attention, (d) the rise of the sharing economy, and (e) Canadians are more concerned about their health.

The Business Development Bank of Canada (2017) stated that millennials tend to be frugal, savvy shoppers and not particularly brand loyal. In addition to that, Canadians are also highly digitized and have been using mobile devices more than ever in their daily life. On the contrary, consumers want personalized attention on all platforms. The trend of the rise of the sharing economy in Canada demonstrates the need and value of collaboration between the ownership and access between corporations, start-ups and people. Although there has been a trend of overconsumption, consumers are becoming more aware about the impact of their decisions on their health, the environment and everyone that is involved in the process when making decisions on buying a product or service. In addition, other trends include: (a) health and wellness, (b) the hot drinks industry, (c) socially conscious consumers, (d) Fair Trade, and (e) Organic products.

Health and wellness. Consumers in Canada are continually being more conscious about their health and are becoming more and more aware and careful about what kind of food and drinks they are consuming (EuroMonitor International, 2017a). Health and wellness is a significant driver for sales particularly in categories that are in decreasing or low growth. Since 2013, the demand for health and wellness related products have been increasing at a rapid rate so that approximately 31% of Canadian consumers are willing to pay a premium for health-enhancing products. Consumer health retail value for products like vitamins, supplements, weight management and sports nutrition which is expected to grow 14% by 2020. More Canadian consumers seek to buy products that have additional nutritional value and also see value in time saving formats and convenience. In addition, the natural source is a key trend and consumers value organic and natural food which is expected to grow 30% by 2019 in Canada. Dietary restrictions are also increasing which also include food items that are gluten free, vegetarian, dairy free, grain free, etc. are also a growing trend (Business Development Bank of Canada, 2013).

Hot drinks industry. The hot drinks industry includes chocolate-based flavoured powered drinks and malt-based hot drinks. According to EuroMonitor International (2017b), the chocolate-based flavoured powered drinks dominated by chocolate-based flavoured powdered drinks and grew by 2% in terms of volume and 4% in current value in 2016, reaching 13,500 tonnes. However, the hot chocolate industry in Canada is relatively mature and consolidated as Nestle Canada owns the Nesquik and Carnation brands which account for a 69% market share in the hot drinks industry. The hot drinks industry has had a loyal consumer following and is forecasted reach 14,500 tonnes in 2021. It is forecasted that demand will continue to shift towards premium and high-value specialty products with unique flavours and health benefits (EuroMonitor International, 2017b).

Socially conscious consumers. An emerging vast trend is that consumers in Canada are increasingly becoming more aware of how their choices impact the environment, community and their own well-being. Simultaneously, they also have had an expectation which has now become a reality for companies to also be greener, more ethical and provide healthier and more *Canadian* products and services (Business Development Bank of Canada, 2013). Today three trends are characterized by this trend which involve: (a) environmental and social concerns, (b) the *Made in Canada* advantage, and (c) health conscious. According to the Business Development Bank of Canada (2013), there are several facts to take into consideration:

- Half of Canadians are inclined to buy environmentally-friendly products
- Nearly one third of consumers are willing to pay a premium for ethically-made products
- One third of consumers has researched companies' Corporate Social Responsibility (CSR) policies in the last year
- 90% of consumers would stop buying from a company using irresponsible practices
- Canadians value products and services made in Canada
- Two thirds of Canadians have made an effort to buy Canadian products
- 30% of Canadians are willing to pay more for a locally-made product
- 97% of those who buy Canadian do so to support the local economy
- By 2012, the Canadian health and wellness services were worth 735 million CAN
- 50% of Canadians consider the health impact of a product before purchasing

- 33% of Canadians are willing to pay a premium for health products
- Canadians spend an average of 935 CAN per year on health and wellness
- Consumers are actively seeking health and wellness benefits

Socially conscious consumers are becoming more and more aware of how their decisions impact not just their health but the overall environment. Therefore, when thinking about exporting a product into the Canadian market, it is important to consider what the consumers value and how the product or service can have shared value.

Bean-to-bar. Bean-to-bar chocolate is also known as small batch or craft chocolate and is the latest trend in the chocolate industry in Canada and is perhaps the fastest growing segment of the artisan food market. Small chocolate companies for example, a company called Ambrosia Pastry Co. in Waterloo, Ontario, currently acquires cocoa beans, including Criollo and Trinitario varieties from Ghana, Peru, Madagascar, Nicaragua, Belize, Venezuela, Papua New Guinea, Ecuador, Dominican Republic and Mexico (Gruske, 2016). This particular company will not purchase cocoa beans from sources that are not verified as sustainable. They also look for Fair Trade and Organic products although make exceptions if they know the farm is following the proper guidelines. This initiative is rooted from ensuring that the farmers are seeing value to their jobs, as farmers, so that it is a sustainable process. They have seen that the average age of cocoa farmers is increasing which indicates the need to promote the farming industry as a more appealing career. A complete list of main bean-to-bar Canadian importers are listed in Appendix B.

Fair Trade and ethically sourced cocoa. According to the World Fair Trade Organization (2014), Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers. Fair Trade certified chocolate sales by volume have been growing at an annual rate of 35% in Canada and 27% internationally (Financial Post, 2017). Overall, Fair Trade is a movement that works directly with businesses, consumers and campaigners to make Fair Trade for farmers and workers (Fair Trade Canada, 2017). Currently, there are two main Fair Trade cocoa producers in Canada: (a) Conacado from Dominican Republic, and (b) Kuapa Kokoo from Ghana. Canadian chocolate companies have been pressed by World Vision to ethically source cocoa by 2020 (CBC News, 2014). Four out of ten of the biggest companies such as Lindt, Purdy's, Rocky Mountain and Rogers' Chocolates agreed to fulfilling the pledge.

Purdys Chocolatier is an example of a company that will pay a premium for cocoa to ensure that their farmer partners and co-ops are supported by programs that improve their profit and the livelihoods of their families (Purdys Chocolatier, 2017). Purdys was founded in Vancouver, British Columbia since 1907 and is now Canada's leading family-owned chocolatier and is a well-known brand throughout Canada. Rogers, established in 1885 in Victoria, British Columbia is another example of a well-known chocolate brand with a strong reputation as one of Canada's premiere chocolatiers (Rogers' Chocolates Inc., 2015). Rogers has always recognized the need and have been committed to support initiatives that provide a better livelihood to cocoa farmers in developing nations. They currently use 98% Fair Trade certified cocoa and set an objective to use 100% in all the products they sell. The International Fair Trade system represents the world's largest and most recognized initiatives within the global trend toward more socially conscious consumption (Fair Trade Canada, 2017).

The Agriculture and Agri-Food Canada (2012) stated that the GlobeScan's global consumer survey also offered a snapshot of Canadian attitudes and perceptions toward Fair Trade which are listed as follows: (a) since 2008, there were increases in both regular and occasional purchasers of Fair Trade products; (b) about half of respondents recalled purchasing a Fair Trade marked product over the past six months, moreover, of those who saw the mark, 81% purchased Fair Trade products at least once every six months; (c) the major barriers to purchasing Fair Trade products were cost and availability of products; (d) Canadians expressed interest in having Fair Trade products more widely available and showed particular interest in seeing Fair Trade offered in restaurants and discount stores; (e) mature consumers were the highest value segment for Fair Trade due to their higher incomes, knowledge of Fair Trade, and purchasing frequency; (f) younger consumers were positive towards Fair Trade and could represent future growth for Fair Trade and they could be strong influencers with developed social networks; (g) consumers shopping in mainstream stores could respond well to clear messaging and greater product choices (Fair Trade Canada, 2017).

Organic products. Organic packaged foods have been growing faster than the entire packaged food sector with a compound annual growth rate of 3.6% from 2010 to 2015 compared to the 1.76% in the same rate that the entire sector experienced. The Canadian Organic standards include two national standards that are under the Organic products regulations. The two Organic national standards are: (a) General Principles and Management Standards, and (b) Permitted Substances Lists. Any product label that displays the Canadian Organic logo or claims the product has 70% of or more Organic ingredient are required to also include the name of the certification body that certified it. Only products with 95% or more Organic content can use the Canadian Organic logo according to the requirements of the Canada Organic Regime. In provinces like British Colombia, New Brunswick, Manitoba and Quebec provincial organic requirements apply. The Canadian Food Inspection Agency (CFIA) sets the federal rules for the Canada Organic Regime, designates and audits conformity verification bodies, accredits certification bodies and established organic equivalency arrangements with other countries (Canadian Food Inspection Agency, 2016).

1.3.4 Technological factors

Canada has a well-developed manufacturing industry which involved low overall tax rates, with research and development incentives and a qualified labor force that is integrated with the North American market (Market line, 2017). This enables further progress and development for producing high-end products. According to the World Bank (2014), Peru's growth has been inhibited by the weak capacity in research and innovation. Compared to other countries with similar levels of development, Peru has a low spending on Science and Technology (S&T), and Research and Development (R&D). Peru also has an insufficient human capital base for innovation and technological development due to the scarce number of graduates in S&T including engineering, researchers and the lack collaboration between the public and private research sectors. Therefore, the World Bank has been focusing on short-term needs for the new policies to be put into place to promote inter institutional research collaboration, streamline a co-financing program for technological innovation in Small-Medium Enterprises (SMEs) and to support SME upgrading through technology extension associativity (The World Bank, 2014). The processes of how the cocoa is produced or extracted is very important to consider which are affected by technological factors. Cocoa yields on many rural farms like many other crops do not reach their full potential because of the management of the processes.

1.3.5 Environmental factors

According to Nieburg (2015), cocoa production may lead to soil erosion and ultimately further deforestation for new plantations if not properly managed. Another issue with producing cocoa is the problem of social erosion and fertilizer-use. When there is soil erosion the land becomes less fertile cocoa and therefore yields decrease. Moreover, the World Bank has found that there was not much land left in Ghana and Cote d'Ivoire to increase production and that the world tree population is already beyond its optimal production by about 10 years (Nieburg, 2015). Dry weather conditions caused many of the African cocoa farmers in the Ivory Coast which has the world's largest producers to have a 13% decrease in their production. As a result, the overall global production was at a deficit of 3.99 million tonnes in 2016 (MINTEC, 2016). Therefore, the need for diversification from countries importing cacao is significant which provides an opportunity for Peruvian producers to fill in the gaps.

However, climate change is an environmental concern all over the world today. Canada has a strong environmental policy which is known as the Environmental Act of Canada which has a number of different statures for water, air, waste management and preserving biodiversity (Marketline, 2017). In 2016, the prime minister has acknowledged the significance of national climate change and has introduced a national carbon price which is slated to take effect in 2018. With this deal, the prime minister is aiming to reduce emissions by 30% below the levels present in 2005 by 2030. Since 2008, British Columbia introduced a carbon tax and now charges 30 CAN a tonne which adds an additional 6.67 cents to each litre of gasoline and 7.67 cents to each litre of diesel. Alberta has a 20 CAN per-tonne levy and plans to rise to 30 CAN a tonne in 2018. The liberal government has proposed to implement a carbon price of 10 CAN per tonne in 2018, reaching 50 CAN per tonne by 2022 and revenue generated by pricing carbon will stay within each province (The Star, 2016). Therefore, this can be a threat to many of the industries that involve manufacturing and production in Canada which can indirectly impact other participants in the supply chain.

Another concern that may be a threat to the Peruvian cocoa industry is the high levels of Cadmium (Cd) that they have recently found in cocoa which can impact quality of the products and the health of consumers (Nieburg, 2017). Exposure to Cd, which is an environmental toxicant with high rates of soil-to-plant transference, is considered to be a public health concern because it is associated with numerous diseases and cancer deaths

(Satarug, 2017). Studies done by researchers at Instituto de Cultivos Tropicales (ICT), the United States Department of Agriculture (USDA) and the University of Florida have found three major regions of Peru contained cocoa leaves and beans that had very high levels of Cadmium which include: (a) the North regions of Tumbes, Piura, Cajamarca, and Amazonas; (b) Center regions of Huánuco and San Martín; and (c) the South regions of Junín and Cuzco.

The study involved testing concentrations of heavy metals that included Cadmium, Lead, Chromium, Copper, Manganese, Nickel, Iron, and Zinc in leaves and beans from 70 plantations, which were between 10 to 15 years old (Nieburg, 2017). According to Nieburg (2017), companies such as Mars, Hershey and others are facing lawsuits for alleged cadmium and lead contamination in chocolate. Therefore, it is important that levels of Cadmium are monitored as it can be a potential environmental and legal threat for the producers in Peru.

1.3.6 Summary of opportunities and threats

As a summary, Table 2 shows the main opportunities and threats of the CAC Oro Verde that have been identified through this analysis.

Table 2

External Opportunities and Threats

	Opportunities
1	Canada and Peru have strong bilateral relations that promote trade between the two countries
2	Penetrating the health and wellness industry in Canada
3	Exploiting opportunities in trends such as bean-to-bar companies
4	Organic and Fair Trade products are becoming more valuable to the average consumer in Canada
5	Peru's comparative advantage in the cocoa industry
6	Technology and resources in Canada enables the ability for producing more high-end products
7	Global supply deficit of cocoa creating opportunities for new producers
	Threats
1	Differences in Rule of Law and government stability between the two countries
2	Various Canadian certifications and standards
3	Environmental factors such as climate change
4	Soil erosion and deforestation
5	National Carbon taxes in Canada
6	High levels of Cadmium found in Peruvian cocoa
7	High debt levels in consumers in Canada

1.4 Internal Analysis

The internal analysis of CAC Oro Verde is based on the AMOFHIT methodology considering several topics such as: (a) administration and management, (b) marketing and sales, (c) operations and logistics, (d) finance and accounting, (e) human resources, (f) information systems and communication, and (g) technology.

1.4.1 Administration and management (A)

The top management in CAC Oro Verde is led by Hidelbrando Cárdenas as current general manager. He is in charge of all the strategies of the cooperative and, at the same time, he has several departments that report to him such as: (a) R&D, (b) Logistics & Exports, (c) Accounting, (d) Finance and Management, (e) Operations, (f) Certifications, and (g) Marketing & Sales.

Hidelbrando Cárdenas has several years of experience in the agricultural sector and specially in the cocoa beans production business. As the responsible of the main decisions within the cooperative, his intuition and know-how have helped to enhance the cooperative's performance all over the years. He has been the one in charge of starting the expansion of the business to Europe and North America. Thus, one important factor considered as a strength is the deep experience of the leaders in the industry as well as its partners regarding the coffee and cocoa industries. Moreover, the partners have been working with both products for several decades including few generations of families on it. This is a factor by which the cooperative is well-recognized in the national market due to the high quality of its products.

On the other hand, most of the partners have shown signs of mistrust and misinformation in regards to being commercially and productively organized. In that sense, the cooperative should work with them to collaborate and manage this topic so that there is consistency with standards across the farmers. Finally, the organizational chart is shown in Appendix C for better understanding of CAC Oro Verde's organizational structure.

1.4.2 Marketing and sales (M)

In the beginning, the cooperative was focus on the production of *Criollo* and *Trinitario* cocoa beans without certifications. This kind of product is called conventional cocoa beans. However, throughout the last decade, the cooperative switched the majority of its production to the Organic and Fair Trade certified products due to the promising market on that sector. Hence, the marketing strategies and marketing plan have been evolving through the recent years. In order to highlight the main current marketing plan, the following point regarding the product, price, place and promotion will be explained:

Product. As mentioned before, CAC Oro Verde uses both types of cocoa beans that are *Criollo* and *Trinitario*. Within the two types, if can be further be differentiated between two different types of qualities such as conventional and fine flavour. On the one hand, fine flavour cocoa beans are the most extended ingredient for the chocolate producers all over the world and it is highly required as the main raw material. On the other hand, conventional cocoa beans may be subdivided into two groups: (a) without certifications, in this case the product competes directly with the *Forastero* cocoa beans although it is produced from a higher quality cocoa beans; and (b) with certifications, in this case the product competes in specialty markets due to the added value. Main certifications are: (a) Fair Trade (FT), (b) Organic (O), (c) Fair Trade and Organic (FTO), and (d) Sustainable Agriculture (UTZ). These certifications play the role as enhancers of the original products and add value that are highly appreciated by the specialty markets. The Table 3 shows the general overview of CAC Oro Verde products, certifications, quality and capacity of production for 2016. This information was delivered from CAC Oro Verde in order to perform the further analyses.

Price. Conventional cocoa beans without certifications have a standardized price that is set by the Stock Market (International Cocoa Organization, 2017b). As a commodity and a non-differentiated product, it is extremely difficult to make a difference in terms of price unless some certifications are added to the initial product. This fact is taken as a weakness from the cooperative. In contrast, Organic and Fair Trade cocoa beans have a very variable price depending on the added value (International Cocoa Organization, 2017a). Thus, due to the fact that there are few Organic cocoa beans producers that are located in Latin America and that there is an increasing demand for this type of products, Peruvian producers are able to set prices adding approximately 500 USD or more per tonne to the price of conventional cocoa beans set in the Stock Market (Instituto Interamericano de Cooperación para la Agricultura, 2017). This is taken as a strength from the side of the cooperative in terms of pricing strategy.

Table 3

CAC Oro Verde Products, Types, Quality, Certifications and Capacity

Type	Quality	Certification	Percentage out of total production	Production 2016 (TNE)	Installed capacity (TNE)
Criollo and Trinitario	Conventional	None	2.8%	41.4	64.4
	Conventional	Fair Trade (FT)	22.0%	325.2	506.0
	Fine Flavour	Fair Trade and Organic	10.3%	152.4	236.9
	Conventional	(FTO)	46.3%	685.2	1,064.9
	Conventional	Sustainable Agriculture (UTZ)	18.6%	275.3	427.8
			100.0%	1,480.0	2,300.0

Place. Main customers of the cooperative are located in the following countries: (a) The Netherlands with 30% of the exports; (b) Switzerland with almost 30% of export; (c) United Kingdom with 15% of exports; (d) Peru with almost 15% of exports; and (e) Austria, United States and Italy counts with the other 10% of exports (Instituto Interamericano de Cooperación para la Agricultura, 2017). Having a very diversified market with different customers and always looking for entering to new markets give to the cooperative the opportunity to not rely just on one client. In addition, the cooperative can almost instantly switch to new customer instead of experiencing substantial losses from one client. Considering that their customers are located within large corporations, the cooperative will be more aware of other competitors' performance. Entering to different countries and markets makes enables them to be further exposed to market trends which might force the cooperative to become more adaptable and flexible.

Promotion. The cooperative has developed its main strategy for promoting cocoa beans based on the participation in national and international specialized fairs. This is mainly focused on its biggest clients which are from abroad (Instituto Interamericano de Cooperación para la Agricultura, 2017). Some examples on those fairs are: (a) Specialty Coffee Association of America (SCAA) in United States, (b) Biofach in Germany, (c) Chocoa Fair Trade in Holand, (d) Sial in Canada, (e) Salón del Cacao y Chocolate in Peru, and (f) Expocafe in Peru (International Cocoa Organization, 2017c). Considering that those events and fairs attract potential customers all over the world, the main objective of the cooperative is to take advantage of those events and fairs to consolidate and expand the business in front of international markets, seeking for new customers and to build loyalty in the current ones. This strategy is just the only one in terms of promotion which shows the low investment and importance that the cooperative has put in regarding this topic.

1.4.3 Operations and logistics (O)

The value chain of CAC Oro Verde's processes and the main process flow diagram are shown in Appendix D. From them, there are four main processes identified that are: (a) production, (b) harvesting and collecting cocoa beans, (c) processing and warehousing of dry cocoa beans, and (d) exporting. Among them, the most important processing from the side of CAC Oro Verde is the third process due to the fact that is the one that add value to the raw material. Furthermore, this process has several sub processes such as: (a) fermentation which is the vital process for the cocoa beans since the grain acquires its flavour at this stage, (b) drying which comes after the fermentation in order to define the final flavour, (c) quality control which is the stage for assuring the required quality of the product, (d) sorting which is the process for eliminating the grains that do not comply with the expected levels of quality, (e) mixing which is the process of combining at different grades the qualities of the cocoa beans using conventional and fine flavour cocoa beans, (f) packaging and labeling, and (g) warehousing. As seen, the added value of CAC Oro Verde process is not during the production of the cocoa beans which is a process that belongs to the producers as themselves. CAC Oro Verde added value is during the fermentation and drying of the cocoa beans which is crucial for the final taste.

As shown before, Table 3 shows the average production in 2016 and Table 4 shows the price paid to the producers in the same year which means the cost of the cocoa beans for the cooperative as well as the average price they sell to the buyers. Even though the prices in the Stock Market have changed in 2017 showing a decreasing trend, the IICA's representative and sponsor of this consulting project Hernando Riveros stated that it is convenient to use costs and prices of 2016 for further analyses in this report since the current prices and costs are considerably fluctuating and it is currently impossible to know the accurate costs for 2017. Therefore, further sensitivity analyses considering different scenarios are mandatory for this report.

Table 4

Cost of Cocoa Beans and Average Price Charged to Customers in 2016

Quality	Certification	Cost (USD)	Price (USD)
Fine Flavour	Fair Trade and Organic (FTO)	2,476.92	Not specified
Conventional	Fair Trade and Organic (FTO)	2,153.85	3,267.86

From Table 4, the prices paid to the producers are relatively non-differentiated. This is a real problem for them since fine flavour cocoa beans is the differentiated product in the market and the fact that the cooperative does not paid a differentiated price to them makes them be discouraged and not motivated to keep producing this type of cocoa beans.

Regarding the operations department, there are several key points to take into consideration that helps the cooperative to be good at cocoa beans production such as: (a) the producers have exceptional lands for the development of the agricultural activity, (b) excellent weather and ecological conditions for the plantation of cocoa beans, and (c) plantations are not directly exposed to the sun which allows the development of the cocoa plantations in optimal altitude ranges. On the other hand, some weaknesses have been identified in regards to the operational process such as: (a) lack of capacity in the process of fermentation and drying in the production centers, (b) non-standardized mechanical drying process in the main production center of the cooperative, and (c) missed deadlines on the delivery of the cocoa beans to the international customers (Instituto Interamericano de Cooperación para la Agricultura, 2017).

In terms of the logistics department, one relevant point to take into account is the constant availability of the product since the harvest periods are during months that other producers do not have. Furthermore, producers have to face several difficulties due to the fact that the productive units are meant to be as small isolated farms which affects the logistic operation of transportation to the collection centers.

1.4.4 Finance and accounting (F)

The financial statements of CAC Oro Verde from 2013 to 2015 are shown in Appendix E. From them, the analysis shows an increasing trend in the volume of sales in the past years. However, the fluctuations in the exchange rates between PEN and USD has affected dramatically the financial performance of the cooperative. Fortunately, the cooperative always had positive net income at the end of each fiscal year but with several fluctuations. The one that affected the most to CAC Oro Verde occurred between 2012 and 2013 when although the sales increased, they financial expenses increased abruptly. Furthermore, the stability of the cocoa beans price in the Stock Market in 2015 and 2016 has been affected by the decreasing trend of 2017 in which the price has decreased in almost 33% (International Cocoa Organization, 2017b).

The financial and accounting departments are currently being managed separately which gives the cooperative the independence of strictly working on the subjects that are meant to do. Moreover, there are several key points to take into consideration: (a) the cooperative does not have knowledge and experience on hedging strategies in order to avoid the fluctuations of the cocoa price in the Stock Market as well as fluctuations in the exchange rate; (b) producers are not well-recognized in front of the banks, therefore, they are not able to ask for loans; and (c) producers have low levels of liquidity.

1.4.5 Human resources (H)

The cooperative does not have a department exclusively responsible for human resources. Currently, these functions are led by the finance department although its responsibilities related to the financial management for working capital take a lot of work. It is important to notice that even though the cooperative does not have the size that allows it to have an exclusive department in charge of those functions, it is necessary that the functional objectives related to the development of the staff and the partners should be led by a human resources department. Furthermore, this department should be responsible for the implementation of all strategies related to human resource management such as hiring, inductions, training, staff assessment among others. As a consequence, low levels of trainings have been identified in the producers' labor force even though their attitude towards learning new things, courses and techniques is really high (Instituto Interamericano de Cooperación para la Agricultura, 2017).

1.4.6 Information systems and communication (I)

The cooperative has strong support and communications with different national and international organizations such as IICA, Migrari, DeVida among others. This aspect is very important since it allows the cooperative to be able to ask for technical and financial support when facing troubles. However, the cooperative faces some issues while communicating with public, private and subnational governments due to the lack of articulation and integration with them (Instituto Interamericano de Cooperación para la Agricultura, 2017). Another key point that affects the communication is the poor roads and infrastructure which makes it more difficult to the access the productions centers.

1.4.7 Technology (T)

In terms of technology, there are two aspects that positively affects the cooperative's performance: (a) the technologies used for cocoa beans production are widely developed in the country and within organizations with the same profile as CAC Oro Verde, and (b) the plantations of cocoa beans that the CAC Oro Verde produces are sustainable in terms of agroforestry (Instituto Interamericano de Cooperación para la Agricultura, 2017).

Other aspects to take into consideration regarding the technology within CAC Oro Verde is the lack of automatized machinery for processing the cocoa beans. Although the process within the cooperative is mainly related to fermentation and drying of cocoa beans which are not highly specialized processes, it is convenient to have standardized and automatized processes as possible. This improves the efficiency of the factory and assure better quality of the products. Considering that the business opportunity is related to the penetration into the Canadian cocoa market which is apparently focused on high quality products, then this option would be eventually necessary for the cooperative. Furthermore, the cooperative does not have technology and machinery related to process intermediate products or bean-to-bar concepts. This technology might be needed in the future as long as the cooperative keeps growing and expanding its operations. Nonetheless, two key points that are considered as weaknesses are: (a) the limited actions with regards to health management in cocoa plantations, and (b) the variability of the genetic material used in new cocoa sowing.

1.4.8 Summary of strengths and weaknesses

As a summary, Table 5 shows the main strengths and weaknesses of the CAC Oro Verde that have been identify through this analysis.

Table 5

Internal Strengths and Weaknesses

	Strengths
1	Top management and the cooperative's partners have deep experience in the industry as well as they are well-recognized in the national market due to the high quality of its products.
2	The cooperative's organic products are well-recognized due to its high quality, high demand in specialty markets and low offer on behalf of the producers. Therefore, those products have a substantial increased price.
3	The cooperative's customers are very diversified within the international market. They are always looking for entering to new markets.
4	The cooperative has a constant availability of products since the harvest periods are during months that other producers do not have.
5	The cooperative's producers have exceptional lands for the development of the agricultural activity as well as there are excellent weather and ecological conditions for the plantation of cocoa beans. Moreover, the plantations are not directly exposed to the sun which allows its development in optimal altitude ranges.
6	The cooperative has strong support and communications with different national and international organisms. This aspect is very important since it allows the cooperative to ask for technical and financial support at any time.
7	Technologies used for cocoa beans production are widely developed in the country and within organizations with the same profile as CAC Oro Verde.
8	The plantations of cocoa beans that the CAC Oro Verde produces are sustainable in terms of agroforestry.
	Weaknesses
1	Producers have shown signs of mistrust and misinformation in regards to being commercially and productively organized. The cooperative faces some issues while communicating with public, private and subnational governments due to the lack of articulation and integration.
2	The set price of the conventional cocoa beans without certifications cannot be differentiated since this product is a commodity and a non-differentiated product unless some certifications are added to the initial product.
3	Lack of importance and low investment in terms of promotion of the products.
4	Lack of capacity in the process of fermentation and drying in the production centers as well as a non-standardized mechanical drying process in the main production center of the cooperative. Moreover, the cooperative is get used to miss its deadlines on the delivery of the cocoa beans to the international customers.
5	Producers have to face several difficulties due to the fact that the productive units are meant to be as small isolated farms which affects the logistic operation of transportation to the collection centers.
6	Producers are not well-recognized by financial institutions in order to get loans. Therefore, they have low levels of liquidity. Moreover, the cooperative does not have knowledge and experience on hedging strategies in order to avoid the fluctuations of the cocoa price in the Stock Market as well as fluctuations in the exchange rate.
7	The cooperative does not have a department exclusively responsible for human resources. As a consequence, low levels of trainings have been identified in the producers' labor force.
8	The lack of development in terms of health management in cocoa plantations as well as the variability of the genetic material used in new cocoa sowing.

1.5 Conclusion

From the analysis previously performed, CAC Oro Verde is facing several aspects that play in favor and against it. Its organizational structure, communication and transparency are some of the main barriers within the organization to reach their full potential with this project. As a result, there are several internal factors within the cooperative that need to be solved in order to succeed in other markets. However, both the industry and external factors that affect the cooperative play a role in demonstrating the huge potential that they have to succeed. Oro Verde has significant comparative advantages, due to the natural growth of *Criollo* and *Trinitario* trees, as well as competitive advantages, due to the different certified products they offer, within the Canadian cocoa beans industry. In addition, the increasing interest for Organic and Fair Trade products as well as for the *Criollo* and *Trinitario* cocoa beans by the Canadian cocoa market shows the huge potential for CAC Oro Verde by entering to this market. As a differentiated product, many alternatives and markets within the Canadian cocoa market have a large potential for CAC Oro Verde to enter. However, there are many barriers and requirements that CAC Oro Verde must meet before approaching this market. In terms of the external factors affecting the cooperative, the overall strong bilateral relationship between Peru and Canada allows better access of Peruvian products into to the Canadian market.

Chapter II. Business Opportunity

2.1 CAC Oro Verde's Perception of the Business Opportunity

CAC Oro Verde, through the support of IICA as a sponsor, clearly stated the main objectives for the project which are the following: (a) improve and develop a deeper analysis of the available information regarding the possibilities of exporting cocoa from Peru to Canada, and (b) identify and characterize the market opportunity for Peruvian cocoa beans in the two most important and attractive potential importing provinces in Canada. The purpose of this report is to assist CAC Oro Verde to make a decision on choosing the most feasible and viable option in order to enter to the Canadian market. Taking into consideration the previous researches regarding the Canadian market for cocoa beans and the initial business plan of the CAC Oro Verde in order to enter into the Canadian market, the objective is going to the next step in this process and producing a document that reinforces the information already explored in order to give CAC Oro Verde the chance to make objective decisions for new business opportunities. Furthermore, the sponsor intends to duplicate this study in order to help other cocoa beans producers to make decisions taking advantage of CAC Oro Verde's experience.

2.2 Other Identified Situations

Although there is a business opportunity that is about to be evaluated and developed, there are also additional factors that were identified in the AMOFHIT analysis that the cooperative needs to take into consideration in order to increase the chances of penetrating a new market through the business opportunity identified. These situations belong to different departments within the cooperative; however, their consequences affect the performance of the cooperative as a whole. Some of these situations are listed in the Table 6.

Table 6

Different Situations Identified within CAC Oro Verde

	Identified situations	Department
1	The process of fermentation and drying in the production centers must be enhanced and standardized in the main production center of the cooperative in order to have a better quality of the cocoa beans offered	Operations
2	The cocoa beans collected from the producers must be carefully and completely separated in order to have the appropriate traceability of the cocoa beans in order to avoid unintentionally mixing.	Operations
3	The deadlines on delivering cocoa beans products to the international customers must be met without any excuse since customers highly value this commitment from their supplier.	Logistics
4	The cooperative must develop an appropriate health management system in cocoa plantations in order to assure the high quality of the products.	R&D
5	The cooperative must develop an appropriate health management system in cocoa plantations in order to assure the high quality of the products.	R&D

Even though these five situations are not affecting that much the current performance of the cooperative, they might affect its performance in the future as the intention of the cooperative is to penetrate new niche markets and must be taken into consideration for further business plans. However, for this consulting project the main concern is the identified business opportunity in the Canadian cocoa market that will be explained in the next section.

2.3 Business Opportunity

Based on all the information previously described, it is relevant to transform those requirements into a final definition of the business opportunity and its scope. Properly defining the global business opportunity allows to delimitate its boundaries and to know the final goal of the project. Thus, the initial CAC Oro Verde's perception of the business opportunity will be transformed into three main parts: (a) a marketing strategy, (b) a marketing mix, and (c) a financial evaluation of the proposal. The following paragraphs will explain the proposal and its implications in regards to the location, ownership, magnitude and time perspective of the main problem.

2.3.1 Definition of the business opportunity

Considering the initial CAC Oro Verde's constraints about the project which are: (a) the target market must be Canada, and (b) the product to export must be cocoa beans; then the identified business opportunity for CAC Oro Verde is related to export Peruvian cocoa beans to the Canadian market. For that purpose, the project will develop a marketing strategy, a marketing mix and a financial assessment for the key cocoa beans product that the CAC Oro Verde can export. The main objective is to provide alternatives to CAC Oro Verde with relevant information that will facilitate their decision-making process in regards to choosing the most feasible and viable option in order to enter to the Canadian market. The idea is to find niche markets and working on all the marketing aspects in order to make it realistic and attractive for exporting cocoa beans from CAC Oro Verde.

Regarding the marketing strategy, it must include the following aspects: (a) segmentation, (b) targeting, (c) differentiation, and (d) positioning. Moreover, the marketing mix must include the following topics: (a) product, (b) price, (c) place, and (d) promotion. Finally, the financial assessment must include the following steps: (a) demand forecasting, (b) an estimated income statement, and (c) an evaluation using net present value and internal rate of return analyses. All these aspects will be explained in the next chapter. Moreover, in this section the location, ownership, magnitude, and time perspective of the business opportunity will be identified.

It is important to mention that this stage of the study comes after an initial business plan that CAC Oro Verde has presented which provided a brief overview of the Canadian cocoa market. This report will consider the previous reports for the base of the study.

2.3.2 Location of the business opportunity

The location of the business opportunity is in Canadian cocoa market. As stated before, this is an initial constraint for the project given by CAC Oro Verde. From the PESTE analysis, there is an increasing interest from the Canadian consumers regarding Organic and Fair Trade products made from *Criollo* and *Trinitario* cocoa beans. Moreover, the Canadian consumption of cocoa has been increasing in the last years. Thus, considering the Peruvian offer of *Criollo* and *Trinitario* cocoa beans, the business opportunity is clear and consistent within this country. Furthermore, the cooperative plans to enter to this niche markets specifically to the main or two main Canadian provinces which seems to be the most attractive in terms of demand, long-term relationships among other factors. Identifying these places will be the objective in terms of the location of the business opportunity.

2.3.3 Ownership of the business opportunity

Although all the employees as internal stakeholders would be included in this project due to its participation along the different stages, the main owner and the one in charge of making the big decisions is the general manager of CAC Oro Verde. Implementing new strategies, introducing new products in new markets or investing in new projects are roles that only belong to the top management of a company. Thus, since this project involves a financial assessment as well as a marketing strategy and plan, the truly owners of this project are the Marketing and Finance Managers as well as the General Manager of the cooperative.

2.3.4 Magnitude of the business opportunity

The magnitude of the business opportunity will be measured further. Considering the perfect match between the high quality Peruvian cocoa beans with the increasing Canadian demand for high quality products, the final result has the potential to show a profitable business. The financial assessment will show in economical terms how much money this business opportunity will make based on the marketing strategy and mix proposed.

Moreover, this will be the first time that the cooperative would be entering to a very sophisticated market with high standards and requirements which might be the base for further business opportunities in other comparable markets. The idea of expansion of the business allows the cooperative to have a broader view for future investments.

2.3.5 Time perspective of the business opportunity

There are several factors to take into account regarding timing. Firstly, the decision of when to enter to the Canadian market depends basically on CAC Oro Verde's possibilities. Secondly, before entering to the Canadian market, it is necessary that the cooperative improves and corrects all the deficiencies that were shown in the internal analysis. There are several requirements that the Canadian market demands that CAC Oro Verde still does not meet. The time it will take to fix and adapt to the new market will also be considered. Thirdly, deciding how much time entering to this market is going to take is an important issue that this project has to propose in the implementation plan. Finally, it must be considered whether to enter to the one or two proposed places at the same time or not. This could be very useful since the cooperative might take advantage of the experience of the product's performance in an initial place before duplicating the strategy in the next one.

2.4 Conclusion

Based on all the information shown in this chapter, it is appropriate to state that CAC Oro Verde, as the final customer, defined very well its objectives regarding its intentions to enter to the Canadian cocoa market. This project is very relevant for CAC Oro Verde and their producers who have the potential to enhance their businesses by penetrating new niche markets and, as a consequence, increase their profitability and extend their business. In addition, this project will illustrate the importance of promoting competitive, inclusive and sustainable development of the agriculture environment while generating business opportunities to rural farmers and improving their quality of life.

Chapter III. Literature Review

3.1 Literature Mapping

This literature review will be focused on three main topics which include: (a) the marketing strategy, (b) the marketing mix, and (c) the financial assessment. The objective of this section is to define some of the strategies that can be utilized to determine how and what opportunities can be explored further with Peruvian cocoa products. Further understanding of different techniques in each of the sections will allow better processes and alternatives for making decisions on the aspects to consider when entering the Canadian cocoa market.

The marketing strategy is based on four main factors: (a) segmentation, (b) positioning, (c) differentiation and (d) targeting. The marketing mix also involves four main factors to consider when entering a new market such as: (a) determining the specific product, (b) the price strategy, (c) the most appropriate place and distribution strategy, and (d) the most effective way to promote it. Analyzing the technical aspects of marketing is what develops the foundation of entering into a new market. Most of the literature reviewed in terms of the marketing mix and strategy was based on the theories by Ruskin-Brown (1999) and Proctor (2010) in addition to other reliable sources illustrated in Figure 8.

Moreover, the financial assessment section will include the literature review on appropriate techniques for: (a) forecasting demand, (b) developing income statements, and (c) calculating the net present value and internal rate of return of projects which will be the main indicators to determine the feasibility of exporting into the Canadian market.

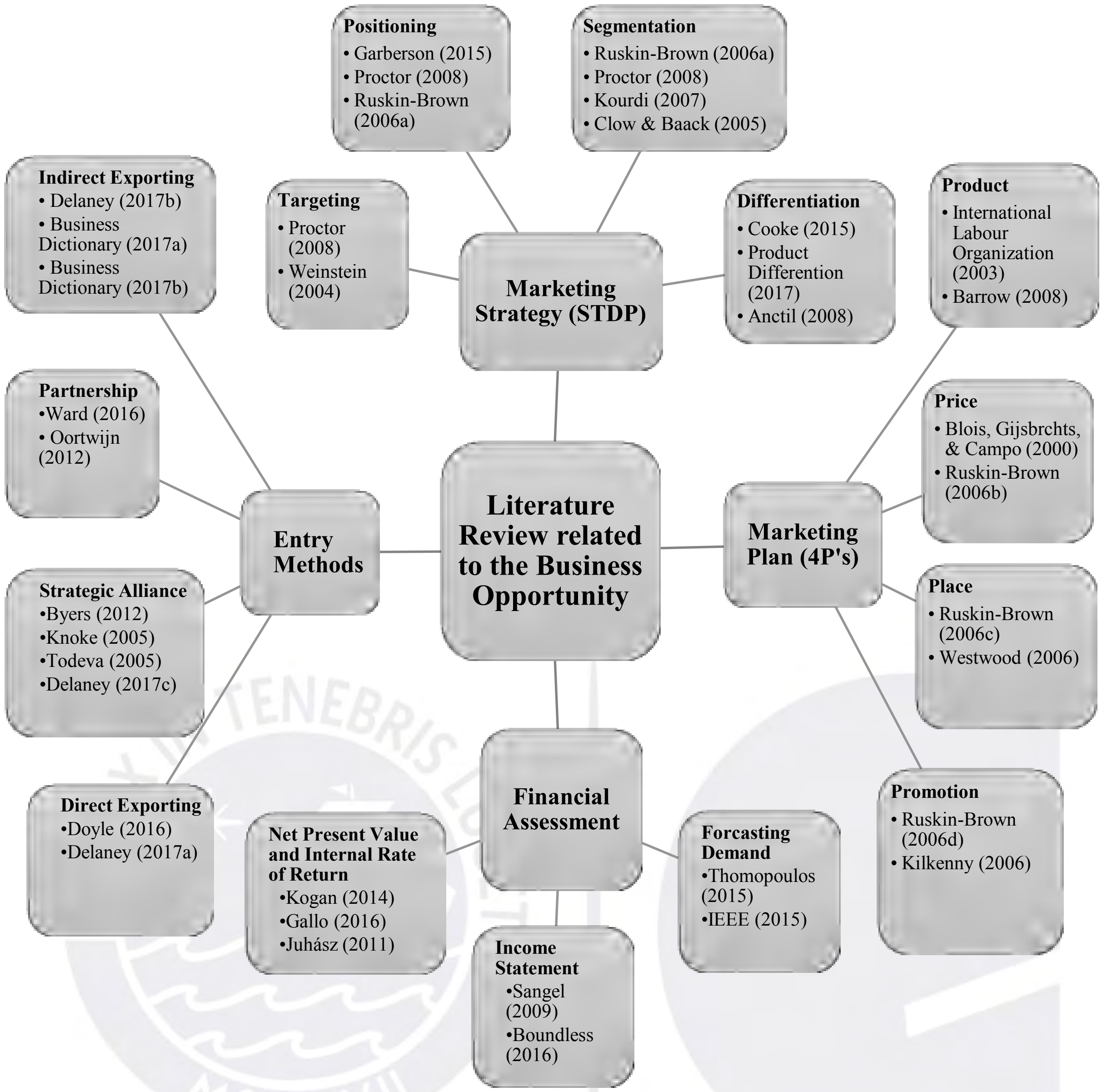

Figure 8. Literature mapping.

3.2 Literature Review

3.2.1 Marketing strategy

This section will examine the key aspect for a marketing strategy including the four main points: (a) segmentation, (b) targeting, (c) differentiation, and (d) positioning.

Definition of segmentation. This is the strategic process of defining which will be the specific group of customers toward whom the firm will focus its marketing efforts in order to generate revenue. Whilst at the same time discerning the target groups' specific needs and deciding which of these needs will form the core of the ‘product benefits’ to be offered them. Thus, the segmentation is the process of dividing a market into smaller and more homogeneous groups of customers on the basis of the customers’ needs, and selecting from these groups those which the marketer believes: (a) have needs which so far are not properly addressed, (b) the company can address them to the improved satisfaction of customers called competitive differential advantage, and (c) the sub group is large enough to be profitable for his/her company (Ruskin-Brown, 2006a).

Benefits of segmenting a market. By segmenting a market, the company increases the understanding of its customers’ needs, it improves its ability to identify market opportunities and provides a clearer idea of what strategies and implementable actions need to be taken. The process of segmenting effectively locks out the competition. Segments are homogeneous in the sense that customers within that group have more in common between themselves when it comes to behavior towards the products in question, than they have with people in other segments. Marketers refer to this as intra segment homogeneity and inter segment heterogeneity (Ruskin-Brown, 2006a).

How to segment a market? According to Kourdi (2007), several factors have to be taken into account when segmenting such as: (a) segmentation needs to be focused and specialized, (b) the key to segmentation lies in highlighting differences and specific characteristics, (c) segmentation should be as simple as possible and avoiding unnecessary complications and ensuring decisions and views are rational and clearly communicated, and (d) segmentation needs certainty. It is tempting to jump to conclusions or make assumptions about segments based on your own experience, background, or prejudice. However, these can be mistaken and a key element in successful segmentation is analysis: understanding how something is, and why it is that way.

The Figure 9 shows the process for segmenting a market considering the customer needs and customers features.

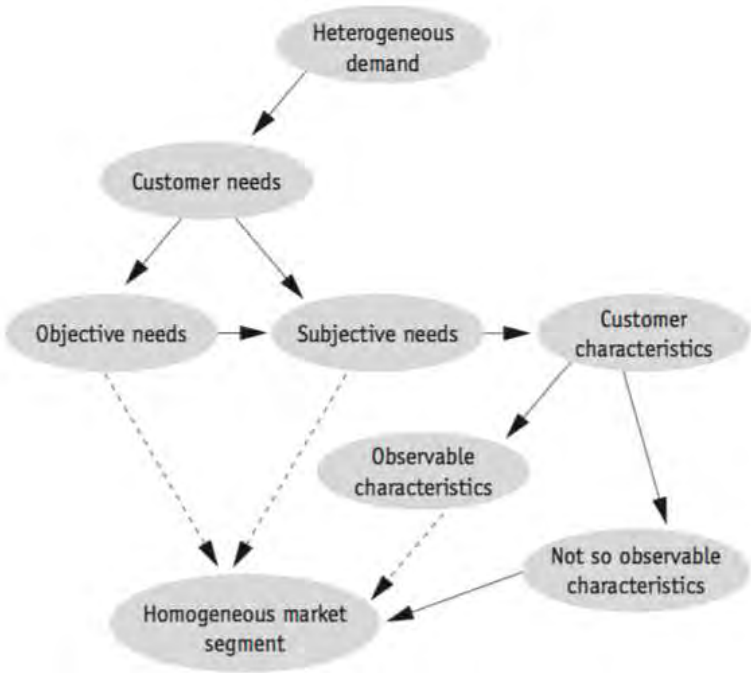

Figure 9. Segmenting a market. Adapted from *Mastering Marketing*, by I. Ruskin-Brown, 2006, *Thorogood Publishing Ltd*, p. 76.

According to Proctor (2008), in order to define the segment consumer markets, the marketer can use many different variables including: (a) geographic segments which mean location and this can include streets, towns, cities, regions, countries, continents, trading blocks like the European Union and NAFTA; (b) demographics, or social statistics, which includes age, sex, family, life cycle, job type/socio-economic and group income level; (c) geodemographics which mixes geographic and demographic data to create categories of house types and locations, for example, people who live in detached houses in exclusive suburbs; (d) psychographics which attempts to segment according to psychological profiles of people in terms of their life-styles, attitudes and personalities, for example, active go getters; and (e) behavioural segments which address behaviour patterns that include usage and uses, the way a product or service is used, in other words, the benefit enjoyed.

Finally, in order to determine if the segmentation of the market is well-done, Clow and Baack (2005) mentioned the following statements to test: (a) the individuals or businesses within the market segment should be similar in nature, having similar needs, attitudes, interests, and opinions, in other words, homogeneity; (b) the market segment should differ from the population as a whole due to the fact that segments are distinct from other segments and the general population; (c) the market segment must be large enough to be financially viable to target with a separate advertising campaign; and (d) the market segment must be reachable through some type of media or advertising communications method.

Definition of targeting. According to Proctor (2008), a target market is the market or market segments which form the focus of the firm's marketing efforts. Once segments have been identified, decisions about how many and which customer groups to target must be made. The options include: (a) mass marketing strategy which offers one product or service concept to most of the market, across many market segments; (b) single segment strategy that concentrates on a single segment with a product or service concept; and (c) multi-segment strategy which targets a different product or service concept at each of a number of segments and develop a marketing mix strategy for each of the selected segments.

Factors that influence the targeting strategy. Several aspects can influence the decision of which market must chosen when developing a marketing strategy. According to Proctor (2008), the following elements play an important role when choosing the targeting strategy: (a) stage of product-market maturity, (b) extend of buyer differentiation, (c) market position, (d) structure and intensity of competition, (e) adequate resources, (f) production and marketing scale economies, and (g) choice of segments (Proctor, 2008).

How to target a market? Weinstein (2004) mentioned that business marketers must select from the alternative market segments one or more groups to target for marketing activity. Each of the individual segments must be evaluated on its own merits and in conjunction with the capabilities and environmental situation surrounding the term. This evaluation recognizes that the options are unique and have varying degrees of attractiveness to your firm. Measuring segment potential helps business marketers in determining which segment(s) to pursue. As Table 7 shows, criteria tor choosing targets can be qualitative or quantitative.

Table 7

Criteria for Choosing Target Markets

Qualitative criteria	Quantitative criteria
Nature of business preferred	Sales by currency and sales growth rates
Strategic synergy	Market share
Strengths and weaknesses	Profit potential
Market trends	Customer lifetime value and customer retention indicators
Geographic coverage	Return on investment
Industry structure	Breakeven analysis, net present value, etc.

Note. Adapted from *Handbook of Market Segmentation*, by A. Weinstein, 2004, *Taylor & Francis Ltd*, p. 137, Table 8.1.

Definition of differentiation. A marketing technique that promotes and emphasizes a product's difference from other products of a similar nature (Product Differentiation, 2007). Regarding product differentiation, Cooke (2015) stated that it is a strategy where a homogeneous marketing mix is made to appear different and, therefore, better in the mind of the buyer through the use of mass selling called advertising.

In simpler words, Market differentiation is simply standing out in a crowd-making your product stand apart from others in a meaningful way. The goal is not just to look different; it is also to look more appealing so that a consumer is more likely to take action on your product instead of others that are equally available. Successful market differentiation requires articulating your product’s differentiating qualities or characteristics when compared with those of your competition. Market differentiation is largely about persuasion. The goal is to persuade the audience that you have a product that is both different and better than your competitor's similarly designed and marketed product (Anctil, 2008).

How to make the product different from the others? According to Anctil (2008), the important features for making the product different from the competitors' products include, among other things: (a) being exclusively available, providing the only product or service at the time a customer has a need is a powerful marketing advantage; (b) providing a better product, it will lead to greater sales if customers know that differences in quality exist by letting them know that the differentiated product is better and how; (c) providing a better value by telling the customers why the differentiated product is the best value and how they get their money's worth with it versus the competition; (d) providing a better price, lower price wins out when identical products are equally available; (e) providing personalized solutions to customers' needs, personalized marketing has become increasingly more popular with technological advances and increased Internet use.

Definition of positioning. According to Garberson (2015), positioning is escalating a brand image in the minds of potential customers. This includes everything the company does, from the way it looks, its materials, its website and the way it reaches out to potential customers in its marketing efforts. It also includes the customer service and the way it interacts with the customers. Other authors described positioning as the decisions and activities intended to create and maintain a firm's product concept in customers' minds. Market positioning amounts to arranging for a product or service to occupy a clear, distinctive and desirable place in the minds of target customers (Proctor, 2008).

Positioning strategies. Various positioning options are available for companies entering a market such as: (a) position close to the leader as acceptable alternative; (b) position away from existing rivals in either unserved niches or innovative new positions; (c) for an existing market brand leader, sensible positioning strategies include heavy promotion of existing superiority or augmenting present superiorities with extra layers of differential advantage; (d) for those badly positioned the options include adapting the offering to fit more closely with needs, finding new positioning strategies, trying to alter customer perceptions, or withdrawing from the market (Ruskin-Brown, 2006a).

How to implement the positioning strategy? It is useful to develop a perceptual positioning map for the preferred products as shown in the Figure 10. Then, several steps must be taken into account as follow: (a) the marketer must decide on six factors used by the potential customers to evaluate the proposed product and show them on the six axes, (b) the marketer must grade each of them as to their importance to the customers, (c) the marketer must join these grade points, (d) the marketer must grade each axis as to how well the marketer thinks the product addresses these issues versus the chosen competitor's product, (e) join the grade points for each product, (f) compare customers' needs versus the marketer's comparative offering and versus that of the competitor. According to the gaps founded between the marketers' proposal and the strongest competitor, then, the positioning strategy is created to fill up those gaps (Ruskin-Brown, 2006a).

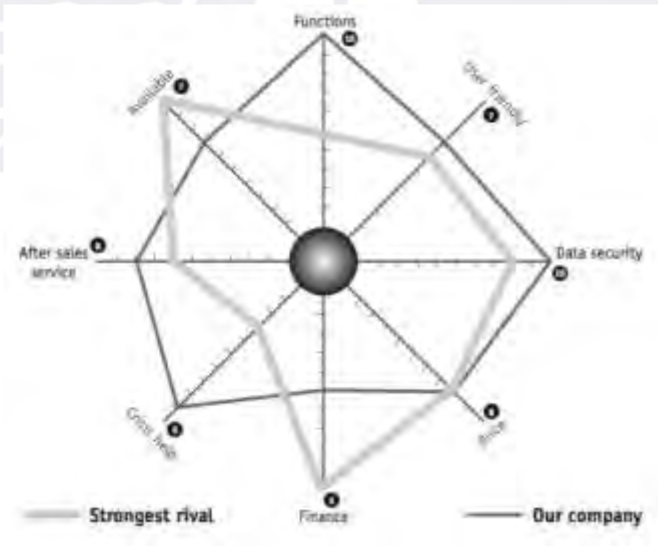

Figure 10. Hypothetical spidergram positioning map. Adapted from *Mastering Marketing*, by I. Ruskin-Brown, 2006, *Thorogood Publishing Ltd*, p. 98.

3.2.2 Marketing plan

This section will examine the key aspect for the marketing plan to develop once the marketing strategy has been defined including the four main points: (a) product, (b) price, (c) place, and (d) promotion.

Definition of product. According to the International Labour Organization (2003), the product means what products or services the company is going to sell to its potential customers. The marketer has to decide what kind of products or services to offer, and also what quality, what colour, what size and so on. For retailers and wholesalers, product can mean a range of products such as tools, drinks, or tinned foods. Product also includes other features of the products or services that the business will sell, for instance: (a) how each product will be packaged, (b) if the product will include an instruction manual, (c) what service will be offered, and (d) what repairs and spare parts the product will provide. Furthermore, any other features that make the products or services special should also be described in the product section of the business plan.

Aspects to consider to increase the competitiveness of the product strategy. Several aspects must be taken into account when developing the product strategies such as: (a) set various products to different target markets using the differentiation strategy, if possible; (b) set quality standards, the primary issue for new companies is to create an image of product quality due to the fact that better quality means competitive; (c) assessing critical success factors, there are four or five reasons for product success and companies should identify those ones for its product as well as prioritizing their importance (Barrow, 2008).

Definition of price. According to Blois, Gijsbrechts, and Campo (2000), the price of a product or service is the number of monetary units a customer has to pay to receive one unit of that product or service. This was the traditional definition, but in the 1990s a broader interpretation of the price concept became customary. Thus, the cost of an industrial good includes much more than the seller's price. This broader interpretation extends the traditional price notion along three dimensions: (a) the first recognizes the possible discrepancy between objective and perceived prices; (b) the second states that price need not be specified exclusively in monetary terms at the time the product is acquired and, therefore, product usage may entail additional costs of repair, maintenance, and energy consumption that should be accounted for; and (c) the third mentions that the price encompasses not only an effort but also a risk component which is associated with product adoption that may be functional or in a good shape.

Pricing strategies. According to Ruskin-Brown (2006b), the following are the classic marketing pricing strategies:

Penetration pricing. A low price which helps the marketer get into the new marketplace.

Premium pricing. A high price designed to reinforce strategies that put the product at the top of its market place. Specifically used in markets where price is seen as an indicator of quality, such as in the early days of mobile phones, for example.

Price skimming. This strategy starts off as premium price, but is deliberately designed to come down over time to anticipate or react to competitive or other pressures in the market. As its name implies, it takes the cream from the top of the market, it can also be used as a means of shepherding demand and thereby relieving the pressures on resource capacity.

Promotional pricing. Special price deals that are designed to support all other marketing activity that may be involved in a particular promotion, such as advertising, public relations, special deals at distributors and so forth.

Line pricing. This is designed to reflect the position of a product in the range on offer from that supplier, so that at the top of the range, the prices would be premium, at the bottom of the range they would be the lowest possible.

Bait pricing. Pricing strategy that makes it relatively cheap for a customer to enter the market by offering a very low price for the very basic and standard version of the product. The customer is then free to add extras, at an increased price of course, from a menu of optional extras.

Dual or multiple pricing. This is where the same product is sold in several different markets. The core and the expected parts, and maybe even for a substantial proportion of the augmented, are identical. But these products are marketed to different segments and each segment has its own price, which will differ from any other segment, some higher, some lower. This strategy can only be successful if it is difficult, if not impossible, for a set of customers in one segment to communicate and compare their product offering with customers in a different segment.

Definition of place. According to Ruskin-Brown (2006c), the place strategy, commonly called as distribution channel strategy, refers to the plan for distributing the product within the place already chosen. It is divided into two main components: (a) a distribution channel, for instance, a set of other companies which help move the product from its point of production to its point of sale; and (b) a channel management, for instance, the management processes which handle the relationships between channel members. Furthermore, three dimensions of the distribution decision must be taken into account which are: (a) environmental, (b) structural, (c) behavioural.

Functions of the distribution strategy. Ruskin-Brown (2006c) mentioned that there are three golden rules of distribution channel structure. The essence of which reflects the need for a number of functions when taking products from their point of manufacture to their point of purchase. These rules are: (a) check if any element of any channel can be eliminated or substituted; (b) consider that their functions cannot be eliminated; (c) if then, the relevant functions are moved forward or backward in the chain to be exercised by others. Thus, a producer can by-pass distribution intermediaries but they cannot eliminate the functions which these organizations perform. Moreover, there are three basic functions of a distribution channel that are: (a) transactional, (b) logistical, and (c) facilitating.

Push versus pull strategies. The two main important distribution strategies are explained by the the Figure 11 and the Figure 12.

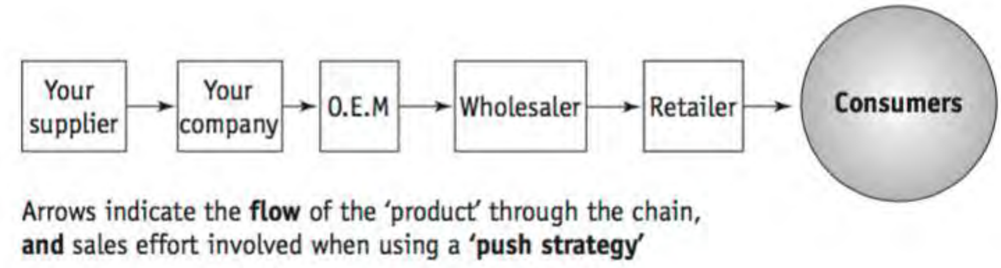

Figure 11. A channel push strategy. Adapted from *Mastering Marketing*, by I. Ruskin-Brown, 2006, *Thorogood Publishing Ltd*, p. 124.

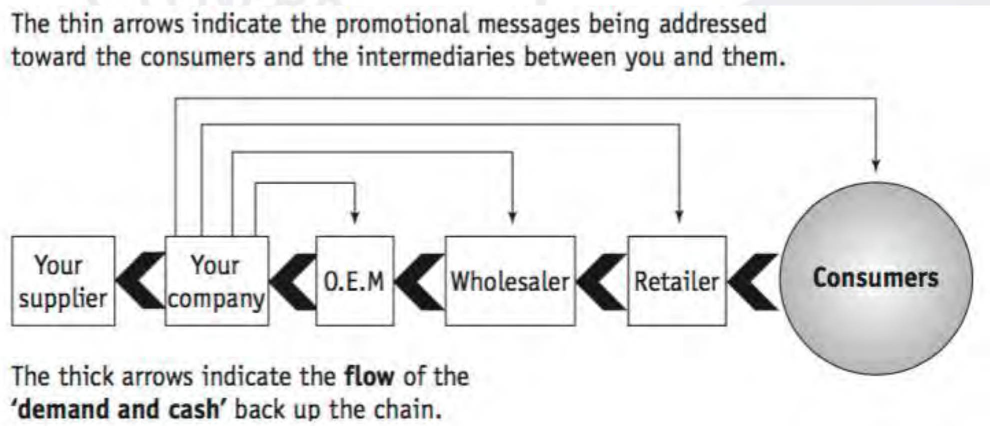

Figure 12. A channel pull strategy. Adapted from *Mastering Marketing*, by I. Ruskin-Brown, 2006, *Thorogood Publishing Ltd*, p. 124.

Distributors. According to Westwood (2006), in consumer goods industries distributors might be: (a) retailers, (b) wholesalers, and (c) companies who sell to wholesalers. On the one hand, direct sales to customers generally make up a larger proportion of sales than with consumer goods, but the use of commission agents and distributors is widespread. A distributor takes over the selling role of the manufacturer and most distributors have their own salesforce dealing with customers. This is the case for the cocoa market.

Distributors would normally be expected to hold enough stock to service the geographical area for which they are responsible. The majority of the distributors sell a range of products, so a product will not get the exclusive treatment through a distributor's salesforce that it would through a company's own salesforce.

Relationship between of promotion and communications. According to Ruskin-Brown (2006d), the relationship between promotion and communications usually called communication mix is defined as the number of promotional methods used as a mix to promote a particular product through communicating with individuals, groups and organizations in the target market. Several key tasks that promotional activities must achieve are the following: (a) generating sufficient impact to create high levels of awareness and interest within the target group; (b) communicating more tailored messages, which meet specific information requirements, and allow a full understanding of the offering; (c) providing appropriate mechanisms such as references, visits to other customer sites, trials or demonstrations, which strengthen belief and credibility; (d) final convincing processes, normally via sales contact, to secure a favorable decision and to keep a happy customer. For that purpose, a number of promotional tools and approaches can be useful at each of these stages.

Roles of advertising and promotion. Ruskin-Brown (2006d) mentioned several differences between advertising and promotion as well as its interconnection. Hence, advertising forms the central plan of most communications programmes. A principal promotional objective is to convey information. The information conveyed in advertisements may be in the form of words or symbols. It can work to educate, persuade or simply to inform. An image can be supported or created, enquiries can be elicited and the functions of a product can be demonstrated. Furthermore, a key role of all promotion, especially advertising, is to reinforce a purchase decision.

Campaign design process. Figure 13 shows clearly the interconnections and the map among all the participants within a promotional campaign.

Timing. According to Kilkenny (2006), timing is another factor to take into account when designing the promotion strategy. Some large organizations begin marketing years in advance. Being late with the promotions could lead in less revenues than the forecasted. Thus, setting the time and the duration of the promotional campaign are two important key to succeed in this stage.

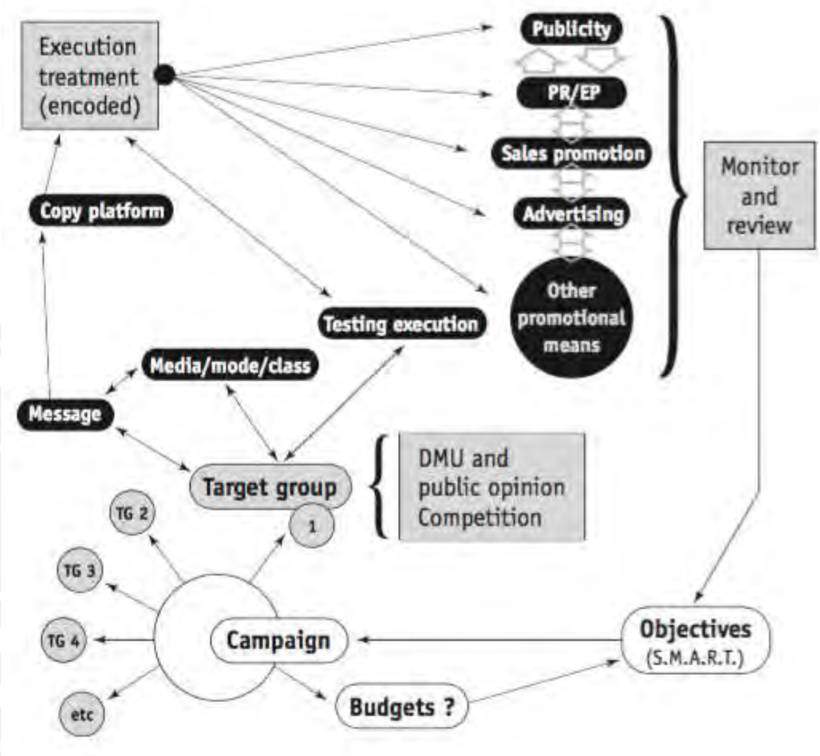

Figure 13. Building a campaign. Adapted from *Mastering Marketing*, by I. Ruskin-Brown, 2006, *Thorogood Publishing Ltd*, p. 147.

Creating the promotion strategy. According to Ruskin-Brown (2006d), in order to create the promotion strategy, several factors must be taken into account as listed below.

Product or service characteristics. This includes: (a) constituents, (b) performance in use, (c) presentation, (d) availability, (e) versatility, (f) country of origin.

User characteristics. This includes: (a) celebrities or known experts, (b) most sports competitors use it, (c) only *the best* use it, (d) price characteristics, (e) lasts longer, (f) reassuringly more expensive, (g) payment more convenient.

Image characteristics. This includes: (a) quality, (b) good value, (c) friendly to the user, (d) friendly to the community, (e) friendly to the environment, (f) friendly to country's economy.

Resultant suffering. This includes: (a) client, (b) profit, (c) job.

There are other relevant factors that may affect in general such as: (a) product comparison, (b) knocking copy, (c) parody competitor's advertising, slogans, origins, etc.; (d) ways of using the product or service; (e) philanthropic; (f) caring for the community or environment; (g) responsible citizen.

3.2.3 Entry methods

Alternatives to the opportunity of entering the Canadian market are going to be based on the different entry methods that are to be considered. Entering into foreign markets also involve factors that involve the level of ownership advantages of a firm, location advantages of the market, and internalization advantages of integrating transactions (Agarwal, 1992). Choosing the correct mode of entry plays a significant role on how a product or firm will perform in a foreign market. In order to exploit the business opportunity for fine flavour cocoa beans that are Fair Trade and Organic, it is important to look at the different ways to enter the market as alternatives which include: (a) direct exporting, (b) indirect exporting, (c) partnership, or (d) strategic alliance.

Direct exporting. Direct exporting is an entry method where the organization produces their product in their home market and then sells them to customers overseas (Learning Marketing, n.d.). This method would involve the exporter, which in this case would be Oro Verde, to handle every aspect of the exporting process from market research and planning to foreign distribution, fulfilment and collections (Doyle, 2016). According to Delaney (2017a) direct exporting has many advantages such as:

- Potential profits are greater because there are no intermediaries
- Having a greater degree of control over all aspects of the transaction
- Knowing who the customers are
- The customers know who the producer is. They feel more secure in doing business directly with the producer
- Business trips are much more efficient and effective because the producer can meet directly with the customer responsible for selling the product
- The producer knows whom to contact if something is not working
- Customers provide faster and more direct feedback on the producer's product and its performance in the marketplace
- The producer gets slightly better protection for your trademarks, patents and copyrights
- The producer develops a better understanding of the marketplace
- As the business is developed in the foreign market, the producer has greater flexibility to improve or redirect its marketing efforts

Some disadvantages for direct exporting include:

- Takes more time, energy and capital to start
- Requires more human power to cultivate a customer base
- Servicing the business will demand more responsibility from every level of the producer's organization
- The producer may not be able to respond to customer communications as quickly as a local agent can
- The producer has to handle all the logistics of the transaction
- The producer must be prepared to respond to technical questions about its product (Delaney, 2017a)

Direct exporting requires more overhead capital, involves many risks related to credit, financing, collection, rejected merchandise and after sale service where the company exporting will be fully accountable (Account Learning, n.d.). In addition, the success of direct exporting relies significantly upon the timely availability of goods and can be a challenge to maintain the stocks in overseas depots which be an expensive proposition. As well as that there is also greater need for managerial ability which involves a lot of formalities which include processing documentation, shipping, financing, collection, etc. Therefore, competence in these technicalities is a crucial part to consider in order to succeed in a foreign market. Furthermore, relying on distributors, retailers or agents who are the sole importer of the product can be a risk because if the distributors are also not efficient they may run into trouble. However, if managed properly, it has great potential for higher profits and control over the company.

Indirect exporting. Indirect exporting is another entry mode where products can be sold to an intermediary, who then sells those products either directly to customers or to importing wholesalers (Delaney, 2017b). It can be also defined as exports that are not handled directly by the manufacturer or producer but through an export agent or freight forwarder (Business Dictionary, 2017a). According to Delaney (2017b), the easiest method of indirect exporting is to sell to an intermediary in the base country. With that type of method, the responsibility of collecting payments from the foreign customer or coordinating shipping logistics is removed. Delaney (2017b) has illustrated that there are three types of intermediaries: (a) export management companies, (b) export trading companies, (c) intermediaries in the country that is being exported to, and (d) piggy backing.

Export management companies (EMC). These are companies that perform a buy-resell arrangement where they represent a companies' product with other companies' non-competing products as a part of their own import product line aimed at the customer base they have created. EMC's are highly market driving and buy the product from a manufacturer, marks up the price in order to make a profit. Other ways they make a profit is by commission and buy-and-resell, start-up or project fee only, fee plus commission, or fee plus commission and buy-and-resell. According to Delaney (2017b) an EMC will carry out all aspects of the export transaction:

- Identifying international markets for the product or service
- Locating customers overseas
- Arranging agent / distributors relationships
- Preparing, negotiating and handling all communication, documentation and shipping logistics
- Exhibiting at international trade shows
- Traveling overseas to meet with potential customers
- Setting up appropriate distribution channels

EMC's can be found online by accessing a list of companies and deciding which one is most suitable, for example, which companies export products similar to your own. After finding a suitable company it is also refer to other places such as a local trade association with an international focus, international division of your bank, or local chamber of commerce or small business assistance center. In addition, freight forwarders and logistics experts may also be able to refer reputable EMC's that use their service (Delaney, 2017b).

Export trading companies (ETC). These companies function on a more demand-driven basis although are virtually identical to EMCs. Most have long-standing customers whom they source products on a regular basis (Delaney, 2017b).

Intermediaries. According to Delaney (2017b), they also involve selling to an intermediary in the country where you are exporting to which would sell your products directly to customers or other importing distributers such as wholesalers. Collecting payments from overseas customers and coordinating shipping logistics are some responsibilities that are involved by selling through this method. Domestic transactions sales are comparable when considering the amount of transactions since they are minimal. Some advantages include:

- Nearly risk-free to begin
- Demands minimal involvement with the export process
- Allows the producer to continue and concentrate on its domestic business
- Depending on the type of intermediary, the producer may not have to deal with shipment and logistics
- The producer can have the ability to field test its products for export potential
- In some instances, the local agent can field technical questions and provide necessary product support

Disadvantages may involve:

- Lower profits
- Losing control over the producer's foreign sales
- The producers rarely will know who its customers are, and thus lose opportunities to tailor its product
- The producer is a step removed from the actual transaction if the producer wants to be more involved
- Intermediary may also offer similar products to the producer's ones, including directly competitive products, to the same customers instead of providing exclusive representation
- Long-term outlook and goals for the producer's export program can change rapidly, and it is more challenging to redirect the efforts accordingly (Delaney, 2017b).

Piggybacking. This is another intermediary method which can be defined as a low-cost market entry strategy in which two or more firms represent one another's complementary products in their respective markets (Business Dictionary, 2017b). According to Delaney (2017b), this is an immediate overseas market access at a nominal expense. This is a suitable option if the producer has no intention of ever selling directly to customers.

Partnerships. Partnerships, as an alternative, for the purpose of this report are going to be considered as partnerships between the producer and the customer, who will be other businesses in this case. According to Ward (2016), the main advantage of the partnership lies in the working relationship between the partners rather than in the legal structure of the company. In addition, the most successful partners are able to provide complementary talents are transparent in decision making. This in turn can develop synergies when each side can use each other's comparative advantages. Partners may also provide or guarantee each other resources such as access to distribution channels, manufacturing capacity, capital, sales, leads, physical assets, knowledge, expertise or usage of technology (Oortwijn, 2012). After a partnership is formed, it might later on be transferred to be or be combined with another entry mode structure such as transaction based contracts or an equity joint venture. Some of the advantages and disadvantages with partnerships are similar to ones with a strategic alliance explained below.

Strategic alliance. Strategic alliances are defined as a partnership between two or more organizations, created in response to an environmental threat or opportunity, and resulting in mutual learning (Byers, 2012). An example of this in the context of the case would be building a strategic alliance with other producers or cooperatives in Peru and that already export into the Canadian market. According to Byers (2012), this strategy is increasingly adopted by firms to gain a competitive advantage. Furthermore, Todeva and Knoke (2005), illustrated that strategic alliances developed as a basis for inter organizational relationships where cooperative arrangements represent new organizational formation that seeks to achieve or improve organizational objectives through collaboration rather than competition. As a result, there are a number of positive outcomes for companies who are actively engaged in strategic alliances which involve:

- Higher return on equity
- Better return on investment
- Higher success rates compared with integration through mergers and acquisitions or with companies that avoid building inter-corporate relationships (Todeva, 2005)
- Getting instant or quicker market access
- Exploiting new opportunities to strengthen the producer's position in a market where the producer already has a foothold;
- Increase sales
- Gain new skills and technology
- Develop new products at a profit
- Share fixed costs and resources
- Gain greater knowledge of international customs and culture (Delaney, 2017c)

Some disadvantages of strategic alliances include:

- Weaker management involvement or less equity stake
- Fear of market insulation due to local partner's presence
- Less efficient communication
- Poor resource allocation
- Difficult to keep objectives on target over time
- Loss of control over such important issues as product quality, operating costs, employees, etc. (Delaney, 2017c)

It is important to ensure due diligence for the fundamental integrity of the partnership and so also set clear entitlements and obligations for factors such as copyrights, trademarks, patents, antitrust, and exchange controls if they apply. Approaching local economic development offices within the host country will enable the producer to assess the country's future investment climate and can provide past, present and future growth trends. Furthermore, for both sides, it is crucial to keep informed about the host country's political and economic stability in addition to all the legal and financial implications before entering into a partnership with an overseas company (Delaney, 2017c).

3.2.4 Financial assessment

Definition of demand forecasting. Demand forecasting is one of the management strategies to predict the demand of the business on a period of time by using relevant qualitative and quantitative data and, therefore, techniques for making better decisions (Thomopoulos, 2015). In other words, demand forecasting is an important part of the growing supply chain management world, that allows firms to cope with the ever-changing shifts in demands for their goods and resources.

According to Thomopoulos (2015), a primary goal of forecasting is to measure the flow of demands from the history months and project to the future months with a minimum forecast error. A way to improve this goal is by filtering the history demands to seek out any outlier demands and adjust accordingly. Filtering of the demand history is not an easy process, but is important to yield forecasts with minimal forecast error due to the fact that reducing the forecast error will lead in a reduction the amount of safety stock needed to run the inventory operation.

Considerations and models when forecasting demand. There are different ways of forecasting demand which can be used and implemented depending on the business need.

Time series model. A time series is a sequence of values obtained from different sources along time. The analysis of these data consists on finding a suitable dynamical model able to predict its dynamic in different instants. However, finding that model is the hardest part of the method. Traditionally for each time series a single model is tuned and fitted to the data, but in a real situation is common to find that the dynamic is too complex to be captured by just one model (Qualitative and Quantitative Multi-Model Forecasting with Nonlinear Noise Filter Applied to Water Demand, 2015).

According to Thomopoulos (2015), there are some other models to take into consideration as listed below.

Horizontal forecasts. This is perhaps the most typical demand pattern where the period-to-period demands fluctuate above and below a path without any trend or seasonal influence. These forecast models are here called the following: (a) horizontal forecast, (b) horizontal moving average forecast, (c) horizontal discount forecast, (d) horizontal smoothing forecast. Hence, for each model, periodically raw forecasts are generated in fractional form. One important factor is the standard deviation of the one period forecast errors.

Trend forecasts. In some cases, there are products that are gradually increasing or decreasing in a steady way and, thereby, a trend forecast model is called. The model has two coefficients, a and b, where a is the intercept and b is the slope. Three such models are described as follows: (a) trend regression forecasts, (b) trend discount forecasts, and (c) trend smoothing forecasts.

Seasonal forecasts. Seasonal forecasts are needed when the demands over a period have a cyclical flow such as the rise for light clothing during the summers, for instance. Thus, two forecast models are described: (a) the seasonal smoothing multiplicative forecast model, and (b) the seasonal smoothing additive forecast model. Furthermore, the seasonal multiplicative model has two stages: (a) firstly, by initializing the forecasts using the most current periods of history demands, and (b) secondly, by revising the forecasts as each new period of demand becomes available.

Definition and importance of the income statement. An income statement is a document considered as a summary of two key categories of cash flow. It reflects the total revenue generated during a specific time period called income, and the total expenses that were incurred during that same period called outcome (Sangel, 2017).

It is always very important to know how much money the business is making. Before investing to any project, it is important for the investors to have a look at the current of forecasted income. Normally, it is produced yearly. But it can also be produced quarterly, periods six months or in any periodical order that depends on the business requirement.

The preparation of income statements on a consistent basis allows a business leader to have three key tools as follows: (a) one tool is the ability to understand how the business has performed during the last period, (b) the second tool is the ability to compare the performance of the business over time, and (c) the final tool is to utilize an existing income statement as a planning tool to see how a major business decision would impact on earnings. Furthermore, it is important for the business to know how much revenue the business has generated over a specific period. Also, it is necessary to know where the revenues go (Sangel, 2017).

Even the smallest cost needs to be account for in the income statement. However, capital expenditure is not posed at Income Statement as it comes in the later part of the financial statements. A limitation for the Income Statement is it does not give the complete picture of the company itself. Another limitation is the using of historical data. It does not take the account of the inflation which becomes a problem for decision making.

According to Sangel (2017), if the business offers several unique products or services, it can be extremely helpful and useful to produce multiple income statements for each product or service. A product line that is extremely profitable could be masked by other less-profitable products.

The primary purpose of the income statement is to demonstrate the profitability of an organization's operations over a fixed period of time by illustrating how proceeds from operations like revenues are transformed into net incomes. Thus, in contrast to the balance sheet and the cash flow statement, the income statement is primarily focused on the actual operational efficiency of the organization. The income statement is ultimately about how a given revenue input can be converted to profitability through assessing what is required to attain that revenue (Boundless, 2016).

Assessing income statements. According to Boundless (2016), there are several ways of assessing efficiency regarding the income statements. For an investor or a manager, the simplest way to view each section is by focusing on efficiency. Hence, an optimally efficient organization will focus on the following areas:

Profit margin. A higher net profit as a proportion of sales indicates an overall higher capacity to capture returns on revenue. Therefore, profit margin is one of the first aspects of an organization a prospective investor will look at when considering the overall validity of a company as an investment.

Operating margin. Another useful indicator of profitability is operating income over net sales. Operating income must subtract the cost of goods sold alongside selling, general, and administrative expenses, leaving the overall profit before taxes and interest on financial debt which is as well a good indicator. Thereby, comparing this to the overall profit margin can give useful indications of reliance on debt.

Gross profit. Another useful indicator is the gross margin. This essentially demonstrates the added value of each unit of sales, as it focuses exclusively on the impact of the cost of goods sold which represents the costs incurred directly from materials, labor, and production of each individual unit among other costs. This can be a great indicator of how scalable an operation is, and the relative return an organization will see as they achieve growth.

Key performance indicators for evaluating projects. According to Kogan (2014), there are some methods used to choose the best variant for real investments that have been widely used during several decades. These indicators are: net present value (NPV), internal rate of return (IRR), profitability index (PI), modified internal rate of return (MIRR), payback period (PP) among others. In this report, the financial assessment will be performed using the two first ones: (a) net present value, and (b) internal rate of return.

Internal rate of return (IRR). According to Gallo (2016), the IRR is the rate at which the project breaks even. This rate is the most common used by in the financial sector in conjunction with the net present value in order to completely assess projects. This happens because both methods are similar but they use different variables. On the one hand, when NPV is used, it is assumed a particular discount rate for the company when moving the future cash flows to the present, and then those are compare with the present value of the investment. However, using IRR it is possible to calculate the actual return provided by the project's cash flows, then that rate is compared with the company's hurdle. If the IRR is higher, the it is a worthwhile investment.

Net present value (NPV). According to Juhász (2011), the NPV which is determined by the minimally expected yield or calculated interest rate shows the total amount of money accumulated by the investment during its duration or during an established period of time. The amount of money is reflected from the future to the present using the mentioned interest rate or vice versa. Nonetheless, it does not inform about the real profitability of the money invested. Furthermore, the investment's IRR informs the decision-maker that how works the real yield of long capital investment.

3.3 Conclusion

Regarding the marketing strategy and marketing plan, there are several key aspects to take into consideration when entering to a new market such as the Canadian cocoa market. The marketing strategy is extremely important since it gives the right tools and general aspects of: (a) identifying and segmenting the market according to the interests and preferences that are relevant for both the customer and the seller; (b) targeting the segment of interest according to the possibilities of the seller and the industry; (c) creating a differentiator factor of the product that makes it desirable among the competitors; and (d) positioning the product within the market and the segment chosen, analyzing the best alternatives to entering the market in accordance to the value proposition offered. Furthermore, for the targeted segment, there is a marketing plan to develop that gives the precise specifications of how to penetrate that segment of the market. This includes the following aspects: (a) developing an appropriate product as itself including the differentiation factor in terms of packaging, labeling, presentation among others; (b) setting the appropriate pricing strategy according to the product offered and to the market to penetrate; (c) establishing the most appropriate place in which to penetrate as well as the distribution channel to sell the product taking into consideration the final customer; and (d) creating the right promotion strategy in order to communicate the value proposition to the final customer.

Regarding the financial assessment, it is relevant to highlight that every marketing project must be financially evaluated in order to determine its profitability. Thus, some factors to take into account are: (a) forecasting demand of the products in order to realize the total sales estimated; (b) determining an estimation of the income statement of the company in order to know the incomes and outcomes within a period of time as well as the final estimated net profit; and (c) determining the main key performance indicators for evaluating projects which are net present value and internal rate of return.

Chapter IV. Qualitative and Quantitative Analyses

In this chapter, it is necessary to develop an extensive analysis of the information found until this point of the project in order to identify some enablers that conduct to reach the business opportunity stated before. Thus, extensive qualitative and quantitative analyses will be performed.

4.1 Qualitative Analysis

In this section, qualitative analysis on the following aspects will be explored: (a) psychographics, (b) behaviors, (b) public opinion, (c) growth of Canada's chocolate industry, (d) fine flavour cocoa, and (e) regulations to enter the Canadian market.

4.1.1 Psychographics

Although there has been a trend of over consumption, consumers are becoming more aware about the impact of their decisions on their health, the environment and everyone that is involved in the process when making decisions on buying a product or service. As mentioned in Chapter I, generally Canadian consumers are also willing to pay a premium for health enhancing products and seek to buy products that have additional nutritional value and convenience. According to EuroMonitor International (2017c), attitudes about health and well-being are currently central to consumption patterns. The perception of what is considered to be healthy food has shifted from being known as being low in calories, fat or sugar to now including a big focus on nutrition, production processes and quality of ingredients. Food items that have dietary restrictions such as gluten free, vegetarian, peanut free and dairy free are also a rising trend. Due to the aging population, Canadians are generally very conscious about their health and have a high interest in prevent health issues. In correlation to the rise of the aging population, dietary supplements and vitamins are also predicted to have strong growth with an increased interest in personalization to fit specific health needs and preferences.

Chocolate is also an industry that is adapting their consumer's perception on what they value when they purchase chocolate. According to market research done by Atchley (2017), consumers are paying more and more attention to the labels on finished goods and are looking for cleaner and clearer ingredients. Some other changes that chocolatiers have made is minimizing or removing preservatives and trans fat in their products and are exclusively using non-hydrogenated fats. These trends are believed to guide innovation within the chocolate sector in the next coming years and manufacturers will be continuing to adapt their products to approach becoming in line with health-and-wellness.

They also value organic and natural food which is expected to grow 30% by 2019 in Canada. Out of cocoa business that were actively involved on retail operations, distribution and manufacturing of cacao and cacao derivatives in Canada, a survey done by Inter-American Institute for Cooperation on Agriculture Delegation Canada (2017) found that Raw Cocoa beans and Cocoa butter were the most imported cocoa products by 55.6%. Following was Cocoa powder at 44% and raw cocoa nibs and chocolate chips both by 33% of the respondents in the survey they did. Product certifications are at a large importance in small and medium organizations. Approximately 89% of respondents illustrated that Organic certification was the most important certifications as a criterion for purchasing, where fair trade was at 67% and rain forest certification at 44.4%. All these number will be further analyzed with detail in the quantitative analysis.

4.1.2 Behaviors

The Business Development Bank of Canada (2017) stated that millennials tend to be frugal, savvy shoppers and not particularly brand loyal. In addition to that, Canadians are also highly digitized and have been using mobile devices more than ever in their daily life. On the contrary, consumers want personalized attention on all platforms. The trend of the rise of the sharing economy in Canada demonstrates the need and value of collaboration between the ownership and access between corporations, start-ups and people.

4.1.3 Public opinion

There was a number of polls that were done in the past to monitor consumer interest in the Fair Trade movement and Fair Trade products were strongly valued by the customer because they were able to buy what they wanted while simultaneously feel like they have given back to the producer and their local environment (International Markets Bureau, 2012). Recently there have been studies done that found that consumers prefer socially responsible companies and do not mind paying a premium for their purchases because of the organizations' commitment to the community. For example, recent studies made on Canadian importers have found that more than 77% of consumers prefer to purchase from these companies, and are willing to pay from 5% to 10% more because the organization are invested in social, labor and sustainability issues (The Economic Times, 2017). Within those consumers 77% also were deemed social activators and had published kind words for common good companies on social media platforms, such as Facebook or Twitter, or on review websites. Another study according to The Economic Times (2017) also found that to stay competitive in a marketplace, you must be aware of the importance of maintaining a socially responsible image as a company.

4.1.4 Growth of Canada's chocolate industry

As mentioned in Chapter I, Canada has the fastest-growing chocolate exporters with 44% of growth in 2014. From researching the current market in Canada, a big reason for this exponential growth is conceivably because of a company called Barry Callebaut. Barry Callebaut is a business-to-business (B2B) multinational company which is the world's leading supplier of high-quality cocoa and chocolate products. Their head office is in Zurich, Switzerland and has more than 45 factories around the world. Currently, Barry Callebaut's plant in Quebec has the largest production volume in the Americas and the second-largest within the Barry-Callebaut Group (Invest Quebec, 2017). According to their strategy, they serve the entire food industry although their clear focus is on two key target groups that include food manufacturers and artisans. They implement a differentiated strategy for both segments.

4.1.5 Fine flavour cocoa

According to the International Cocoa Organization (2017a), there has been decline in consumption of fine flavour cocoa over the decades. However, causes of the declining consumption were subsequently due, not a falling demand, but because of the lack of certainty and reliability of: (a) the supplier's capacity, and (b) the quality. Mixing fine and flavour cocoa beans with bulk cocoa beans had also led to declining price premiums. On the contrary, very recently the demand for fine flavour cocoa has started to grow very rapidly. Chocolate manufacturers use fine flavour cocoa beans in traditional recipes which they tailor to the expectations of niche markets producing up-market finished products. Furthermore, most major chocolate manufacturers have premium quality chocolate products in their range, which require find or flavour cocoa from specific origins in the world which enable them to manufacture chocolates with distinct tastes and colors (International Cocoa Organization, 2017a). A good example of these type of manufacturers are the chocolatiers and the bean-to-bar industry mentioned in Chapter I.

Criollo cocoa beans are native to Central and South America as well as the Caribbean islands and Sri Lanka. Only 5% of the world's production is *Criollo* cocoa beans. Among its characteristics, *Criollo* cocoa beans are particularly difficult to grow, as they are extremely vulnerable to a variety of environmental threats. However, these beans have a white to pale pink colour and their taste is described as delicate yet complex, low in classic chocolate flavour, but rich in secondary notes of long duration. *Criollo* cocoa beans are prized as an ingredient in the very finest of chocolates (Barry Callebaut, 2017).

4.1.6 Regulations to enter the Canadian market

According to the International Trade Center (2016) there are currently no tariffs applied by Canada for Cocoa beans, whole or broken, raw or roasted from Peru. As mentioned in Chapter I, exporters must ensure that they meet all the requirements for food standards according to the Canadian Food Inspection Agency (2015a). In addition, they must also have proper labelling, packaging, product classification and proper documentation that meets the Canadian standards. It is also important to consider that Canada has a low level of corruption and enforcement of contracts is highly controlled by legislation. The Canadian Food Inspection Agency (2015a), under federal legislation for import activities, states that there are several acts to consider such as:

- Agriculture and Agri-Food Administrative Monetary Penalties Act (AMPs)
- Canada Agricultural Products Act and associated Regulations (CAP Act)
- Canadian Food Inspection Act
- Consumer Packaging and Labelling Act
- Customs Act
- Export and Import Permits Act
- Food and Drugs Act
- Plant Protection Act
- Weights and Measures Act

Furthermore, although Health Canada is no longer directly involved in the inspection of food, it has responsibility for setting national health and safety policies with respect to food which include:

- Administers the food safety provisions of the Food and Drugs Act and Regulations
- Develops regulations and guidelines for food safety
- Sets national standards for food safety and nutritional content of food
- Conducts health risk assessments and evaluations concerning physical, chemical and microbial contaminants, natural toxicants, food additives, etc.
- Provides the Canadian Food Inspection Agency with guidance to determine the health risk of a situation when no guidelines exist
- Conducts safety assessments on novel and genetically modified food
- Approves the use of food additives
- Approves the use of veterinary drugs on food producing animals and sets residue tolerances
- Serves as national authority for food safety issues at the international level in the development of international standards, guidelines, recommendations, etc. (e.g. WHO, FAO, CODEX)

In all cases, it is the responsibility of the importer to ensure that products meet all requirements of Canadian legislation which include federal, provincial and municipal regulations (Canadian Food Inspection Agency, 2015b). However, it is important to ensure to be aware of the requirements as the exporter to make processes and transactions more efficient and consistent. The food label is one of the most important and direct means of communicating product information between the buyers and sellers (Canadian Food Inspection Agency, 2017). Labeling is also another way to differentiate between individual foods and brands to make informed purchasing choices. Cooperating with a partner in Canada can also help in trade logistics, further requirements involving regulations and the quality improvement of the beans and their taste.

4.2 Quantitative Analysis

In this section, two kind of analyses will be performed as follows: (a) analysis of the Canadian cocoa market considering business-to-business (B2B), (b) Canadian cocoa market trends, and (c) analysis of CAC Oro Verde's capability for addressing the Canadian cocoa market considering the current trends. It is important to mention that CAC Oro Verde's intentions are to keep their core business, which is to produce cocoa beans in Peru, and not develop or start another company in Canada. Therefore, we will not be considering the business to consumer model and will be focusing on business to business (B2B).

4.2.1 Canadian cocoa market for B2B

Since it is difficult to have access to the performance and preferences of the Canadian importers of cocoa products, a survey developed by the Inter-American Institute for Cooperation on Agriculture – Delegation in Canada has been performed in early 2017 in order to get the input on the following aspects: (a) purchasing patterns of cocoa products, (b) product certification as criteria for sourcing, (c) origin of cacao products, (d) main factors that influence decision to source from a particular supplier, (e) search of new suppliers, and (f) location.

An example of this survey is shown in the Appendix F. Moreover, the information about the main Canadian importers which answered this survey are shown in the Appendix A. The main importers identified were taken from the list of the whole Canadian importers after performing a Pareto analysis and selecting the ones that represents the 80% of the total amount of the Canadian cocoa imports. Therefore, the most representative importers can be classified as follows: (a) chocolate manufacturers, (b) wholesalers and retailers, (c) distributors, and (d) brokers. As shown, several aspects have been taking into consideration and a deeper analysis of the results will be discussed in the next paragraphs. Since some of the questions had multiple choice answers, the participants had the chance to answer more than one alternative at the same time. For this reason, some of the charts total percentage was more or less than 100%.

Purchasing patterns of cocoa products. According to Figure 14, raw cocoa beans and cocoa butter were both identified as the most imported cocoa products by 55.6% of the participants of this survey. The following two were: (a) cocoa powder by 44.4% of the participants, and (b) raw cocoa nibs and chocolate chips both imported by 33.3% of the respondent of this survey. Moreover, most of the importers use raw cocoa beans and cocoa butter as the main raw materials for the elaboration of craft chocolate of bean-to-bar products. Therefore, this implies that there is a shifting increasing demand towards fine flavour cocoa.

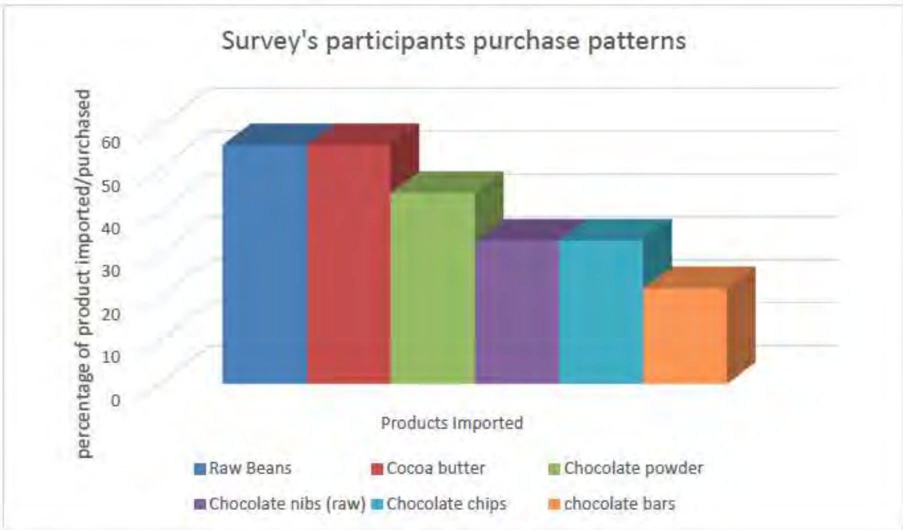

Figure 14. Survey's participants purchase patterns. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

Product certification as criteria for sourcing. As shown in Figure 15, the majority of the participants indicated that Organic is one of the most important certifications as criteria for purchasing by 88.9%. The next ones were Fair Trade by 66.7% and Rain Forest Certification by 44.4%. This pattern is consistent with the qualitative analysis regarding these certifications in which it is stated the increasing demand for Organic and Fair Trade products and the high willingness to pay higher prices by target consumers.

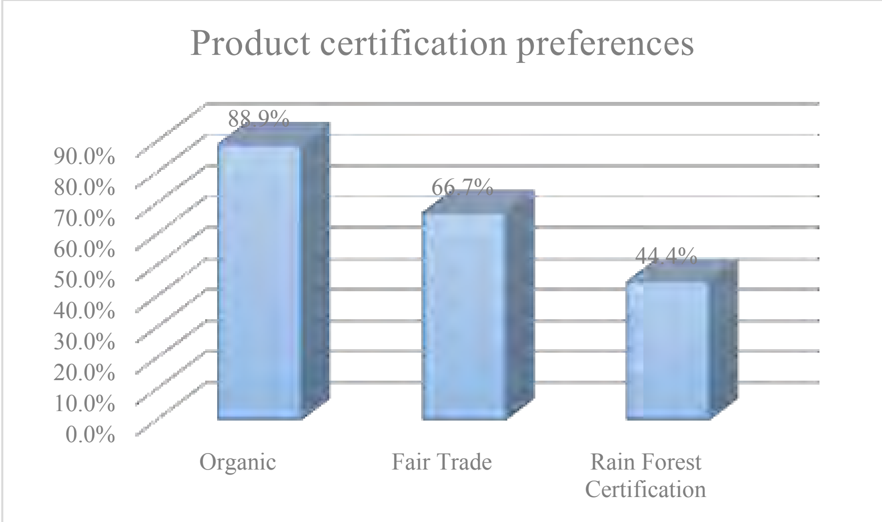

Figure 15. Product certification preferences. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

Origin of cocoa products. As shown in Figure 16, 55.5% of the cocoa products are imported from South and Central America as a whole, whereas 22.2 % of products are imported from Africa and 11.1% from Asia. These results are consistent with the qualitative analysis in terms of the Canadian trends and confirm the high interest of Canadian importers for fine flavour as well as certified cocoa products since South and Central America represents the main producers of these type of products.

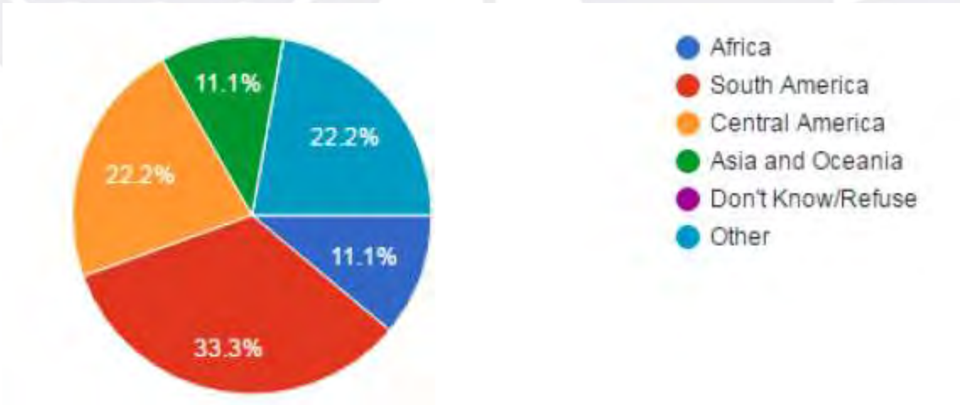

Figure 16. Origin of the majority of sourced cocoa products. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

Main factors that influence decision to source from a particular supplier. Figure 17 shows the results for this category. Product Quality was considered the most important attribute by 77.8% of the participants, followed by Certifications and Direct Source both with 44.4%. In fact, Certifications and Product Quality are related each other and they are usually considered as a whole. It is relevant to mention that this information will be extremely useful when developing the marketing strategies.

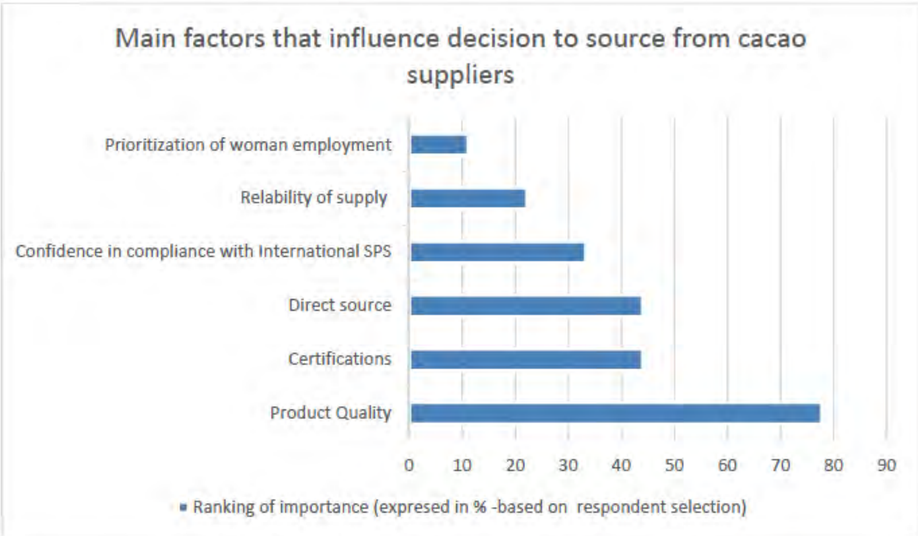

Figure 17. Main factors that influence decision to source from cocoa suppliers. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

Search of new suppliers. Similar to the main factors that influence decision to source from a particular supplier, this information will be useful when developing the marketing strategies. Figure 18 shows the most valuable channel of searching for new suppliers or new entrants is through references with 89% of the answers. Furthermore, researching through different websites was at 44% and through directories 33%, which are the two following most valuable channels of searching.

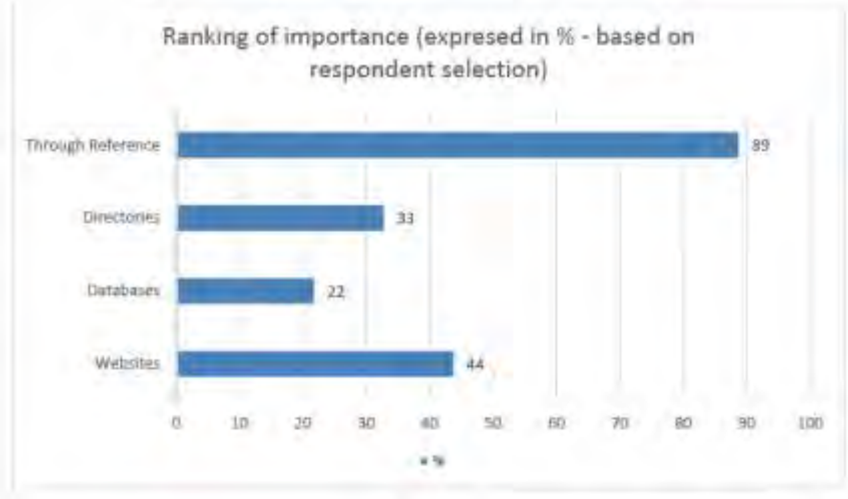

Figure 18. Ranking of importance in searching for new suppliers. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

Location. As shown in Figure 19, the main location of the Canadian cocoa importers is Ontario by 55%, followed by Quebec with 23% and British Columbia with 15%. This was done by a very simple count of the main list of Canadian cocoa importers which is shown in Appendix A. As stated before, this list was developed using the Pareto analysis and selecting the total importers that counts for the 80% of the total Canadian cocoa imports.

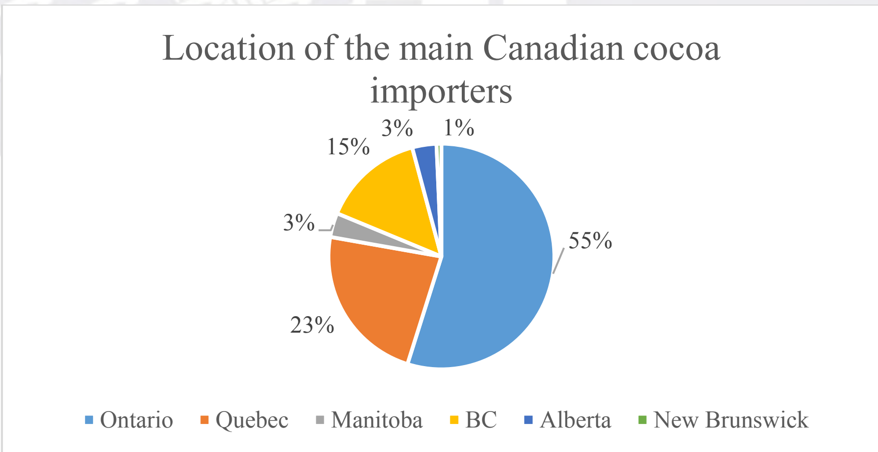

Figure 19. Location of the main Canadian cocoa importers.

4.2.2 Canadian cocoa market trends

Analyzing some statistics of the current trends regarding the Canadian cocoa market will help to understand and to make logical assumptions for the next quantitative analysis.

The main aspects to take into consideration are: (a) Canadian cocoa market growth, (b) Canadian demand for fine flavour and conventional cocoa beans, (c) Peruvian cocoa products exports and trends, (d) main Canadian cocoa products imports and trends, and (e) Canadian market share of certified products.

Canadian cocoa market growth. As shown in Table G1 of the Appendix G, the total Canadian imports for cocoa and cocoa preparations from 2012 to 2016 has been increasing at a very sustainable rate. Table 8 shows the percentages of growth in that period.

Table 8

Growth Rate of Canadian Imports for Cocoa and Cocoa Preparations from 2012 to 2016

Source country	Period			
	2012-13	2013-14	2014-15	2015-16
All countries	7.99%	18.13%	17.50%	6.77%

This illustrates that there is an increasing trend in the imports of these kind of cocoa products. However, in the last period, there was a deceleration of the growth of more than 10% that will be explained in further detail in the next paragraph.

Canadian demand for fine flavour and conventional cocoa beans. Based on the Tables G2 and G3 of the Appendix G that show the main exporters of cocoa beans, whole or broken, raw or roasted to Canada; it was possible to determine different trends. Thus, two different aspects were taken into consideration: (a) the total imports expressed in value USD, and (b) the total imports expressed in quantities. These two categories were used since the prices of cocoa beans rapidly fluctuate from one year to another and being based on just monetary values might confuse the real situation of the business in Canada.

As shown in those charts, there are just six exporters that were taken into account and they represent more than 85% of the total Canadian imports in cocoa beans products. These are: (a) Côte d'Ivoire, Nigeria and Ghana which all of them represent one group of producers; and (b) Ecuador, Peru and Colombia which all of them represent the other group of producers. This differentiation is made based on the type of cocoa beans they mainly produced. According to Appendix H, there are just 23 countries all over the world that produce fine flavour cocoa beans and, from that list, only Ecuador, Peru and Colombia have the majority of their production classified as fine flavour cocoa beans. On the contrary, Côte d'Ivoire, Nigeria and Ghana have their production completely classified as conventional cocoa beans. The results are shown in Table 9 and Table 10 containing information about the total imports of conventional and fine flavour cocoa beans to Canada, the variation year to year for each group, and the percentage that each group represents of the total 6 countries analyzed in the last three years. As same as shown in Appendix G, Table 9 shows the information expressed in monetary value whereas Table 10 shows the information expressed in quantities.

Table 9

Analysis of Canadian Imports of Cocoa Beans, Whole or Broken, Raw or Roasted from 2014 to 2016 Expressed in USD Thousand

Exporters	Fine flavour?	Percentage of fine flavour	Imported value in 2014	Imported value in 2015	Imported value in 2016
World	-	-	202,119	214,617	199,018
Group 1: Côte d'Ivoire, Nigeria and Ghana	No	0%	155,725	140,410	130,791
Group 2: Ecuador, Peru and Colombia	Yes	Between 75% to 95%	26,102	43,929	54,569
Variation of Group 1			**-**	**-9.80%**	**-6.90%**
Variation of Group 2			**-**	**68.30%**	**24.20%**
Total six countries			181,828	184,340	185,361
Percentage six countries out of total world			90.00%	85.90%	93.10%
Percentage Group 1 out of total six countries			**85.60%**	**76.20%**	**70.60%**
Percentage Group 2 out of total six countries			**14.40%**	**23.80%**	**29.40%**

Table 10

Analysis of Canadian Imports of Cocoa Beans, Whole or Broken, Raw or Roasted from 2014 to 2016 Expressed in TNE (Metric Ton)

Exporters	Fine flavour?	Percentage of fine flavour	2014	2015	2016
			Imported quantity, TNE	Imported quantity, TNE	Imported quantity, TNE
World	-	-	65,027	68,339	61,595
Group 1: Côte d'Ivoire, Nigeria and Ghana	No	0%	49,774	44,248	38,308
Group 2: Ecuador, Peru and Colombia	Yes	Between 75% to 95%	8,472	13,976	17,339
Variation of Group 1			**-**	**-11.10%**	**-13.40%**
Variation of Group 2			**-**	**65.00%**	**24.10%**
Total six countries			58,246	58,224	55,647
Percentage of six countries out of total world			89.60%	85.20%	90.30%
Percentage Group 1 out of total six countries			**85.50%**	**76.00%**	**68.80%**
Percentage Group 2 out of total six countries			**14.50%**	**24.00%**	**31.20%**

Table 9 and Table 10 illustrates that the trends are very similar and they can be mentioned in the following three statements: (a) Canadian imports from Group 1, which include mainly the conventional cocoa beans exporters, have been decreasing and decelerating in growth from 2014 to 2016 in terms of monetary value and quantities imported. This implies the reduction of the Canadian demand for conventional cocoa beans; (b) Canadian imports from Group 2, which include mainly the fine flavour cocoa beans exporters, have been rapidly increasing from 2014 to 2016 in terms of monetary value and quantities imported illustrating the increasing interest and demand of the Canadian market for fine flavour cocoa beans; and (c) the market share of fine flavour cocoa beans in the Canadian market has increased from 2014 to 2016, starting with approximately 14% to 30% in 2016. In contrast, the market share of conventional coca beans has decreased from 2014 to

2016 starting from 85% to 70% in 2016; both expressed in terms of monetary value and quantities.

Although the big market is still the conventional cocoa beans, the trends have shown that there is an increasing interest and demand for fine flavour cocoa beans in the Canadian market confirming the trend that the fine flavour cocoa market is a growing niche market. This indicates that the conventional cocoa market is either saturated or no longer as attractive for Canadian importers. Thus, the expected market share, if CAC Oro Verde decides to penetrate the Canadian fine flavour cocoa market, should be higher than the expected market share for the conventional cocoa market. In addition, due to the changes in demand and the quality of the product, prices for fine flavour cocoa beans are usually from two to three time prices for conventional cocoa (CBI Market Intelligence, 2016) which might indicate better profits.

Peruvian cocoa products exports and trends. As shown in Table G2 and Table G3 of the Appendix G, Peruvian cocoa beans exports to Canada increased from substantially from 2015 to 2016 in over 100% reaching around 20 million USD. Furthermore, in the same period of time and in terms of quantities, the exports to Canada increased in over 100% as well. Due to the fact that around 75% of the Peruvian cocoa beans belong to the fine flavour category which has increased from the past, this indicates that the Peruvian exporting trend is increasingly directed to that market.

Main Canadian cocoa products imports and trends. In this section, main Canadian cocoa and cocoa derivatives imported in 2016 will be analyzed. As shown in Table 11, the main cocoa products imported to Canada are: (a) cocoa beans, (b) cocoa paste, (c) cocoa butter, (d) cocoa powder, and (e) chocolate and other food preparations containing cocoa. These results are consistent with the ones obtained from the survey and explained in section

4.2.1. However, this ranking does not discriminate whether or not those products are fine flavour, conventional, certified or not certified.

Table 11

Top 5 Canadian Cocoa and Cocoa Derivative Imported in 2016

HS code	Product	Quantities (TNE or KGM)	Value (CAN)
180100	Cocoa beans, whole or broken, raw or roasted	80,760 TNE	273’391,953
180300	Cocoa paste, no defatted	22’131,455 KGM	137’312,492
180400	Cocoa butter, fat and oil	26’221,696 KGM	244’144,444
180500	Cocoa powder, not containing added sugar or other sweetening matter	22’225,571 KGM	87’205,999
180620	Chocolate and other food preparations containing cocoa, weighing more than 2 kg	67’569,520 KGM	270’020,885

Note. Adapted from “Canadian International Merchandise Trade Database”, Statistics Canada, 2017 (http://www5.statcan.gc.ca/cimt-cicm/home-accueil?lang=eng).

Canadian market shares of certified products. From the qualitative analysis as well as the results from the survey taken by Canadian cocoa importers, it has been shown that there are two certifications that they value the most: (a) Organic, and (b) Fair Trade.

Organic cocoa products. The Canadian Organic cocoa market is around 4% of the total cocoa imports. Considering that the majority of the Organic cocoa products come from South and Central America whose production is around 70% of the world’s supply of Organic cocoa compared with its 13% share of the overall cocoa market which includes Peru (Inter-American Institute for Cooperation on Agriculture, 2017). Even though the market is still small, as previously seen in the qualitative analysis, consumer demand for Organic cocoa products is growing at a very high rate due to the fact that consumers are increasingly concerned about health care and the quality of their food supply.

Fair Trade cocoa products. The leading producing countries of certified Fair Trade cocoa are: (a) Côte d’Ivoire, (b) Ghana, (c) Peru, (d) Dominican Republic, and (e) Ecuador. Moreover, from 2012 to 2014, the volume of certified Fair Trade cocoa products grew by 17% reaching 70,600 tonnes and the amount of Fair Trade Premium paid grew by 9%, at the same time. Moreover, by 2015, Fair Trade cocoa products sales grew by 27% (Fairtrade International, 2015). Even though Fair Trade certification represents a small portion of the total Canadian cocoa market as it only represents approximately 0.1%, the annual growth of Fair Trade certified products in Canada has been estimated at 48%, which includes Fair Trade cocoa products (Inter-American Institute for Cooperation on Agriculture, 2017). In summary, the Fair Trade movement is unique and strongly valued in Canada as it touches on many social and environmental issues, appealing to the consumer's socially conscious mindset.

4.2.3 Sensitivity analysis of CAC Oro Verde's capability for addressing the Canadian cocoa market

All the information analyzed so far came from the insights of the Canadian cocoa market. However, it is necessary to analyze from the CAC Oro Verde' perspective. For that purpose, a sensitivity analysis will be performed in order to determine an estimated gross profit considering the two most attractive alternatives of products. Hence, Table 12 shows the main aspects collected from the qualitative analysis and quantitative analysis mentioned above in order to determine those alternatives and to make some reasonable assumptions.

Table 12

Relevant Information and Assumptions for Sensitivity Analysis

	Statements
1	The main cocoa products demanded by the Canadian cocoa market are Organic and Fair Trade products
2	Canadian cocoa importers prefer cocoa beans, cocoa butter as main raw materials or intermediate products to import
3	The growth rate of the demand for fine flavour cocoa beans is higher than the one for conventional cocoa beans. Therefore, the expected market share for the first one is higher than the second one.
4	Prices for fine flavour cocoa products are usually from two to three times prices for conventional cocoa products

Taking into consideration the information in Table 12 and the variety of products offered by CAC Oro Verde described in Table 3, it is possible to conclude that the main products that satisfied those requirements are: (a) fine flavour cocoa beans with Fair Trade and Organic certifications (fine flavour FTO), and (b) conventional cocoa beans with Fair Trade and Organic certifications (conventional FTO). Furthermore, from CAC Oro Verde side, some information is necessary to perform this analysis. It comes from different sources: (a) information about the prices for conventional FTO cocoa beans, from Table 4; (b) information about costs of acquiring conventional FTO cocoa beans and fine flavour FTO cocoa beans, from Table 4; and (c) information about the extra available amount of tonnes that are able to be sold considering that the whole production of 2016 will remain being sold to the current customers, from table 3. In summary, Table 13 shows all mentioned above.

Table 13

Summary of Costs, Sales Price, and Available Tonnes for Conventional FTO and Fine Flavour FTO Cocoa Beans for 2016

Product	Costs per TNE (USD)	Sales price per TNE (USD)	Available TNE
Conventional FTO	2,153.85	3,267.86	Difference in the number of units between the installed capacity and the production in 2016
Fine flavour FTO	2,476.92	Variable	

As stated before, it is important to notice that both costs per TNE and sales price per TNE are from 2016. The complete information delivered by the sponsor for this report is from 2016 and all the analyses are performed using this data according to his suggestion. However, the price for conventional cocoa beans for 2017 have considerably decreased and it is currently fluctuating day by day, therefore, it is very difficult to obtain the actual costs and prices and that is the main reason why it is extremely important to perform calculations considering different scenarios.

Regarding the price for fine flavour FTO, although it was found that the prices for fine flavour cocoa products are usually from two to three times prices for conventional cocoa products, it is necessary to have a better insight of the different types of prices within the fine flavour cocoa beans market. According to Homann (2016), fine flavour cocoa beans prices are divided in four different groups: (a) Low Fine which accounts for 150,000 TNE shows prices that vary from 3,000 USD to 3,500 USD per TNE, (b) Regular Fine which accounts for 40,000 TNE shows prices that vary from 3,500 USD to 5,000 USD per TNE, (c) High End which accounts for 7,000 TNE shows prices that vary from 5,000 USD to 7,000 USD per TNE, and (d) Ultra End which accounts for 50 TNE shows prices that vary from 7,000 USD to 10,000 USD per TNE or more. This information is better explained in Figure 20 that shows the information in a pyramid.

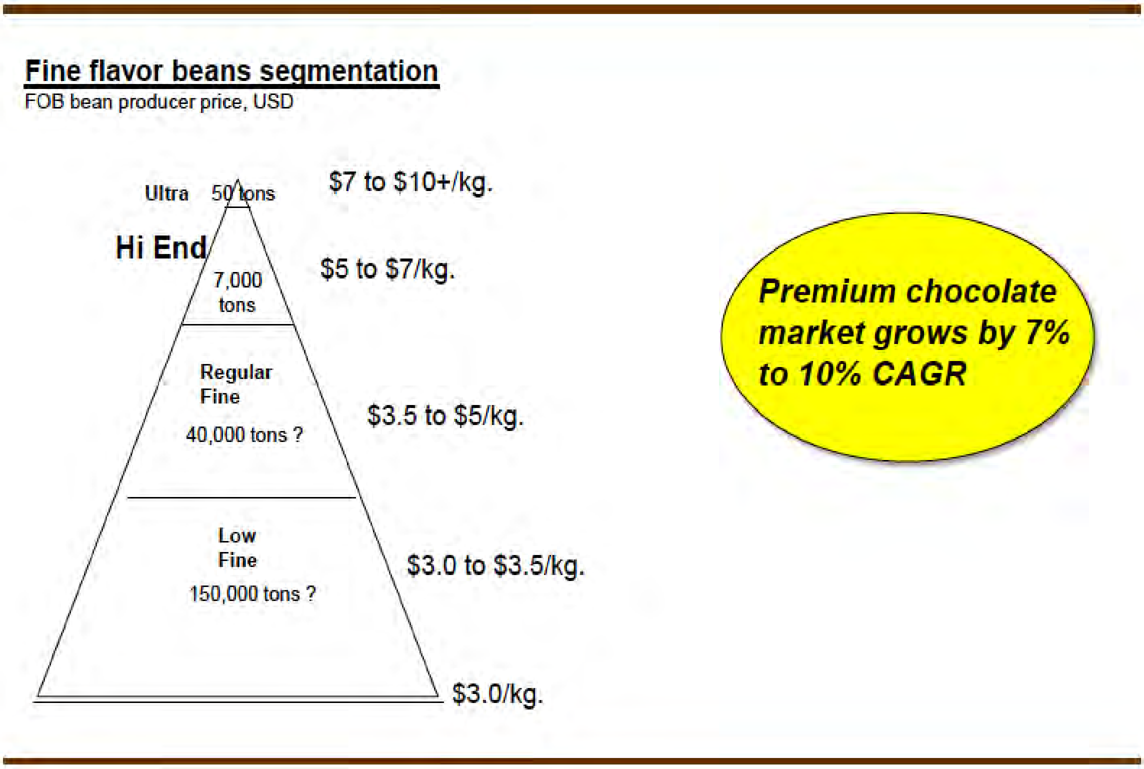

Figure 20. Fine flavor beans segmentation. Adapted from *Fine Cocoa Market Dynamics - Bid for the Future*, by F. Homann, 2016, *Presentation of ICCO World Cocoa Conference 2016*, p. 4.

According to the situation of CAC Oro Verde by 2016, the mixing product of fine flavour and conventional cocoa beans belongs to the Low Fine segment which is charged between 3,000 USD to 3,500 USD per TNE. However, according to the potential of CAC Oro Verde products considering fine flavour cocoa beans without mixing, the product offered as fine flavour cocoa beans belongs to a segment between Regular Fine and High End segments. This depends on how fine and how unique is the product offered. Thus, the chosen range of prices to create scenarios are from 3,500 USD to 7,000 USD per TNE. The calculation used is explained in Table 14 which is an estimation of the gross profit considering that the cost of processing both types of cocoa beans are almost the same, therefore, they are not considered in the calculation.

Table 14

Explanation of the Calculation

Variable	Type of product	
	Conventional FTO	Fine flavour FTO
Price per TNE (USD)	3,267.86	Variable
Cost per TNE (USD)	2,153.85	2,476.92
Available TNE	Variable	Variable
Total cost (USD)	Cost per TNE x Available TNE	
Total sales (USD)	Price per TNE x Available TNE	
Gross profit (USD)	Total sales – Total cost	

In this analysis, there are three variables. The first variable is the price of fine flavour FTO which, as explained before, varies from 3,500 USD to 7,000 USD per TNE. The price for fine flavour cocoa beans stated above are more realistic and accurate than the one suggested by CBI Market Intelligence in 2016 because it considered different segments of prices within the fine flavour cocoa beans market. The second one states that the price for fine flavour cocoa beans are from two to three times the price for conventional cocoa beans. The price for conventional cocoa in average for 2016 was USD 2,892.16 (International Cocoa Organization, 2017b), and in contrast, different scenarios for the fine flavour FTO are from 5,783.32 USD to 8,676.46 USD. Prices for fine flavour FTO are much higher than the ones suggested by Homann in 2016. Thus, three different scenarios in terms of price will be analyzed as follows: (a) 3,500 USD per TNE considering the lowest price for Regular Fine segment, (b) 5,000 USD per TNE considering the highest price for Regular Fine segment and the lowest price for High End segment, and (c) 7,000 USD per TNE considering the highest price for High End segment. The second and third variables are the available volumes in TNE for each product; one variable is function of the other one considering that the remaining portion will keep the same. In the current scenario, the available TNEs for fine flavour FTO corresponds to 10.3% of the total production for fine flavour FTO. Therefore, the available TNE for conventional FTO corresponds to 46.3% of the total production for conventional FTO. The different scenarios for the available TNE for the fine flavour FTO will be: (a) current situation, (b) increasing fine flavour FTO production to 20%, and (c) increasing fine flavour FTO production to 30%.

Furthermore, the most important factor to consider in this calculation is the estimated demand of the available TNE for each type of product. In other words, it represents how much of the available TNE for each product is the company able to sell into the Canadian market. Hence, there are three possible scenarios: (a) the market share for each type of product is the same, this is a very ideal scenario but still possible; (b) the market share for fine flavour FTO is higher than the one for conventional FTO, this is the most likely scenario as explained in Table 12; and (c) the market share for conventional FTO is higher than the other one, this is least likely scenario supported by the explanation in Table 12. Thus, a small difference of market share in favor of fine flavour FTO is enough to be in the situation of case (b). In the limit, this difference approaches zero when case (b) becomes case (a). Therefore, case (a) will be used in all the calculations. Furthermore, it is important to mention that it does not matter if the market share is 100%, 50%, 25% or .01% since this model is linear for each point of calculation. For this calculation, 100% of market share will be the value to use. The nine mentioned scenarios are grouped and shown in Case 1, Case 2 and Case 3 whose explanations and final results are described as follows.

Case 1. Price of fine flavour FTO is 3,500 USD per TNE considering the three scenarios for the available TNE for the fine flavour FTO. In this case, Table 15, Table 16 and Table 17 show the calculations.

Table 15

Scenario 1. Current Situation of 10.3% of Total Production in Fine Flavour FTO

Variable	Type of product	
	Conventional FTO	Fine flavour FTO
Price per TNE (USD)	3,267.86	3,500.00
Cost per TNE (USD)	2,153.85	2,476.92
Available TNE	379.67	84.46
Total cost (USD)	817,760.61	209,208.32
Total sales (USD)	1’240,721.12	295,620.82
Gross profit (USD)	422,960.51	86,412.50

Table 16

Scenario 2. Increasing to 20% of Total Production in Fine Flavour FTO

Variable	Type of product	
	Conventional FTO	Fine flavour FTO
Price per TNE (USD)	3,267.86	3,500.00
Cost per TNE (USD)	2,153.85	2,476.92
Available TNE	300.13	164.00
Total cost (USD)	646,437.11	406,230.97
Total sales (USD)	980,786.02	574,021.00
Gross profit (USD)	334,348.91	167,790.03

Table 17

Scenario 3. Increasing to 30% of Total Production in Fine Flavour FTO

Variable	Type of product	
	Conventional FTO	Fine flavour FTO
Price per TNE (USD)	3,267.86	3,500.00
Cost per TNE (USD)	2,153.85	2,476.92
Available TNE	218.13	246.01
Total cost (USD)	469,814.95	609,346.46
Total sales (USD)	712,811.70	861,031.50
Gross profit (USD)	242,996.75	251,685.04

In this scenario, the breakeven point is when the percentage of fine flavour FTO is 27.99% of the available TNE.

Case 2. Price of fine flavour FTO is 5,000 USD per TNE considering the three scenarios for the available TNE for the fine flavour FTO. In this case, Table 18, Table 19 and Table 20 show the calculations.

Table 18

Scenario 4. Current Situation of 10.3% of Total Production in Fine Flavour FTO

Variable	Type of product	
	Conventional FTO	Fine flavour FTO
Price TNE (USD)	3,267.86	5,000.00
Cost per TNE (USD)	2,153.85	2,476.92
Available TNE	379.67	84.46
Total cost (USD)	817,760.61	209,208.32
Total sales (USD)	1’240,721.12	422,315.45
Gross profit (USD)	422,960.51	213,107.13

Table 19

Scenario 5. Increasing to 20% of Total Production in Fine Flavour FTO

Variable	Type of product	
	Conventional FTO	Fine flavour FTO
Price per TNE (USD)	3,267.86	5,000.00
Cost per TNE (USD)	2,153.85	2,476.92
Available TNE	300.13	164.01
Total cost (USD)	646,437.11	406,230.97
Total sales (USD)	980,786.02	820,030.00
Gross profit (USD)	334,348.91	413,799.03

Table 20

Scenario 6. Increasing to 30% of Total Production in Fine Flavour FTO

Variable	Type of product	
	Conventional FTO	Fine flavour FTO
Price per TNE (USD)	3,267.86	5,000.00
Cost per TNE (USD)	2,153.85	2,476.92
Available TNE	218.13	246.01
Total cost (USD)	469,814.95	609,346.46
Total sales (USD)	712,811.70	1’230,045.00
Gross profit (USD)	242,996.75	620,698.54

In this scenario, the breakeven point is when the percentage of fine flavour FTO is 17.34% of the available TNE.

Case 3. Price of fine flavour FTO is 7,000 USD per TNE considering the three scenarios for the available TNE for the fine flavour FTO. In this case, Table 21, Table 22 and Table 23 show the calculations.

Table 21

Scenario 7. Current Situation of 10.3% of Total Production in Fine Flavour FTO

Variable	Type of product	
	Conventional FTO	Fine flavour FTO
Price per TNE (USD)	3,267.86	7,000.00
Cost per TNE (USD)	2,153.85	2,476.92
Available TNE	379.67	84.46
Total cost (USD)	817,760.61	209,208.32
Total sales (USD)	1’240,721.12	591,241.63
Gross profit (USD)	422,960.51	382,033.31

Table 22

Scenario 8. Increasing to 20% of Total Production in Fine Flavour FTO

Variable	Type of product	
	Conventional FTO	Fine flavour FTO
Price per TNE (USD)	3,267.86	7,000.00
Cost per TNE (USD)	2,153.85	2,476.92
Available TNE	300.13	164.01
Total cost (USD)	646,437.11	406,230.97
Total sales (USD)	980,786.02	1’148,042.00
Gross profit (USD)	334,348.91	741,811.03

Table 23

Scenario 9. Increasing to 30% of Total Production in Fine Flavour FTO

Variable	Type of product	
	Conventional FTO	Fine flavour FTO
Cost per TNE (USD)	3,267.86	7,000.00
Price per TNE (USD)	2,153.85	2,476.92
Available TNE	218.13	246.01
Total cost (USD)	469,814.95	609,346.46
Total sales (USD)	712,811.70	1’722,063.00
Gross profit (USD)	242,996.75	1’112,716.54

In this scenario, the breakeven point is when the percentage of fine flavour FTO is 11.19% of the available TNE.

Extension of the cases and scenarios. Having performed nine different scenarios in three different cases, it is possible to extend this analysis including all prices for all different segments within the fine flavour cocoa beans market. Considering gaps of 500 USD, the sensitivity analysis was performed with prices that ranged from 3,500 USD to 10,000 USD. Furthermore, the analysis plots the different breakeven points already calculated and the similar ones for the extended cases. Thus, Figure 21 illustrates the sensitivity analysis that involved the data involving the price of find flavour cocoa and the percentage of available TNE dedicated to fine flavour FTO. The green area below this curve represents the number of cases in which conventional FTO will have a higher gross profit than fine flavour FTO. On the contrary, the blue area above the curve represents the opposite. The results show that in 81.35% of the cases fine flavour FTO will have higher gross profits than conventional FTO whereas in 18.65% of the cases the opposite will occur.

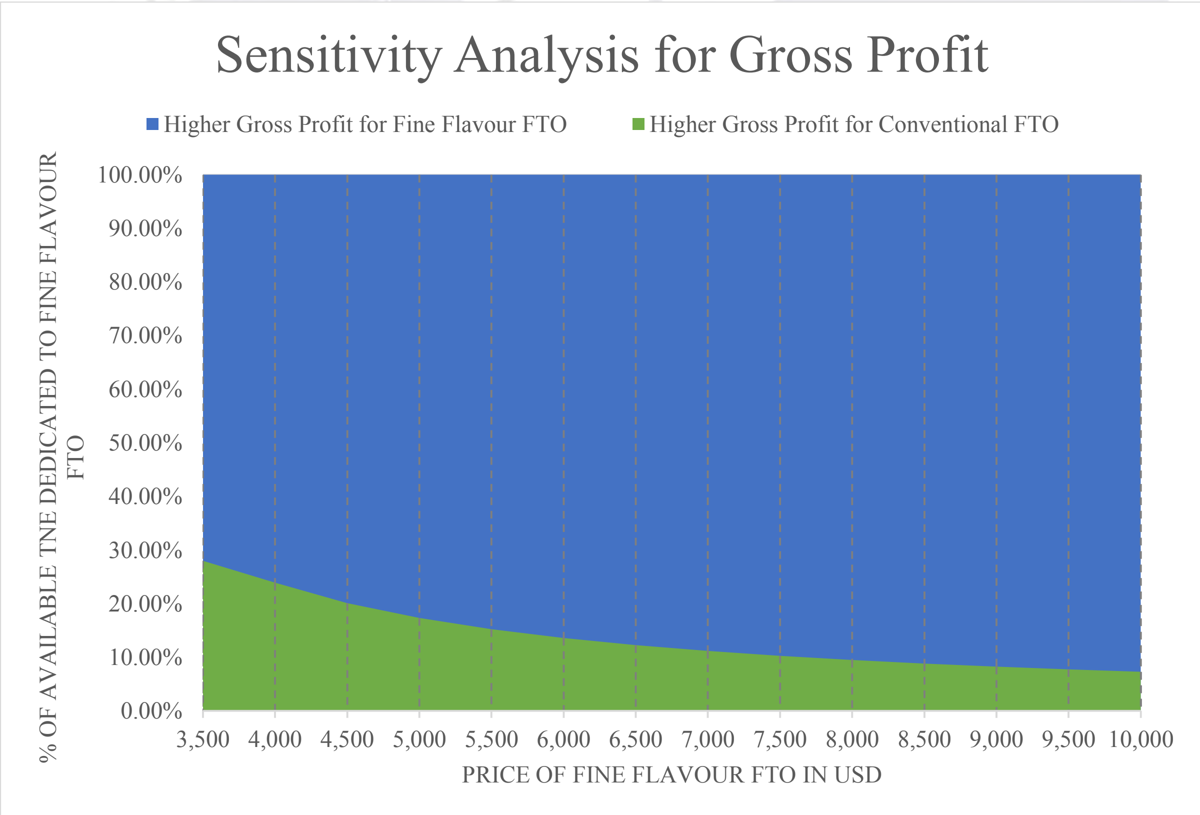

Figure 21. Sensitivity analysis of the breakeven points for for the different scenarios of gross profit.

4.3 Conclusion

From the qualitative analysis, it is stated that there is an increasing awareness for Canadian consumers and importers regarding three main aspects: (a) social issues by the increasing interest on buying Fair Trade products; (b) environmental issues by the increasing interest on buying Organic products; and (c) health care issues, by the increasing interest on trying a high quality and healthy food such as Organic cocoa products. Moreover, the main segments in B2B which are chocolatiers and bean-to-bar companies have shown not only an increasing demand for the type of products mentioned before but also for raw materials with the highest quality, in other words, for fine flavour cocoa products. Therefore, CAC Oro Verde should utilize their ability to produce products that matches with these values and characteristics in order to approach the Canadian cocoa market. In terms of importing the products into Canada, it would be beneficial to get in contact with a potential partner in Canada to ensure that all the regulations are met because each region has their own regulations in addition to the federal legislation.

From the quantitative analysis, a great amount of information was extracted and analyzed from basically two sources to perform sensitivity analysis for the best business opportunity: (a) a survey answered by the main Canadian importers, and (b) information regarding the behaviour of the Canadian market in the last years and its relationship with the main exporters of cocoa products. Therefore, the main conclusions for B2B relations are:

- The main three products preferred are cocoa beans, cocoa butter and powder
- The main two certifications preferred are Organic and Fair Trade
- Main factors that influence purchase decisions are product quality, certifications and direct source of the products
- Main channels when looking for new suppliers are through references and searching in websites

- Main locations are Ontario, Quebec and British Columbia.
- The growth rate of Canadian demand for fine flavour cocoa beans is higher than the the growth rate of the demand for conventional cocoa beans

Taking into consideration all the information previously mentioned, the sensitivity analysis of the estimated gross profit was performed and found that two out of all products that CAC Oro Verde offer were taken to be evaluated in the two most promising business opportunities: (a) conventional FTO, and (b) fine flavour FTO, obtaining the following results:

- If the price for fine flavour FTO is 3,500 USD per TNE, fine flavour FTO becomes more profitable when the percentage of fine flavour FTO production is 27.99% from the total available TNE
- If the price for fine flavour FTO is 5,000 USD per TNE, fine flavour FTO becomes more profitable when the percentage of fine flavour FTO production is 17.34% from the total available TNE
- If the price for fine flavour FTO is 7,000 USD per TNE, fine flavour FTO becomes more profitable when the percentage of fine flavour FTO production is 11.19% from the total available TNE. This means less than 1% of the current situation of production which is 10.3%

In conclusion, there is an 81.35% probability that fine flavour FTO will have higher gross profits than conventional FTO, and an 18.65% of probability for the conventional case. This preliminary calculation is very significant as it shows the potential of fine flavour FTO in the Canadian market compared to conventional FTO. Calculations performed in this section are preliminary and very conservative. For final financial figures, it is necessary to perform this calculation again considering all the elements of the financial statements and considering the real market share.

Chapter V. Main Business Opportunity Analysis

In this chapter, all the enablers identified in Chapter IV will be used in order to create four different business opportunities. An analysis of each of them will be performed to determine the main business opportunity.

5.1 Identified Business Opportunities

After qualitative and quantitative analyses in Chapter IV, different enablers were identified in Table 24. Thus, four different business opportunities were created in order to enter to the Canadian cocoa market. Each will be analyzed using the identified enablers assessing not only the needs of the Canadian cocoa market but also considering what CAC Oro Verde has to offer. All the business opportunities are shown in Figure 22 using the Fishbone diagram and highlighting the opportunity.

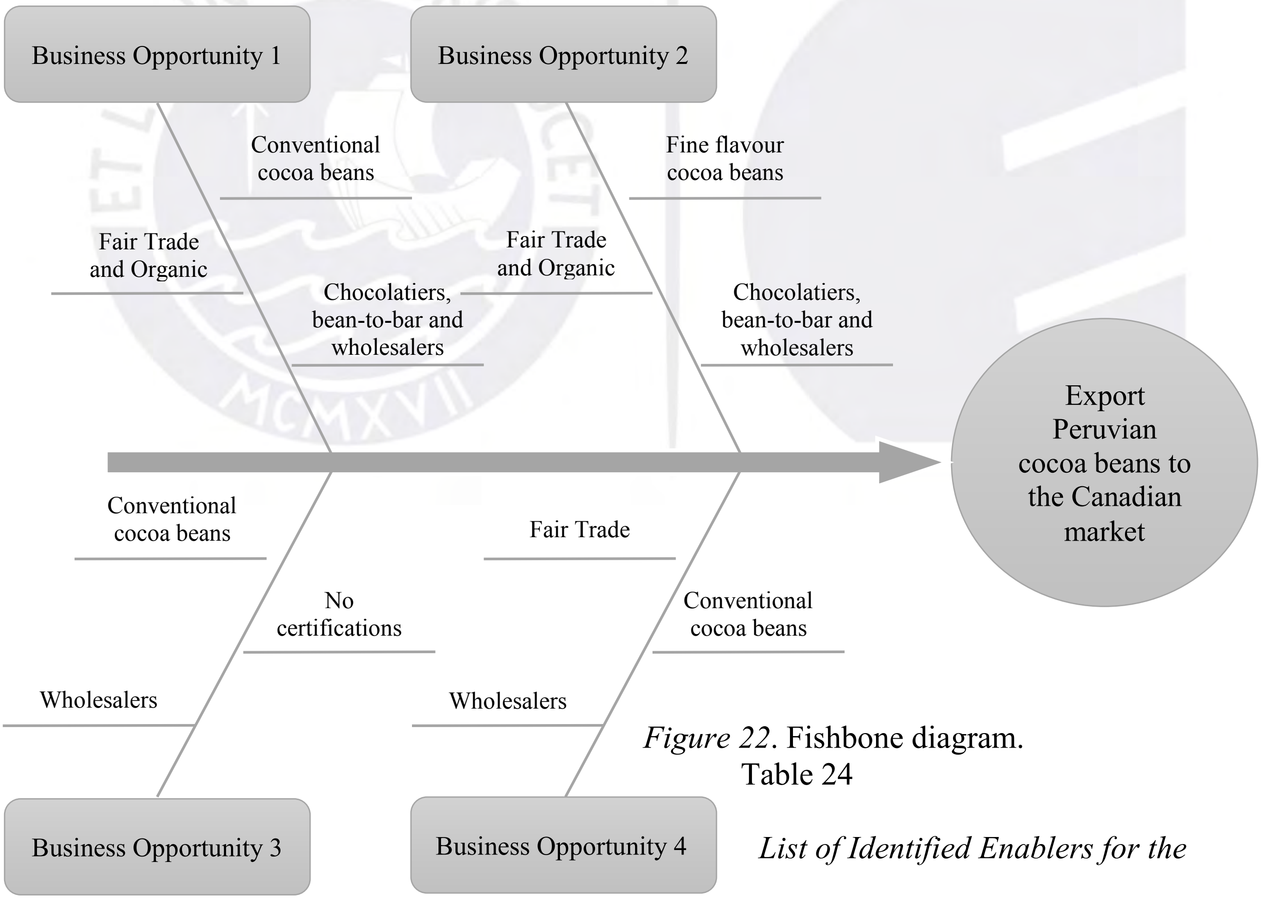

Figure 22. Fishbone diagram.

Table 24

List of Identified Enablers for the Main Business Opportunity

List of enablers	
1	The main three products preferred are cocoa beans, cocoa butter and cocoa powder; being cocoa beans the most requested
2	Canadian companies are aware of the social, environmental and health care issues; therefore, the products they buy must match with these values
3	The main two certifications preferred are Organic and Fair Trade
4	Main factors that influence purchase decisions are product quality, certifications and direct source of the products
5	Main channels when looking for new suppliers are through references and searching in websites
6	Main locations are Ontario, Quebec and British Columbia
7	Canadian demand for fine flavour cocoa products seems to be higher than the demand for conventional cocoa products
8	Chocolatiers and bean-to-bar companies are the most interested on buying fine flavour cocoa products

5.2 Business Opportunities' Analysis

5.2.1 Business opportunity 1: conventional cocoa beans; Fair Trade Organic (FTO); and chocolatiers, bean-to-bar and wholesalers

This business opportunity is an important option for CAC Oro Verde since this is the product that is currently produced and sold the most. In fact, this product actually represents the 46.3% of the total production of the cooperative. For that reason, it was important to consider its possible penetration into the Canadian cocoa market. Conventional FTO is a product that fits with most of the requirements described in Table 24 such as: (a) the product is cocoa beans, (b) the product is Fair Trade and Organic, and (c) the product shares the same values that the main Canadian importers have. However, it could only be sold to wholesalers and few chocolatiers and bean-to-bar companies in smaller amounts since they are mostly seeking the finest cocoa beans. Furthermore, considering the sensitivity analysis performed, it has already been demonstrated that conventional FTO has only a 18.65% probability of having higher gross profits than fine flavour FTO.

5.2.2 Business opportunity 2: fine flavour cocoa beans; FTO; and chocolatiers, bean-to-bar and wholesalers

This business opportunity means another important option for CAC Oro Verde since it complies with all the enablers stated in Table 24. Moreover, this is a product that the cooperative is producing and even though this product currently represents 10.3% of the total production, it has already been demonstrated that this is an attractive niche market. Similar to business opportunity 1, this options fits with most of the requirements described in Table 24 such as: (a) the product is cocoa beans; (b) the product has Fair Trade and Organic certifications; (c) the product shares the same values that the main Canadian importers have; and (d) the product could be able to be sold to wholesalers, chocolatiers, and bean-to-bar companies. Furthermore, considering the sensitivity analysis performed, it has already been demonstrated that fine flavour FTO has 81.35% of probabilities of having higher gross profits than conventional FTO.

5.2.3 Business opportunity 3: conventional cocoa beans, no certifications and wholesalers

This business opportunity considers the conventional cocoa beans that CAC Oro Verde offers. Apart from the fact that the cooperative just produces less than 5% of this product, this product does not meet with the main requirements that the Canadian market demands such as: (a) the product does not have any certification, (b) the product does not meet any of the values that the main Canadian importers have, (c) the product could just be able to be sold to wholesalers. In this case, since this business opportunity does not meet any requirement, there was not any quantitative analysis to perform.

5.2.4 Business opportunity 4: conventional cocoa beans, Fair Trade and wholesalers

This business opportunity as same as the previous one considers another product that CAC Oro Verde offers. In this case, conventional cocoa beans come with Fair Trade certification. This business opportunity fulfills part of the requirements of the Canadian cocoa market, however, due to the fact that the product has the Fair Trade certification but not the Organic one, it cannot compete directly with the business opportunities 1 and 2. Apart for the certifications, this product complies with the following requirements: (a) the product is cocoa beans, (b) the product shares partially the values of the main Canadian importers of cocoa products, and (c) the product could just be sold to wholesalers but not to chocolatiers and bean-to-bar companies since they are looking for Organic products as well. In this case, since this business opportunity does not meet most of the requirements, there was not any quantitative analysis to perform.

5.3 Main Business Opportunity

From all business opportunities proposed and considering all the approaches made in the qualitative analysis and all the calculations made in the quantitative analysis, there are just two business opportunities that comply with the majority of the requirements. Nonetheless, before mentioning them, it is important to highlight the business opportunities that did not comply with basic requirements. These are business opportunity 3 and business opportunity 4 whose main proposals did not include the Organic certification which is a very demanded certification in the Canadian market. As a consequence, this lack of certification leads to just have wholesalers as possible customers. This is the main reason why these business opportunities were not taken into consideration. On the other hand, the two business opportunities mentioned at the beginning of this section were: (a) business opportunity 1 that includes conventional cocoa beans, Fair Trade Organic certifications whose main customers would be chocolatiers, bean-to-bar and wholesalers; and (b) business opportunity 2 that includes fine flavour cocoa beans, Fair Trade Organic certifications whose main customers would be chocolatiers, bean-to-bar and wholesalers.

As their own description states, they both comply with the majority of the requirements that the Canadian market is looking for such as certifications and covering the majority of the possible customers. However, a very exhaustive evaluation should be performed in other to determine which was the main business opportunity. This quantitative evaluation was performed in the quantitative analysis in Chapter IV whose results demonstrated that the most promising business opportunity by far is the business opportunity 2 due to the fact that it has much more probabilities of having higher profits than the business opportunity 2 as shown in the conclusion of Chapter IV. Nine scenarios within three different cases were developed in detail to support this statement. Nevertheless, a final sensitivity analysis which includes a total number of 52 scenarios gambling with different prices of fine flavour cocoa beans and percentages of fine flavour production was performed to demonstrated this statement. Finally, business opportunity 2 reaches 81.35% of probabilities of having higher profits than business opportunity 1 which accounted 18.65% of the probabilities. This result demonstrates that the most promising business opportunity for CAC Oro Verde is fine flavour FTO whose main customers would be bean-to-bar, chocolatiers and wholesalers in Canadian market.

5.4 Conclusion

In this chapter, four different business opportunities were developed addressing the Canadian cocoa market needs and CAC Oro Verde’s offer. The Canadian cocoa market needs came from the qualitative and quantitative analyses that determined the main enablers for the different business opportunities. From the four initial business opportunities, two of them were discarded from the beginning due to the fact that they do not comply with the basic requirements stated in the qualitative and quantitative analyses. However, the other two options met the basic requirements and they required a more exhaustive evaluation in order to determine which would be the most promising business opportunity. This evaluation was performed in Chapter IV and it needed to be more quantitative than qualitative since both options met the qualitative requirements.

In that sense, an estimation of the calculation of the gross profit for both business opportunities was necessary creating different scenarios in different cases of study. The final output was a sensitivity analysis comparing both business opportunities in 52 different scenarios demonstrating that business opportunity 2 which includes fine flavour cocoa beans, Fair Trade Organic certifications and whose main customers would be chocolatiers, bean-to-bar and wholesalers has a significant high probability of obtaining higher gross profits than business opportunity 1 and, therefore, demonstrating that business opportunity 2 is the most convenient for CAC Oro Verde in order to be successful in the Canadian cocoa market.

Chapter VI. Assessed Solution Alternatives

In this chapter, different alternatives of solution for the main business opportunity already identified will be proposed and assessed. The idea is to determine the different segment within the fine flavour cocoa beans market and to determine the best entry method to them in order to build the different alternatives of solution. Thus, this chapter is divided as follows: (a) segmentation, (b) alternatives for the business opportunity, (c) assessment of alternatives, and (d) conclusion.

6.1 Segmentation

There are three different segments that will be considered for the Canadian fine flavour cocoa market that are listed as follows: (a) the confectionary industry represented by the main chocolatiers which are large corporations of manufacturing chocolate that are currently expanding their businesses and focusing on the high quality chocolate; (b) the bean-to-bar industry represented by the small or medium manufacturers of high quality chocolates in small lots as well as nibs, powder, butter or paste as intermediate products; and (c) the third-party / manufacturing industry which are mainly wholesalers or retailers in charge of collecting small lots of high quality cocoa beans and, sometimes, manufacturing intermediate products in order to sell bigger amounts of cocoa beans to large corporations .

Their behavior towards the suppliers of cocoa beans are different. Therefore, the suppliers' attitude when entering to a new market must be carefully analyzed since it might determine whether or not the vendor can be successful or not. Many of the features of the main segments such as the chocolatiers and the bean-to-bar industry were shown and explained in Chapter I and IV, the following brief description of each of them are referred to the performance of the segment in regards to the different entry methods.

Confectionary industry. There is an increasing interest from the large corporations of chocolate for entering into the high quality chocolate segment (CBI Ministry of Foreign

Affairs, 2017a). They want to compete within this sector with mainly bean-to-bar companies in other to expand its businesses and to gain more market share (CBI Ministry of Foreign Affairs, 2017c). Since these are large companies, they have huge production volumes which depend largely on the production of their suppliers. Considering that most of the finest cocoa products are produced in small and tailored segments due to its quality, it becomes a real problem getting all the amount of cocoa beans that they need. For both sides (the supplier and the client) the demand of quantity creates differences that do not allow for them to create synergies.

In order to overcome this obstacle, large chocolatiers have to purchase their raw materials by two ways: (a) wholesalers which are in charge of collecting large amounts of cocoa beans from different sources in order to sell big lots to these companies, and (b) directly from the producers that create different alliances in order to play the role of wholesalers but not paying the high mark-up that wholesalers are used to earn. However, it represents huge troubles for chocolatiers due to different reasons: (a) differences in the quality of the product since it comes from different sources and each lot is very unique, (b) the lack of expertise in the logistics and export procedures that most of the suppliers have since it is not part of their core business (CBI Ministry of Foreign Affairs, 2017c). Nonetheless, the trends in the fine flavour cocoa industry indicate that most of the importers prefer the direct source as the main channel of distribution of the raw materials (CBI Ministry of Foreign Affairs, 2017b). In fact, when they have to deal with this decision they need to balance both those pros and cons evaluating their preferences and needs.

Bean-to-bar industry. Even though the definition of this segment and its main features have been already stated in Chapter I, the small or medium companies that are included within this segment usually are: (a) specialized manufacturers of high quality chocolates in small lots focused on the uniqueness of the cocoa beans and its differentiated flavour, and (b) manufacturers of paste, butter or powder of cocoa beans, transforming the raw materials into intermediate products for the market. As seen, these companies are very diversified with their suppliers in this business considering that they are always working with very small and unique flavoured lots of cocoa beans.

Furthermore, bean-to-bar companies are well-known due to the fact that they prefer direct trade with the producers instead of using wholesalers or retailers in the process. In fact, these companies seek producers that share the same values as their organization. For them, it is extremely important that the story of the producers can be shown and explained so that the final customer can have additional dimension to their experience when trying their final products (CBI Ministry of Foreign Affairs, 2017b). In fact, these importers encourage the producers to create and differentiate their raw materials based on different statements that can inspire social, environmental and cultural awareness in the final customers.

Importers that belong to this industry are recognized as trade partners of the producers since they not only buy their raw materials but also they help to improve the quality of their products in order to reach an even more premium segment (CBI Ministry of Foreign Affairs, 2017c). On one hand, importers are able to benefit since they have a direct source of product considered as very high quality. In addition, producers also reap the benefits since they have access to state-of-the-art information from their clients that also enable them to enhance their productions and be differentiated from other competitors. Simultaneously, they leverage their trade partners since they show and recommend the producer's raw materials to other importers or final customers. Therefore, bean-to-bar companies play the role of promoters of the producers' cocoa beans increasing their opportunities of becoming well-known in the new market.

Third-party / manufacturing industry. Wholesalers and retailers are the main examples of this industry. These importers are characterized because they are in charge of collecting large quantities of products in order to distribute and sell to the large corporations. Sometimes, these companies can add value to the raw materials in order to produce intermediate products (CBI Ministry of Foreign Affairs, 2017a). However, they are not interested in creating partnerships with their suppliers since they just buy and sell products. Their core business is just to collect raw materials from different sources which sometimes can lead to have product with different qualities.

The main difference between these companies and the bean-to-bar companies that sometimes play the role of wholesalers is the recognition of the supplier. While the bean-to-bar companies are focused on showing who the supplier is, the wholesalers are just focused on collecting the raw materials without any recognition. In dealing with wholesalers, the traceability of the raw materials is lost and the dependency on the wholesaler from the side of the supplier also becomes crucial. Since these companies are not interested in developing a long-term relationship with the producers, they do not care of whether importing the raw materials directly from the source or not. In fact, the majority of the Peruvian companies that sells their product to these companies uses local exporters to offer its products. This articulation leads to have lower profits for the producers due to the fact that the exporter and the wholesalers have high mark-ups (Instituto Interamericano de Cooperación para la Agricultura, 2017).

6.2 Alternatives for the Business Opportunity

Having analyzed and developed the main entry methods and segments of the market that fits the most with the business opportunity already identified, three main alternatives for the business opportunity mentioned in Chapter V were also taken into consideration. Therefore, the Table 25 shows the combinations of the different entry methods with the segments proposed.

Table 25

Combinations for the Three Proposed Alternatives

Alternative	Entry method	Segment
Alternative 1	Direct exporting + Strategic alliance	Confectionary industry
Alternative 2	Direct exporting + Partnership	Bean-to-bar industry
Alternative 3	Indirect exporting	Third-party / Manufacturing industry

A brief explanation of each alternative, supported by the reasons explained in the section 6.2, is shown in the next paragraphs.

Alternative 1. This alternative involves a direct exporting into the Canadian market and developing a strategic alliance in the confectionary industry. As stated before, since the trend for the fine flavour cocoa beans industry is direct trade between the supplier and the importer, the best option is direct source. Moreover, due to the fact that the confectionary industry requires high volumes of raw materials, this selected method is developing strategic alliances with other suppliers of the region that would be targeted. It is important to consider that through this alliance both parties would be benefited and leveraged. Although this strategy might imply some quality problems and could be considered as risky, it could lead to make large amounts of money since it eliminates the mark-ups of the third parties or wholesalers.

Alternative 2. This involves direct exporting into the Canadian market plus a partnership in the bean-to-bar industry. Similar to the reason for direct exporting in alternative 1, the current trend in the industry regarding the direct trade between the supplier and the importer, the best option is direct exporting. In fact, in this case, this mode of entry is what the importers are also looking for since it fits which their values and because importers do not need to negotiate with intermediates. Furthermore, taking advantage of that mutual benefit that both sides may reach, partnership arises as the best alternative to establish a win-win situation.

Alternative 3. This alternative involves indirect exporting with a third party. Most of the companies that belong to this industry do not care knowing about their producers. Since it is more expensive to import from different sources, some producers prefer to have an intermediary in order to collect raw materials from different sources before exporting. However, this entry method does not represent any added value for the producers since it would not create long-term relationships or improve the company's performance at all.

6.3 Assessment of Alternatives

In this section, all the alternatives mentioned above will be assessed by different criteria. The obtained score per each alternative will be explained and discussed at the end of this section.

6.3.1 Criteria

Four different criteria were proposed in order to evaluate each alternative. These criteria are to measure the risk of each alternative. The chosen criteria are substantially relevant since it allows CAC Oro Verde to assertively determine which is the best solution in order to enter into the Canadian cocoa market. Therefore, the criteria are:

- Cost / benefit 30%
- Suitability 30%
- Impact 25%
- Timing 15%

Cost / benefit. This criterion is weighted at 30% because it is one of the most important due to the fact that all projects need to evaluate the ratio between what they will invest and what benefits they can receive from it. Benefits are not only in terms of money but also in terms of long-run relationships that will bring additional complementary benefits in the future. Thus, knowing that CAC Oro Verde is not a large corporation that can invest large amounts of money in different projects, this criterion is very significant for them. As shown in the Appendix E, the cooperative has always had positive net profits at the end of each year since its creation, however this amount is not as significant in comparison to other corporations. In addition, the cooperative continuously deals with the fluctuations in the exchange rates which affects financial statements as well as the fluctuations of the cocoa beans price in the Stock Market. Considering all these factors, the cost / benefit has been weighted with 30% of the total. The ideal score is 10 in the ideal case that the cooperative invests the lowest amount of money that creates the largest benefit not only measure in financial terms but also in long-term relationships.

Suitability. This criterion is weighted at 30% because it is also very important to consider since it measures the suitability of the alternative considering the Canadian cocoa market needs and what CAC Oro Verde can offer to satisfied those needs. If the product does not suit the consumer's needs, then there will be no success for the product and organization. Thus, knowing the real needs of the market becomes crucial when evaluating this criterion as well as the possibilities from the side of the producer to match those needs. The ideal score is 10 and it occurs when the offer of the cooperative matches 100% the market needs in all the aspects. In reality, 100% is not fully attainable because companies will continuously need to adapt or modify part of their processes or strategies in order to fit the needs requested. However, as the ability to adapt and make changes increase, a greater score they can achieve.

Impact. This is another fundamental criterion, which is weighted at 25%. The impact is based on how much control that the cooperative will have over its products. It focuses on the opportunity divided in different levels. The alternative that will be selected as solution should cover all the opportunities. This criterion focuses on how the alternative impacts the business whether it will be creating more business opportunities or allowing the expansion of the business in the short-term to long-run. In that sense, it is important to see the impact from different perspectives of the business or, in this case, of the marketing plan. Developing strategies where the business can have more control over their products or business as a whole will improve the impact they have overall in this case. The ideal score is 10 when the strategy has the best and most positive impacts along different stages of the business.

Timing. This criterion is weighted at 15%. It must be taken in consideration since it represents how much time it would take to implement the alternative or strategy. Thus, in this case, having results in a shorter time frame is the ideal case. Longer periods of time to implement the strategy or to see the results of the strategy will be considered as less efficient. Therefore, the ideal score is 10 when the strategy can develop results in a shorter time period.

Risk of failing in the long-term. Considering the criteria (cost/benefit, suitability, impact and timing), then risk is extremely important to measure since it represents how successful the strategy is going to be in the future. This is measured not only in financial terms but also in long-term trade relationships. Considering that the cooperative is seeking for expansion of its business, this criterion is relevant since it shows sustainability in the long-run. Even if the risk is inherent to each business, it is possible to make a measurement of risk according to the features of each alternative. The ideal score is 0% when there are no probabilities of failing.

6.3.2 Assessment

The assessment of the three alternatives based on the criteria mentioned and explained above was performed and the results are shown in Table 26. Furthermore, a brief explanation of the score graded for each criterion in each alternative is presented after the results. A limitation to this assessment is that all criteria were qualitative. However, it is still a significant way to determine the best alternative for the purpose of this assessment.

Table 26

Assessment of Alternatives for the Business Opportunity

Nº	Alternative	Cost / benefit 30%		Suitability	Impact	Timing	Risk of failing in the long-term	Total
		Cost 15%	Benefit 15%	30%	25%	15%		
1	Alternative 1	7	9	7	7	5	30%	4.90
2	Alternative 2	6	9	9	9	7	10%	7.43
3	Alternative 3	9	5	3	4	9	25%	4.01

Note. Scores are from 1 to 10 considering 10 the best and 1 the worst.

Cost / benefit evaluation. In this case, this criterion has two components. Regarding the cost, alternative 1 and alternative 2 registered the lowest score since direct trade implies that the producer has to pay for all the logistics and exporting costs till the final customer in Canada and it requires the highest initial investment in compare to alternative 3 as stated in section 6.1. On the contrary, alternative 3 does not require that much initial investment since all the cost of transporting and logistic are assumed by the third party. It is important to mention that the difference between the score in alternative 1 and alternative 2 is due to the fact that alternative 1 will be developed in a strategic alliance with another Peruvian supplier so that they both will be sharing the initial investments whereas in alternative 2 the cooperative would have to assume all this costs by itself.

Regarding the benefit, alternative 1 and alternative 2 registered the highest scores since they both eliminate the intermediaries in the logistics chain. On the contrary, in the alternative 3 the company has to pay huge amounts of money to the intermediary in Peru and, at the same time, the wholesaler / manufacturer in Canada will charge another mark-up that will impact directly in the price of the raw material.

Suitability evaluation. In this evaluation, the needs from the Canadian cocoa market were extracted from different sources: (a) general overview for the requirements of the fine flavour cocoa market stated in section 6.2, and (b) the survey to the main Canadian importers whose results where explained in Chapter IV.

On the one hand, as stated in section 6.2, the trend in the fine flavour cocoa market is direct trading of product from producers to the customers that are, in this case, Canadian importers. In that sense, alternative 1 and alternative 2 registered the highest scores due to the fact that direct export is their main strategy. On the contrary, alternative 3 has the lowest score since it would be developed through an intermediary such as a Peruvian trade agent. In addition, all these results are supported by information extracted from the survey shown in Chapter IV. Since the Canadian importers are seeking for new suppliers through mainly references, alternative 2 has a small advantage in comparison with alternative 1 since alternative 1 may have quality problems due to the combined lots of product as a result of the strategic alliance whereas the homogeneity of the lots in alternative 1 is higher.

Furthermore, it is necessary to analyze the performance of having as entry methods strategic alliance or partnerships. The survey analyzed in Chapter IV shows relevant information regarding the searching of new suppliers. Hence, 89% of the respondents stated that they look for new suppliers through references whereas 44% of them answered through websites. Therefore, partnerships become the most relevant entry method that allows to approach new potential customers since the trade partners have the ability to expose the producer's brand to the final customers or to other importers. In contrast, strategic alliances allow to expose the producer's brand along with other competitors. Even if it is possible to expose the producer's brand in front of the large corporations, the speed of penetration as a brand in the market is lower than the one in alternative 2. This is another point that made alternative 2 have a higher score than alternative 1.

Impact evaluation. In this case, there are different impacts of each alternative in different stages of the business opportunity. In that sense, alternative 2 was scored higher than the other 2 alternatives because of different reasons such as: (a) the partnership would allow not only commercial relationship but also improvement of quality of the products, state-of-the-art technology in order to diversified the flavour of the cocoa, know-how regarding the industry and some other characteristics that allow the producer to have a competitive advantage in comparison with other producers; and (b) the partnership would attract new potential buyers of the product since it promotes the cooperative's products through an exposure in the Canadian cocoa market. Moreover, this promotion would not only be in the final product but also in the international fairs since the producer's brand would be attached to the trade partner's brand accomplishing a truly successful partnership.

In case of the alternative 1 and, specifically, the strategic alliance, experiences between the two suppliers and perhaps know-how of the process of production can be shared. However, they both are essentially competitors and the relationship. At a certain point, it would not be a huge benefit unless in the future they can perform a joint venture. In addition, the information shared would only be from the side of the producer but not from the client.

In case of the alternative 3, the level of impact is low since there is not more interaction between the customer and the producer. There are not more advantages rather than the purely trade relationship so that the potential growth of the business is highly limited through this alternative.

Timing evaluation. In this case, this criterion evaluates how fast the strategy shows results. Hence, alternative 3 is the fastest since it would deliver results in the short-term due to the easiness of contacting a third-party to export the products. Moreover, since it does not require enrolment in the logistics and exporting operations, the time for implementing this alternative is really short. On the other hand, alternative 1 and 2 would take considerably much more time. Since alternative 2 requires to identify a potential trade partner and establish a relationship based on trust and mutual collaboration, alternative 1 requires forming strategic alliances with other suppliers or competitors in order to reach large volumes of production. Considering the Peruvian context, creating a strategic alliance with other supplier might take a considerably time since it will require contracts and previous negotiations.

Risk of failing in the long-term. In this case, the risk of failing in the long term was assessed projecting in qualitative terms a long-term vision of the strategy. Therefore, alternative 1 was scored as the riskiest since it implies the combination of different lots that might have different flavours affecting the quality of the product which is a characteristic highly appreciated by the customers. Alternative 2 was scored with the lowest grade since it appeals to be the best in terms of long-term relationships due to the several reasons explained in the suitability evaluation. Finally, alternative 3 was scored between alternative 1 and alternative 2 since it represents a good alternative in the short-term although in the long-term it leads to a decrease in the profit of the company since there is not differentiation and long-term vision.

6.4 Conclusion

Considering four of the main entry methods to international markets such as: (a) direct export, (b) indirect export, (c) partnerships, and (d) strategic alliances; and the three main segments within the Canadian fine flavour cocoa market such as: (a) confectionary industry, (b) bean-to-bar industry, and (c) wholesaler / manufacturer industry; the evaluation of different alternatives was performed using different criteria to determine the most plausible option for the business opportunity already chosen which is the fine flavour FTO produced by CAC Oro Verde. From the assessment of the alternatives, it was determined that targeting bean-to-bar companies was the most convenient alternative with direct exporting and using a partnership as the entry method. From the evaluation in Table 26, this alternative reached an average of 7.43 out of 10 in comparison with the other alternatives which reached average between 4.0 and 5.0 out of 10.

Chapter VII. Proposed Solution

7.1 The Proposed Solution

The proposed solution includes two main parts that are: (a) the main business opportunity already identified in Chapter V, and (b) the best alternative chosen in Chapter VI as solution for the main business opportunity. Thus, in this chapter the main idea is to consolidate all the information already analyzed and finally stating a complete proposed solution for the main business opportunity. From the qualitative and quantitative analyses performed in Chapter IV and the four different business opportunities suggested in Chapter V addressing the Canadian cocoa market needs and CAC Oro Verde's possible offer, it was determined that the most promising business opportunity that satisfies the market and the supplier is the one that involves fine flavour Fair Trade Organic cocoa beans. This business opportunity considers different segments of the market to sell the products that are mainly chocolatiers, bean-to-bar companies and wholesalers. For better understanding, the proposed solution also will be further explained through the marketing strategy which includes: (a) segmentation, (b) targeting, (c) differentiation, and (d) positioning.

Furthermore, having identified the main business opportunity stated above and taking into consideration all the alternatives proposed in Chapter VI and their exhaustive assessment, it has been demonstrated that by far the most plausible alternative is alternative 2, which targets the bean-to-bar market segment using a partnership and direct export as main entry methods. This evaluation was performed including several criteria that were weighted according to its importance as follows: (a) cost / benefit was the first criterion and its contribution to the final score was 30%, (b) suitability was the second criterion counting for 30% of the total score, (c) impact was the third one counting for 25% of the total score, and (d) timing was the fourth one counting for 15% of the total score. In addition, a criterion of risk of failing in the long-term was included in the evaluation to assess the performance of the strategy in the long-run. As a summary, Table 27 shows the main features of the strategy selected as proposed solution for the main business opportunity.

Table 27

Summary of the Proposed Solution

Feature	Choices
Product	Fine flavour cocoa beans
Certification	Fair Trade and Organic
Targeted market	Bean-to-bar industry
Entry method	Partnership + Direct source

From the side of the importer, the direct source and partnership allow the importer to have a very close relationship with the producer creating an environment of trust and respect that enhances a long-term relationship. It is beneficial for the importers since the price would not include the mark-up of an intermediary. Moreover, it allows the importer to leverage on it and offer a complete experience to the final customer which includes the story from the producer as a differentiator which is highly appreciated by them. Finally, it allows the importers to give the suppliers better tools and mechanisms to improve the quality of their product and venture into new flavours as well as to have a better management of the logistics and international trade regarding the export process.

From the side of the producer, as mentioned above, the direct source method leads to create a long-term relationship between importer and producer. It allows the producers to charge a lower price for the customers making the product more attractive due to the fact that there would not be any mark-up for intermediaries but still making higher profits than if there were intermediaries. Furthermore, it would allow to create a differentiated product based on increasing the environmental, social and cultural awareness through creating a marketing story around those factors. Since the final product would be sold with also acknowledging the origin place, the community involved and the producer of the cocoa beans, then it would work as an intrinsic promotion strategy in order to attract the attention of other importers and final customers. Considering that in this business the word of mouth is highly appreciated for new entrants, this is an exceptional strategy without any cost to promote the product. Finally, through the partnership, the producer can also be benefited from the tools and mechanisms granted from the importer in order to improve exports logistics and product quality.

7.2 Marketing Strategy

7.2.1 Segmentation

As mentioned before, the main business opportunity is fine flavour Fair Trade and Organic certified cocoa beans which has different segments that were identified after researching into the Canadian market. Thus, these segments included: (a) the confectionary industry represented by the main chocolatiers which are large corporations of manufacturing chocolate that are currently expanding their businesses and focusing on the high quality chocolate; (b) the bean-to-bar industry represented by the small or medium manufacturers of high quality chocolates in small lots as well as nibs, powder, butter or paste as intermediate products; and (c) the third-party / manufacturing industry which are mainly wholesalers or retailers in charge of collecting small lots of high quality cocoa beans and, sometimes, manufacturing intermediate products in order to sell bigger amounts of cocoa beans to large corporations . For further information, the details of each segment were explained in Chapter I as an initial approach and were further developed in Chapter VI.

7.2.2 Targeting

After identifying the segments mentioned above and following the evaluation of the different alternatives in Chapter VI, the selected segment was bean-to-bar industry considering the direct source and partnership as main entry method strategies. In this case, this combination was the most convenient in all the criteria evaluated that satisfies the needs of the new market to penetrate but also works as a leverage for CAC Oro Verde in order to become well-known in the new market and having better access to information which includes the required volume of sales, quality, and promotion strategies. The targeted market not only is the most convenient for the type of product that will be offered but also due to the fact that it strong fits with the values that CAC Oro Verde is trying to promote within their project. Better understanding was described in Chapter VI in the explanation of the best alternative. Moreover, deeper details will be developed in the section of the marketing mix in the next chapter in order to explain how the advantages of this entry methods can help CAC Oro Verde to be successful in the penetration to the Canadian cocoa market.

7.2.3 Differentiation

Even though fine flavour FTO as itself is a differentiated product from all the cocoa beans market, it is necessary for the cooperative to find another differentiator factor within the fine flavour cocoa beans market. Main competitors of CAC Oro Verde offer almost the same product as a high quality raw material, therefore differentiator factors can be focused on the two different aspects such as: (a) high quality and unique variety of the product translated into unique and rare flavour and tastes, or (b) the origin of the product which is shown by creating and developing a story of the cocoa beans in the region that involves the producers, communities and the way they treat the farms of cocoa beans. Considering all the fine flavour FTO cocoa beans producers can offer high quality products, differentiating factors can include enhancing and highlighting all the quality aspects that makes the cocoa beans of CAC Oro Verde unique in terms of flavour and tastes. For instance, there are several varieties of fine flavour cocoa beans that only grows in Peru and whose taste and flavour cannot be found in another type of cocoa beans. Regarding the second aspect, CBI Ministry of Foreign Affairs (2017b) stated that main bean-to-bar companies are very interested in knowing all about the origin of the cocoa beans. Since each country and specifically each place of production has its own ancient story, then each fine flavour cocoa beans product is unique and has its own potential in terms of the story created and experience offered. Therefore, using a captivating story of the unique regions involving the producers, communities, the uniqueness of the agro-climatic conditions, among other factors can play an important role in differentiation.

7.2.4 Positioning

The positioning strategy must be related to the key differentiator elements explained above in order to leverage from them and being able to approach new customers and, therefore, penetrate the Canadian fine flavour cocoa market for the bean-to-bar industry. Thus, there are mainly three positioning strategies that must be taken into account: (a) positioning using the product features, (b) positioning by price and quality, and (c) positioning by product class.

In terms of positioning, fine flavour FTO cocoa beans product must highlight the uniqueness of its features such as taste and flavour. It is important that the communication to the bean-to-bar companies, which are the customers, includes specific statements about the uniqueness of the features and the story of the product. Feature to take into consideration are characteristics that must be rarely found in other products.

Regarding price, fine flavour FTO cocoa beans product have a higher price than the conventional FTO products which relate to the quality appreciated by customers. In this case and as usual within the fine flavour industry, price is a synonym of quality therefore, the higher price, the better quality. This is a premium pricing strategy. Potential customers in this type of strategy identify the price charged as an indicator of the quality of the product.

Regarding positioning by product class, fine flavour FTO cocoa beans products are highly related to high quality chocolate. For all bean-to-bar companies, the type of chocolate produced is an intrinsic synonym of using fine flavour FTO cocoa beans. This concept is extended and well known all over this industry. Fine flavour FTO cocoa beans are comparable to describing a fine wine, which indicates the highest and rarest quality of chocolate. Thus, taking advantage of that intrinsic meaning, CAC Oro Verde must be approach these bean-to-bar companies with the idea and consistency that they are able to provide a unique type of fine flavour FTO cocoa. This development of reputation is something that CAC Oro Verde should transmit within the Canadian cocoa market.

7.3 Conclusion

After summarizing the proposed solution which includes fine flavour Fair Trade and Organic certified cocoa beans whose customers are bean-to-bar companies in the Canadian market using direct trade and partnership strategies as entry methods, it was relevant to mention the four main aspects of the previous market strategy which include: (a) segmentation, (b) targeting, (c) differentiation, and (d) positioning. Regarding the segmentation and targeting, from the three main segments already identified that are: (a) confectionary industry, (b) bean-to-bar industry, and (c) third-party and manufacturing industry, then the bean-to-bar industry was chosen as explained in the evaluation performed in Chapter VI. In terms of the differentiation and positioning, two main aspects were identified in order to differentiate CAC Oro Verde’s fine flavour FTO cocoa beans from the competitors. These aspects are: (a) high quality and unique variety of the product translated into unique and rare flavour and tastes, and (b) the origin of the product which is shown by creating and developing a story of the cocoa beans in the region that involves the producers, communities and the way they treat the farms of cocoa beans. In addition, taking into account these aspects of differentiation, three positioning strategies were used in order to approach the customers. These are: (a) positioning using the product features, (b) positioning by price and quality, and (c) positioning by product class. Furthermore, another marketing strategy that involved entry modes was also determined which considered the segment, market market, product and where it should be positioned. Therefore, the best proposed solution for the fine flavour FTO is through direct exporting into the Canadian market with developing a partnership in the bean-to-bar market segment.

Chapter VIII. Implementation Plan and Key Success Factors

In this chapter, the marketing mix for the marketing strategy already chosen will be developed followed by its implementation plan which includes the activities to develop using a Gantt chart and the implementation costs. Moreover, the key success factors to take into consideration for this business opportunity will be explained at the end.

8.1 Marketing Mix

As mentioned in Chapter III, the marketing mix also called marketing plan refers to one solution for the marketing strategy already developed. This plan contains the specific information regarding to how to approach a new market, in this case the Canadian cocoa market for fine flavour and certified cocoa beans, and it includes the following aspects: (a) the product which describes the specific information regarding to product that will be offered in the new market such as the product as itself, the packaging, labelling, and transportation; (b) the price which describes the specific information regarding the pricing strategy to use when penetrating the Canadian cocoa market as well as the comparison with current benchmarks to finally choose a range of prices for the product; (c) the place which describes the information regarding the main Canadian provinces to export, main partners to approach using the entry methods already chosen in Chapter VII and the strategy to follow along the timeline; and (d) the promotion strategy which describes the different channels of communication of the product within the Canadian cocoa market and to new potential customers or importers.

8.1.1 Product

In general, the product must meet the requirements of the Food and Drugs Act and Regulations, the Consumer Packaging and Labelling Act and Regulations, the Guidelines on Nutritional Labelling established and required by the competent authority that is the

Canadian Food Inspection Agency. In summary, all this information is explained in the Guide to Importing Food Products Commercially.

Product. As known, the chosen product to export to the Canadian cocoa market is the fine flavour, Fair Trade and Organic certified cocoa beans. Since the product is already certified then its quality is guaranteed. Furthermore, there are several international standards that CAC Oro Verde has already implemented in its processes in order to comply with the regulations for specific countries such as, for instance, the National Organic Program (NOP/USDA) and Bio Suisse. Specifically, for the Canadian market, CAC Oro Verde has implemented the Canadian Organic Products Regulations (COR) standard for Organic certified products. The product must be exported using the tariff item 1801001900 and as certified product, it must be shipped with three kind of certificates at least: (a) certificate of origin, (b) Organic and Fair Trade certificates, and (b) quality certificate.

Packaging. The packaging for the cocoa beans products, according to Instituto Interamericano de Cooperación para la Agricultura. (2017), the CAC Oro Verde's products are packaged in exportation sacks of 40 kg or 64 kg according to customer's preferences. The material for the sacks is traditionally jute which is a very strong material for this purpose. Moreover, the sacks should be exported in containers whose capacity is either 16 TNE or 25 TNE. In addition, a common practice to take into consideration is the way to preserve the level of humidity inside the containers. For that purpose, all the internal walls must be sheathed by Kraft paper.

Labelling. According to the Canadian Food Inspection Agency (2017), labelling must be understood as any label, stamp or text that is attached to the product. In that sense, two kind of labelling are specified for the product: (a) labelling printed in the sacks, and (b) labelling for the container. In the first case, the minimum information that is needed to the printed in the sacks is:

- Common name
- Net quantity
- Name and address of the importer
- Country of origin
- List of ingredients
- Nutritional information
- Expiration day

Moreover, the needed information for the container as itself must include the following topics:

- Product name
- Product's color
- Total weight
- Number of items or sacks
- Country and region of origin
- Name and address of the exporter

Finally, it is extremely important to highligh that all labelling for products that will be traded into the Canadian market must be written in English and French languages.

Transportation. According to Inter-American Institute for Cooperation on Agriculture Delegation Canada (2017), cocoa beans should not be shipped with dangerous or hazardous goods that might affect the quality of the first product. In that sense, if the food shipments are found contaminated by incompatible goods in the container, the it might be refused the entrance into Canada. The requirements for safe transportation of cocoa beans should be part of the agreement between importers and exporters.

8.1.2 Price

In this section, a suggested range of prices should be presented taking into consideration a wide range of factors that affect the market. In that sense, four main aspects were identified as follows: (a) the pricing strategy chosen, (b) the price of the conventional cocoa in the Stock Market, (c) the average price of the fine flavour cocoa beans per each segment identified, and (d) the benchmarks of current competitors.

Regarding the first aspect which are pricing strategies, after reviewing all the pricing strategies mentioned in Chapter III, the most appropriate strategy is premium pricing. This is because the product offered belongs to a high quality and premium sector of the whole cocoa market in which the price is a synonym of high quality. In contrast, a low price might be considered by the customer as low quality which is detrimental for the marketing strategy mentioned in this report. Therefore, it is important to keep in mind that the final range of chosen prices will be exceptionally higher in comparison to conventional cocoa beans. This will be considering the different sub segments within the fine flavour cocoa beans market. In addition, the chosen pricing strategy is enhanced by the fact that the products are double certified Organic and Fair Trade. This means that customers' perception of the price makes sense with the certifications offered and the high quality of the beans due to the fact that those certifications add an additional bonus of 500 USD as maximum to the final price of the cocoa beans.

Regarding the second aspect, the price for conventional cocoa in the stock market, the average price for 2016 was USD 2,892.16 (International Cocoa Organization, 2017b). However, as mentioned before, the price of fine flavour cocoa beans does not depend directly on the price of the Stock Market due to its unique features. However, the price for conventional cocoa beans is the base of the pyramid of the price of fine flavour cocoa and can only increase as its quality increases. This is better explained in Figure 23 which has the average prices for fine flavour cocoa beans by 2016. That the base of the pyramid is 3,000 USD per TNE which is just above the Stock Market price.

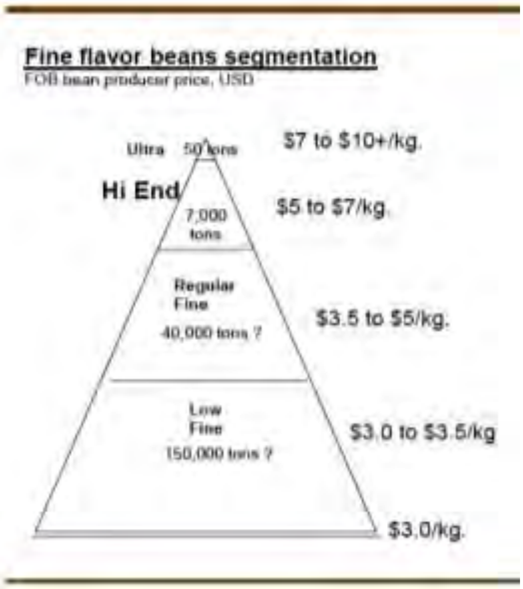

Figure 23. Fine flavor beans pricing by segments. Adapted from *Fine Cocoa Market Dynamics - Bid for the Future*, by F. Homann, 2016, *Presentation of ICCO World Cocoa Conference 2016*, p. 4.

Regarding the third aspect, which is the average price of the fine flavour cocoa beans per each segment identified as shown in Figure 23 and mentioned before in Chapter IV, there are four different segments within the fine flavour cocoa market. Considering that by 2016 the prices of CAC Oro Verde for conventional FTO averaged to be 3,200 USD, with a product that was composed of a mix between fine flavour FTO and conventional FTO and resulted in a product which was considered as a Low Fine product. However, fine flavour FTO itself should be located in a higher segment. Moreover, on average the mixture of product current sold is composed by 20% of fine flavour FTO which gives an idea of the huge potential of the fine flavour FTO as itself. Therefore, fine flavour FTO cocoa beans should be positioned between the upper portion of the regular fine segment and the high-end portion of segment. This means that the range of prices suggested for this product must be around USD 5,000 USD to 6,500 USD per TNE.

Regarding the fourth aspect, benchmarks of current competitors, the prices suggested above will be contrasted with the current prices for similar products of the competitors as benchmarks. Quotes for prices from producers to bean to bar or to wholesalers tend to be private information. Another factor to consider is that because bean-to-bar companies are such a niche market, it is sometimes not practical for producers to ship such a small amount. Although bean-to-bar prefer to have their beans sourced directly from the producers, many bean-to-bar companies will have to rely on some of their beans coming from wholesalers. It is known that buying from these third-party suppliers will be more expensive because of the mark-up in the price must be considered. However, bean-to-bar companies will still have a willingness to pay for the prices that they offer. Therefore, current prices that wholesalers offer fine flavour cocoa beans in the British Colombia province were considered to be used as benchmarks for this case. Through online research from different websites of wholesalers, four different prices were identified. Each one supplied fine flavour FTO products sourced from Peru, Ecuador and Dominican Republic illustrated in Table 28.

Table 28

Benchmark of Prices from Wholesalers of Fine Flavour FTO

Wholesaler	Country of origin, Producer	Price per TNE (USD)	Website
ITB Holding	Peru, different producers from San Martín region	7,560.00 CIF	http://www.m.itbhdg.com/peru-organic-cacao-cocoa-beans.html
ITB Holding	Dominican Republic, CONACADO Agroindustrial	7,224.00 CIF	http://www.m.itbhdg.com/dominican-republic-organic-cacao-cocoa-beans.html
CocoaSupply	Ecuador, Not specified	6,369.00 FOB	http://www.cocoasupply.com/organic-raw-cocoa-beans/
OrganicCrops	Peru, different producers from Huánuco and San Martín regions	5,821.00 FOB	http://organiccrops.net/en/wholesale/cacao.php

As shown, prices FOB are between 5,800 USD and 6,300 USD per TNE which indicates that the range of prices selected are conservative and realistic. FOB means *Free On Board* and is followed by the named port of shipment. With this incoterm, the main carriage is not paid by the seller. Goods are placed on the ship by the seller at a port of shipment named in the sales agreement. The risk of damage or loss of the goods is transferred to the buyer when the goods pass the ship's rail and the seller pays the cost of loading the goods. In contrast, CIF represents *Cost, Insurance and Freight*. CIF's main carriage is paid by the seller which increases the price of the end product (Murray, 2017).

8.1.3 Place

Now that the targeted segment of the Canadian cocoa market has been identified, the potential targeted customers can be further identified. Appendix B includes the list of all Canadian bean-to-bar companies, where the main and most promising provinces to penetrate will be identified. However, second and third assessments are needed to evaluate the following aspects: (a) type in terms of values of potential buyers considering that the entry methods chosen are partnership with direct trade, and (b) analysis of the total quantity of cocoa that these provinces have imported in the past years in order to know their demand.

First assessment. The first assessment which considers the values of the bean-to-bar companies are shown in Figure 24 and illustrates the distribution of all Canadian bean-to-bar companies per province which were extracted from Table B1 and B2 in Appendix B. Ontario, British Columbia and Quebec are the main provinces for the industry counting with 33%, 26% and 23%, respectively. Although Ontario seems to be the most promising province, it is important to consider the second and third assessments.

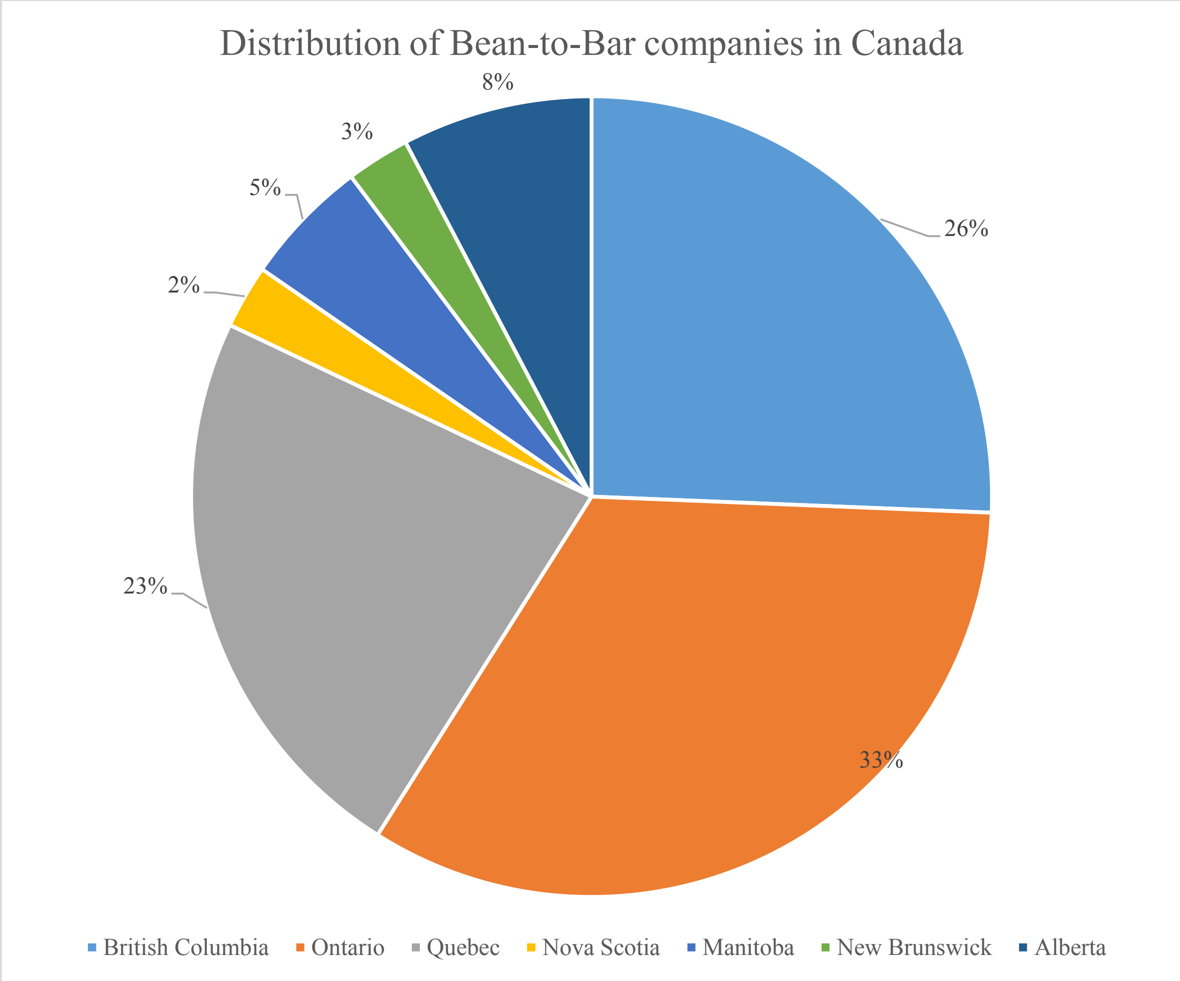

Figure 24. Distribution of all bean-to-bar companies throughout Canada.

Second assessment. This is the analysis of the total quantity of cocoa that these provinces have imported in the past years including their demand. Table 29 and Table 31 illustrates these findings. This assessment includes an exhaustive evaluation using the websites and internet information of each importer from the list provided in Appendix B. The criteria used includes: (a) if the company uses just fine flavour cocoa beans, (b) if the company uses just Fair Trade and Organic certified products, (c) a brief description of the main features found from the websites of the companies whose statements are linked to Table 30 for better comprehension, and (d) a final decision whether the company may become a partner of CAC Oro Verde considering that the entry methods are direct trade and partnerships.

Table 29

Assessment Bean-to-Bar Canadian Companies – Part 1

Location	Company	Possible partner?	Reason	Fine flavour, FTO?	Prefer direct trade?
AB	Chokolat	No	1	Yes, Not necessary	Yes
AB	**McGuire Chocolate**	**Yes**	**2**	**Yes, Not necessary**	**Yes**
AB	Moth Chocolate	New brand, few information			
BC	Organic Fair	No	1	Yes, Yes	Yes
BC	Take a Fancy Chocolate	Partially yes	3	Yes, Yes	Yes
BC	Kasama Chocolate	Partially yes	4	Yes, Not necessary	Yes
BC	Beanpod Chocolate	Partially yes	4	Not necessary, Not necessary	Yes
BC	**Wild Sweets by Dominique & Cindy Duby**	**Yes**	**2**	**Yes, Not necessary**	**Yes**
BC	Coconama Chocolate	Partially yes	4	Yes, Not necessary	Yes
BC	**EastVan Roasters**	**Yes**	**2**	**Yes, Yes**	**Yes**
BC	Zazubean Chocolate	No	1	Yes, Yes	Yes
BC	**Sirene Chocolate**	**Yes**	**2**	**Not necessary, Not necessary**	**Yes**
BC	Uncouth Chocolate	New brand, few information			
MB	Aschenti Cocoa	No	5	No, Yes	Yes
MB	Popp Chocolates	No	1	Not necessary, Yes	Not necessary
ON	**Hummingbird Chocolate**	**Yes**	**2**	**Yes, Yes**	**Yes**
ON	Bruama's Artisan Chocolate	No	1	Not necessary, Yes	Yes

Table 30

Description of the Reasons for the Assessment of Bean-to-Bar Companies

Description	Reason
The company does not promote and support the producers	1
The company promotes the producers in websites and packaging highlighting the country of origin, name of suppliers, flavour and experience	2
The company partially promotes the producers in websites	3
The company partially promotes the producers in the packaging	4
The company just uses conventional FTO cocoa beans	5

Table 31

Assessment Bean-to-Bar Canadian Companies – Part 2

Location	Company	Possible partner?	Reason	Fine flavour, FTO?	Prefer direct trade?
ON	Living Libations	No	1	Not necessary, Yes	Yes
ON	Cócó Chocolate Company	Partially yes	4	Yes, Not necessary	Yes
ON	Habitual Chocolate	Partially yes	4	Yes, Yes	Yes
ON	Ultimately Chocolate	No	1	Yes, Yes	Yes
ON	Giddy Yoyo	Partially yes	4	Yes, Yes	Yes
ON	ChocoSol Traders	Partially yes	4	Not necessary, Yes	Yes
ON	Marigold's Finest	Partially yes	4	Yes, Not necessary	Yes
ON	Pascha Chocolate	Partially yes	4	Yes, Yes	Yes
ON	Soma Chocolatemaker	Partially yes	3	Yes, Not necessary	Not necessary
ON	Soul Chocolate	Partially yes	3	Yes, Yes	Yes
ON	DesBarres Chocolate	Partially yes	4	Yes, Not necessary	Yes
ON	Ambrosia Pastry	Partially yes	3	Not necessary, Yes	Yes
QC	Chaleur B Chocolate	Partially yes	3	Yes, Yes	Yes
QC	Olivia Chocolat	No	1	Yes, Yes	Yes
QC	**Avanaa**	**Yes**	**2**	**Yes, Not necessary**	**Yes**
QC	Chocolat Monarque	Partially yes	4	Yes, Not necessary	Yes
QC	Chocolats Privilége	No	1	Not necessary, Not necessary	Yes
QC	Qantu	Partially yes	4	Yes, Not necessary	Yes
QC	Rica Chocolat	New brand, few information			
QC	Palette de Bine	Partially yes	3	Yes, Yes	Yes
QC	Rose Chocolat	Partially yes	3	Yes, Not necessary	Not necessary
NS	Petite Patrie Chocolate	Partially yes	3	Yes, Yes	Yes
NB	Chocolat Bernard	New brand, few information			

From the assessment mentioned above, the main factors that influenced the decision whether the bean-to-bar company may become a partner or not is shown in Table 30. Reason 1 and reason 5 simply do not match with what CAC Oro Verde is looking for because these companies do not promote and support the producers. In those cases, it would not be beneficial to develop a partnership. In addition, the reason 5 simply does not use fine flavour cocoa beans. Reason 3 and reason 4 partially match with what CAC Oro Verde is looking for. In both reasons, the company partially promotes the producers either through websites or packaging, therefore, it would be beneficial for CAC Oro Verde since the expected synergy would be a potential result. However, reason two fits the most appropriately with CAC Oro Verde mode of entry because the company will show that they promote the producers in websites and packaging including highlighting the country of origin, name of suppliers, flavour and experience. Thus, this reason is the best for CAC Oro Verde since it has the potential to create the expected synergy faster and better than the previous one mentioned.

Having finished the assessment, there are six bean-to-bar companies that are considered excellent candidates to become partners in the short-term. All these companies were qualified with an answer of *Yes* in the question of *Possible Partner?* in Table 29 and Table 31. These are: (a) McGuire Chocolate in Alberta, (b) Wild Sweets by Dominique & Cindy Duby in British Columbia, (c) EastVan Roasters in British Columbia, (d) Sirene Chocolate in British Columbia, (e) Hummingbird Chocolate in Ontario, (f) Avanaa in Quebec. As shown, three out of the six are located in British Columbia, therefore according to this assessment, British Colombia seems to be the most promising place to target.

Furthermore, there are 20 bean-to-bar companies that are considered excellent candidates to become partners in the mid-term. All these companies were qualified with an answer of *Partially Yes* in the question of *Possible Partner?* in Table 29 and Table 31.

Third assessment. The third assessment is related to the demand for fine flavour cocoa that each province has in order to determine the approximate volume in each province. After finding the demand for fine flavour cocoa in each province, the number can be used to determine an approximate range of volumes that CAC Oro Verde will have to produce to meet a percentage of that demand. British Columbia, Ontario and Quebec were analyzed;

outcomes are illustrated in Table 32, Table 33 and Table 34, respectively and following the same format and logic used in the quantitative analysis in Chapter IV.

Table 32

Analysis of British Columbia Imports of Cocoa Beans, Whole or Broken, Raw or Roasted from 2014 to 2016 Expressed in TNE (Metric Ton)

Exporters	Fine flavour?	Percentage of fine flavour	2014	2015	2016
			Imported quantity, TNE	Imported quantity, TNE	Imported quantity, TNE
World	-	-	32	50	253
Group 1: United States	No	0%	6	25	23
Group 2: Peru, Ecuador, Colombia and Dominican Republic	Yes	Between 75% to 95%	24	23	222
Variation of Group 1			**-**	**316.67%**	**-8.00%**
Variation of Group 2			**-**	**100.00%**	**362.50%**
Total five countries			30	48	245
Percentage 5 countries out of total world			93.75%	96.00%	96.84%
Percentage Group 1 out of total five countries			**20.00%**	**52.08%**	**9.39%**
Percentage Group 2 out of total five countries			**80.00%**	**47.92%**	**90.61%**

Note. Group1: United States is not a producer of cocoa beans. On the contrary, there are many wholesalers in this country that collect cocoa beans from different countries all over the world including fine flavour and conventional cocoa beans.

The analysis performed to British Columbia’s cocoa beans imports in the last three years explained in Table 32 shows the extremely increasing demand for cocoa beans from fine flavour cocoa beans producers of Group 2 which includes Peru, Ecuador, Colombia and Dominican Republic. Moreover, the market share for fine flavour cocoa beans in this province is notoriously higher than conventional cocoa beans. Even though the only country included in Group 1, which is United States, is not actually a producer of cocoa beans, the trend shows that there are also imports for fine flavour products from them. Nonetheless, it is important to highlight that it is a great challenge to determine which kind of cocoa beans are exported from United States since their volumes exported are primarily through wholesalers which have sourced cocoa beans from different countries all over the world including conventional and fine flavour cocoa beans at the same time. Furthermore, this analysis included primarily the main five exporter countries which currently accounts for over 90% of the total imports to British Columbia.

Table 33

Analysis of Ontario Imports of Cocoa Beans, Whole or Broken, Raw or Roasted from 2014 to 2016 Expressed in TNE (Metric Ton)

Exporters	Fine flavour?	Percentage of fine flavour	2014	2015	2016
			Imported quantity, TNE	Imported quantity, TNE	Imported quantity, TNE
World	-	-	2,038	1,006	1,943
Group 1: Côte d'Ivoire, Nigeria	No	0%	545	164	809
Group 2: Dominican Republic, Ecuador, Peru	Yes	Between 75% to 95%	1,316	744	936
Variation of Group 1			**-**	**-69.91%**	**393.29%**
Variation of Group 2			**-**	**-43.47%**	**25.81%**
Total five countries			1,861	908	1,745
Percentage five countries out of total world			91.32%	90.26%	89.81%
Percentage Group 1 out of total five countries			**29.29%**	**18.06%**	**46.36%**
Percentage Group 2 out of total five countries			**70.71%**	**81.94%**	**53.64%**

The total quantity of imports in British Colombia is very small in comparison to Ontario and Quebec which have big chocolatiers and wholesalers. The small market share in quantity in comparison to the other provinces and the high presence of fine flavour cocoa beans can indicate that the main importers in this province are niche bean-to-bar companies which are looking for direct trade. From CAC Oro Verde’s perspective, this is a very interesting and favorable opportunity since the cooperative does not have very large capacity of fine flavour cocoa beans to export and the target market is bean-to-bar companies with which making partnerships. Since the potential customers are looking for direct trade transactions, CAC Oro Verde would not have the need to collect large amounts of cocoa beans through strategic alliances with other producers or through wholesalers because the demand would be apparently covered with the current level of production.

The analysis performed to Ontario's cocoa beans imports in the last three years explained in Table 33 shows unstable demand for cocoa beans from fine flavour and conventional cocoa beans producers of both groups. Including a decreasing period in 2015 for both types of cocoa beans, 2016 seemed to be a year for recovery with a better performance of producers from Group 1 which includes Côte d'Ivoire and Nigeria whose productions are merely conventional cocoa beans. Market growth of fine flavour cocoa beans in this province has been higher than conventional cocoa beans in the last three years. Thus, the trend shows the main preference for fine flavour products. Furthermore, this analysis included just the main five exporter countries which accounted over 90% of the total imports in Ontario.

The total quantity of imports in Ontario is higher than British Columbia although is small in comparison to Quebec since they have one of the biggest chocolate and cocoa manufactures in the world, Barry Callebaut. The moderate market share in quantity in comparison to the other provinces and the moderate presence of fine flavour cocoa beans indicate that the main importers in this province are mainly chocolatiers and bean-to-bar companies which are growing rapidly. For CAC Oro Verde, this can also be an interesting and favorable in the long-term rather than the short-term since the cooperative does not currently have large amounts of fine flavour cocoa beans to export that the market needs. In the short-term, the cooperative would have to export through strategic alliances with other producers or through wholesalers because the demand would not be covered with the current level of production. However, in the long-term, as CAC Oro Verde's production of fine flavour cocoa beans increases then this province will become very attractive and promising.

Table 34

Analysis of Quebec Imports of Cocoa Beans, Whole or Broken, Raw or Roasted from 2014 to 2016 Expressed in TNE (Metric Ton)

Exporters	Fine flavour?	Percentage of fine flavour	2014	2015	2016
			Imported quantity, TNE	Imported quantity, TNE	Imported quantity, TNE
World	-	-	62,902	67,246	57,871
Group 1: Côte d'Ivoire, Nigeria and Ghana	No	0%	49,148	44,083	37,493
Group 2: Ecuador, Peru	Yes	Between 75% to 95%	7,029	13,339	15,532
Variation of Group 1			**-**	**-10.31%**	**-14.95%**
Variation of Group 2			**-**	**89.77%**	**16.44%**
Total five countries			56,177	57,422	53,025
Percentage five countries out of total world			89.31%	85.39%	91.63%
Percentage Group 1 out of total five countries			**87.49%**	**76.77%**	**70.71%**
Percentage Group 2 out of total five countries			**12.51%**	**23.23%**	**29.29%**

The analysis performed on Ontario's cocoa beans imports in the last three years explained in Table 34 shows an increasing demand for cocoa beans from fine flavour cocoa beans producers of Group 2 that includes Ecuador and Peru. Moreover, it shows a decreasing trend of conventional cocoa beans from the countries of Group 1 that includes Côte d'Ivoire, Nigeria and Ghana. In addition, the market share is mainly and still in favor of conventional cocoa beans in this province which has been higher than fine flavour cocoa beans in the last three years. However, the trends show that fine flavour cocoa beans are gaining more market share little by little which demonstrates that Quebec's preferences are changing. Furthermore, this analysis included just the main five exporter countries which accounted over 85% of the total imports to Quebec.

The total quantity of imports to this province is much higher than British Columbia and since the high presences of big chocolatiers and wholesalers in the province. The high market share in quantity in comparison to the other provinces and the low presence of fine flavour cocoa beans lead to conclude that the main importers in this province are mainly chocolatiers rather than bean-to-bar companies. However, there are also growing rapidly recently. For CAC Oro Verde, it is more favorable in the long-term rather than the short-term since the cooperative does not currently have large amounts of fine flavour cocoa beans to export that the market needs. In the short-term, the cooperative would have to export through strategic alliances with other producers or through wholesalers because the demand would not be covered with the current level of production. However, in the long-term, as CAC Oro Verde's production of fine flavour cocoa beans increases then this province will become very attractive and promising.

Conclusion. After the three assessments performed, British Columbia seems to be the most attractive and promising province followed by Ontario and Quebec. This is due to four main reasons as follows: (a) British Columbia is the second main province in terms of quantity of bean-to-bar companies, (b) British Columbia has three out of six main potential partners with which the cooperative can establish synergies focused on direct trade and promotion of the producer into the Canadian fine flavour cocoa market, (c) in British Columbia, fine flavour cocoa beans shows a much higher demand than conventional cocoa beans, and (d) British Columbia does not require high quantities of cocoa beans so that CAC Oro Verde can meet that demand without making strategic alliances with wholesalers or other producers. Considering all mentioned before, British Columbia is the best province to start the business opportunity in Canada while meeting all possible demand and gaining a reputation within the Canadian fine flavour cocoa market. However, as the CAC Oro Verde's business grows in the market as well as its production, it will be convenient to expand the business to Ontario and Quebec which are very promising provinces as well.

8.1.4 Promotion

Promotion strategy mainly takes into consideration the information obtained from the Canadian survey to importers showed and analyzed in Chapter IV. In that survey, it was evaluated the main factors that influence decision to source from a particular supplier which showed that the most valuable channel of searching for new suppliers or new entrants is through references with 89% of the answers followed by searching through different websites with 44% and through directories with 33%. Having known that, there are three main promotion strategies to develop as follows: (a) packaging of the Canadian partners referencing the origins of the cocoa, utilizing the partnership that will established, (b) promotion strategy through updating CAC Oro Verde's online website, and (c) promotion strategy through attending to different fairs, conferences and showrooms all over the world in order to create an extended network of contacts in the business in regards to reinforce the concept of promotion through word of mouth.

First promotion strategy. It is easy to realize that it would be very difficult to openly penetrate the Canadian market in different locations at the same time due to the fact that the cooperative is not well-known in this market yet. For that reason, working on initial partnerships will help to achieve this goal since the potential partners already identified would promote the cooperative brand in their website and packaging. They would play the role of sponsors in front of other customers and in front of the Canadian market in general. Thus, later on when a new potential customer looks for a new supplier then CAC Oro Verde's brand would be already known and positioned in the market. The new potential customer would be interested in CAC Oro Verde's product due to the reference that the partner made in their websites and packaging. The best part of this strategy is that it is free since it can benefit both of the customer showing the producer in their websites and packaging.

Second promotion strategy. This strategy is partially executed since CAC Oro Verde already has its own website. However, in other to approach the Canadian cocoa market, it is important to have the website in English and French which are the official languages in Canada. It is clear that potential customers could lose the interest on researching in CAC Oro Verde's website just because they do not speak Spanish. Considering that CAC Oro Verde's website is already developed, it is not that much expensive to develop the English and French versions. On these websites they can also include a section where they can give the customers an opportunity to give reviews or testimonials about their products.

Third promotion strategy. This strategy is already executed by CAC Oro Verde which is actively participating in different meetings, showrooms, conferences, fairs, and events in order to show its product and create or develop a network in the industry. Therefore, this strategy just needs to be reinforce choosing the main events according to the markets they want to penetrate. For instance, in order to penetrate the Canadian cocoa market, it is necessary to attend to at least two or three fairs inside Canada or where Canadian potential customers can attend. Word of mouth of the consumers or credible people within the industry are very effective in promoting products.

8.2 List of Activities

After finishing the marketing mix in detail, the implementation plan as itself arises as the following step. In that sense, the first step to do is to determine the list of activities needed in order to develop the business opportunity. The list of activities is divided into two main group as follows: (a) the implementation of the marketing mix, and (b) the implementation of the first exportation to Canada market. The first one is related to all the previous activities needed to export the new product to the new market whereas the second one is related to the process of exporting as itself.

8.2.1 Implementation of the marketing mix

Before exporting the fine flavour FTO cocoa beans to the Canadian market, it is necessary to develop and implement the marketing mix already explained. Thus, this section is composed by five main parts of implementation: (a) marketing mix, (b) product, (c) price, (d) place, and (e) promotion. It is important to highlight that the order of this sequence is highly important since each of them comes after the previous one is done or is in process.

Marketing mix. The first activity is to communicate and training all the internal stakeholders within the cooperative about the marketing strategy and marketing mix that CAC Oro Verde would develop in the upcoming months. It is important to keep everybody informed regarding this new strategy in order to work as a team to achieve the goas. Keeping committed is a key success factor when developing new strategies. The first step is the communication throughout all the cooperative and the second step is the training in marketing concepts and new knowledge to implement. Due to the fact that this is a new strategy that affect the whole cooperative, the person in charge must be the general manager. Moreover, the department in charge of that training must be the marketing department in which the visible head is the marketing manager.

Product. Regarding the product, there are four main activities to develop which are: (a) researching all Canadian laws and regulations for the specific provinces chosen; (b) training producers and CAC Oro Verde's internal stakeholders about fine flavour FTO treatment; (c) developing a plan for the implementation of extra actions to comply with Canadian regulations if any in regards to the product, labelling, packaging and exportation process; (d) implementing the extra actions in order to comply with the Canadian market if any in regards to the product, labelling, packaging and exportation process.

Regarding the first activity, it is necessary that CAC Oro Verde makes an exhaustive research of the laws and regulation for exporting products to the specific provinces already chosen. Although in this report the main ones have been already treated and explained, it is necessary to go in specific detail in order to comply with all the requirements that the Canadian authority demands. Moreover, the department in charge of that research must be the regulations and standards department in which the visible head is the regulations and standards manager.

Regarding the second activity, it is important to perform different trainings to all the producers of fine flavour cocoa beans as well as all the internal staff of the cooperative in regards to the treatment of the fine flavour cocoa beans. As known, currently the cooperative mixes the conventional and fine flavour cocoa beans as some clients require. However, this practice should be eliminated when dealing with lots for the Canadian market. From the side of the producers, currently they deliver their products separately taking into consideration both kind of products in order to avoid the mixing. From the side of the cooperative, they currently mix the product on purpose due to the requirements of its clients. Moreover, the department in charge of that training must be the operations department in which the visible head is the operations manager.

Regarding the third and fourth activity, after performing a research of the main Canadian laws and regulations, it is important to determine if the current processes and activities of the cooperative fit with those regulations and requirements in regards to the product, labelling, packaging and exportation process. If they do, then there is no need to develop an implementation plan, otherwise, it is mandatory to develop a plan to close that gap. Finally, just in case an implementation plan in the third activity is needed, then the execution of that plan is mandatory.

On the one hand, the department in charge of developing the plan must be the regulations and standards department which would be in charge of the research and whose visible head is the regulations and standards manager. On the other hand, the department in charge of the execution of the plan in any must be the operations and logistics departments since it involves not only the product and packaging but also the exportation process. In this case, the visible heads are the operations manager and the logistics manager.

Price. Regarding the price, there are two main activities to perform which are: (a) developing the cost structure for the new product proposed in order to determine the final price and considering the FOB and CIF incoterms; and (b) developing different prices for the different varieties of *Criollo* cocoa beans in the range established.

Regarding the first activity, there is the need to determine the new cost structure for the new product to sell in Canadian market in order to determine the final price to this market. In that sense, different options should be developed in order to offer different alternatives to the customers. Calculating the new prices should take into consideration the two most used trade terms that are price FOB or price CIF. Since this is a new location to export, the second one requires more calculations and research. However, the most used type of price for the cooperative is price FOB which will be used for the calculations in the next chapter. In this case, since the calculation of the prices depends on the finance department and the calculation of FOB and CIF prices needs the input of the logistics department, then the finance manager and logistics manager are the people in charge.

Regarding the second activity, although a range of prices has been already suggested, it is necessary to determine the exact price for each type of native variety of *Criollo* cocoa beans that the cooperative has. In that sense, the price associated depends on the quality and the rareness of the product. An extensive evaluation must be performed in regards to this activity. In this case, the finance department is in charge of calculating the price but also the

R&D department is in charge of determining the rareness of the product so that both managers are in charge of this activity.

Place. Regarding the place and the distribution strategy, there are three main activities already identified that are: (a) establishing the first contact with the potential partners already identified in British Columbia, (b) business trip to British Columbia in order to personally approach the potential partners including the delivering of first samples, (c) negotiating the conditions that include direct trade and promotion for the producers in the websites and packaging of the bean-to-bar chocolates, and (d) establishing partnerships with potential customers in British Columbia. In this part, it is relevant to mention the high importance of this activities since they all lead to establish and assure the success of the entry method chosen which is direct trade and partnership. Moreover, its effects would dramatically impact into the next bunch of activities that are related to the promotion.

Regarding the first activity, the first step is to approach the potential customers that are the three bean-to-bar companies in British Columbia chosen in the previous section. Due to the importance of the activity and as a presentation of the company, then the general manager and the logistics manager would be in charge of this activity.

Regarding the second activity, once the initial approach is done and it attracted the interest of these customers, then a business trip is mandatory in order to personally approach these customers. The presentation of the company is very important and some samples of the products would be convenient to bring in order to let the potential customers know about CAC Oro Verde's products. Due to the importance of the activity that leads to open a new business in a new country, then the people in charge would be the head of the main departments such as the general manager, logistics manager and R&D manager.

Regarding the third activity, once the potential customers are interested in working with CAC Oro Verde, then the step of negotiating the main conditions of the relationship is mandatory. In that sense, it is important that CAC Oro Verde explains its interest in developing a long-term relationship with the customer as well as the need of having direct trade relations and promoting the producers. This step is one of the main important since it demands reaching to good agreements for both parts in terms of price and quantities. In that sense, the people in charge are again the head of the main departments such as the general manager, logistics manager and R&D manager.

Regarding the fourth activity, once all the steps previously mentioned are done and both parties agreed this the conditions, then it is possible to state that the cooperative has signed its first partnership within the Canadian market. Due to the importance of the agreement, the general manager is the executive in charge of the activity.

Promotion. Regarding the promotion strategy, there are three main promotional activities that have been identified as follows: (a) creating different stories that highlight the flavours for each variety of native Criollo cocoa beans and the producers in addition to utilizing the partnership that will be established, (b) modifying CAC Oro Verde's website including versions in English and French in order to approach the potential Canadian customers, and (c) attending to some Canadian fairs, showrooms of cocoa to create a network of different stakeholders of the industry in the Canadian market.

Regarding the first activity, in order to develop the proposed strategy of differentiation, it is necessary that the cooperative create the stories related to each variety of native Criollo cocoa beans highlighting the taste, flavour and experience as well as the communities of producers of these products. The partner will later on use this stories to promote in its bean-to-bar chocolate the name of the cooperative and its producers through the partner’s website and through the chocolate’s packaging. It is mandatory that this activity must be done before the top management of CAC Oro Verde personally approaches the Canadian customers in British Columbia in order to be able to approach them with all the possible information. The ideal department for this activity is the marketing departing whose head is the marketing manager.

Regarding the second activity, it is extremely important that CAC Oro Verde includes in its website versions of it in English and French. Nowadays, it is impossible to think of approaching the Canadian cocoa market if the main source of information for a new potential customer which is the website is not in English or French that are the official languages in Canada. Thus, this activity must be done in advance and before the cooperative establishes the first contact with the Canadian potential partners. In that sense, the main department in charge of that is the IT department whether this department is outsourced or not.

Regarding the third activity, as CAC Oro Verde is currently doing, attending to the different fairs, conferences and showrooms of cocoa within Canada is mandatory in order to create a new network of different stakeholders of this business in this new country. In that sense, attending to at least two events are recommended. The top management of CAC Oro Verde is the main responsible of attending to these event whose heads are the general manager, logistics manager and R&D manager.

8.2.2. Implementation of first exportation to Canadian market

Once the marketing mix is implemented, then the process must be monitored throughout the first exportation to the Canadian market. Within CAC Oro Verde, there are two main processes: (a) the production process which includes from the collecting the cocoa beans from the producers until the final storage of the packaged product, and (b) the delivery process which includes from the transporting of the packaged products from San Martín region until the delivery of the container inside the ship at the port for FOB transactions. For both processes, there is no distinction between conventional and fine flavour cocoa beans. Therefore, the same flow, timing and sequence of the current processes will be applied for the producing and exporting fine flavour FTO cocoa beans. According to Instituto

Interamericano de Cooperación para la Agricultura (2017), both processes include the following activities:

- Delivery of samples of the specific product
- Reception of the order of production
- Collection of cocoa beans from the producers to the cooperative plant
- Process of fermentation
- Process of pre-drying
- Process of drying
- Packaging Process
- Preparation of the lot
- Transportation from San Martín region to Lima
- SENASA’s inspection
- Exportation documentation Process
- Delivery in port of final products

Throughout all these processes, the departments in charge are R&D, operations and logistics departments whose heads are the R&D manager, operations manager and logistics manager.

8.3 Implementation Gantt Chart

All the activities mentioned above are shown in Figure 25 using a Gantt chart which includes responsible and timing for each of them.

Core Activities	Specific Activities	Responsible	Week
Implementation of Marketing Mix	**Marketing Mix**		1
	1.Training all CAC Oro Verde's internal stakeholders about the marketing strategy and mix to implement	General Manager and Marketing Manager	1
	Product		2 - 9
	1. Research of all Canadian laws and regulations for the specific provinces chosen	Regulations & Standards Manager	2 3
	2. Training producers and CAC Oro Verde's internal stakeholders about fine flavour FTO treatment	Operations Manager	4
	3. Develop a plan for the implementation of extra actions to comply with Canadian regulations if any (product, labelling, packaging and exportation)	Regulations & Standards Manager	5
	4. Implement the extra actions in order to comply with the Canadian market if any (product, labelling, packaging and exportation process)	Operations Manager and Logistics Manager	6 7 8 9
	Price		8 - 9
	1. Develop the cost structure for the new product proposed in order to determine the new price and considering FOB and CIF incoterms	Financial Manager and Logistics Manager	8
	2. Develop different prices for the different varieties of Criollo cocoa beans in the range established	Financial Manager and R&D Manager	9
	Place		10 - 18
	1. Establish first contact with potential partners already identified in British Columbia	General Manager and Logistics Manager	10 11
	2. Business trip to British Columbia in order to personally approach the potential partner including the delivering of first samples	General Manager, Logistics Manager, R&D Manager	12 13
	3. Negotiate the conditions including direct trade and promotion of the producers	General Manager, Logistics Manager, R&D Manager	14 15 16
	4. Establish partnerships with potential customers in British Columbia	General Manager	17 18
	Promotion		8 - 29
	1. First Promotion Strategy: Create different stories that highlight the flavours for each variety of Criollo cocoa beans and the producers	Marketing Manager	10 11
	2. Second Promotion Strategy: Modify CAC Oro Verde's website including versions in English and French	IT Manager	8 9
	3. Third Promotion Strategy: Attend to some Canadian fairs, showrooms of cocoa to create a network	General Manager, Logistics Manager, R&D Manager	13 29
Implementation of First Exportation	**First Exportation**	Operations Manager, Logistics Manager, R&D Manager	24 - 30
	1. Delivery of samples of the specific product		24 25
	2. Reception of the order of production		26
	3. Collection of cocoa beans from producers		26
	4. Process of fermentation		26 27
	5. Process of pre-drying		27
	6. Process of drying		27
	7. Packaging process		28
	8. Lot preparation		28
	9. Transportation from San Martin to Lima		29
	10. SENASA's inspection		29
	11. Exportation documentation process		30
	12. Delivery in port of final product		30

Figure 25. Gantt chart of the implementation plan.

As shown in Figure 25, all the activities are divided in two main groups of implementation: (a) implementation of the marketing mix, and (b) implementation of the first exportation. Moreover, the responsibilities and the timing for each activity are included. As shown, the group of activities for marketing mix, product, price, place and promotion will take one, eight, two, nine and six weeks, respectively. At the end, the whole implementation plan will take 30 weeks which is from seven to eight months from the moment that the new marketing strategy and mix are communicated until the first lot of production of fine flavour FTO cocoa beans is exported to the Canadian market.

8.4 Implementation Cost

When considering the implementation cost, it is important to differentiate which items are going to be counted in these costs and which are not. The cost of implementing the marketing mix will be calculated considering two main factors: (a) the cost of implementing the marketing mix will be treated as an initial fixed cost in the financial assessment developed in the next chapter, and (b) the cost of implementing the first exportation will be treated as variable cost since it depends on the quantity of products produced and exported. Furthermore, this cost has been already identified and it is counted as part of the unit cost together with the cost of raw materials. Table 35 shows the summary of costs for implementing the marketing mix considering the main sub-group already identified. For the purpose of this report, all internal training and activities that belong to the routine activities of the staff of CAC Oro Verde are not going to be counted in this cost since they can be assumed as part of it and not as an extra activity not related to the main functions of the staff. Furthermore, as calculated, the total cost of implementation is 109,000 USD for the six activities described above.

Table 35

Implementation Costs

Marketing Mix	Activity	Estimated Cost (USD)
Product	Training producers and CAC Oro Verde's internal stakeholders about fine flavour FTO treatment	15,000
Product	Implement the extra actions in order to comply with the Canadian market if any (product, labelling, packaging and exportation process)	50,000
Place	Business trip to British Columbia in order to personally approach the potential partner including the delivering of first samples	25,000
Promotion	First promotion strategy: create different stories that highlight the flavours for each variety of *Criollo* cocoa beans and the producers	1,000
Promotion	Second promotion strategy: modify CAC Oro Verde's website including versions in English and French	3,000
Promotion	Third promotion strategy: attend to some Canadian fairs, showrooms of cocoa to create a network (including promotional material and advertising)	15,000

8.5 Key Success Factors

Key Success Factors (KSF) are defined as the combination of important facts that is required in order to accomplish one or more desirable business goals (Business Dictionary, 2017c). KSF also are defined by the basic planning, design and implementation of the way in which products and services will be presented for consumers to result in successful sales (Lake, 2017). Furthermore, Lake (2017) also stated that the purpose of the KSF is to stimulate marketing and sales to develop a strong business status through incentives. Key success factors are not a static entity but should always be evolving as the external environment and consumers' preferences are constantly changing. They are also different for every business depending on what factors offer more advantages. Thus, for this report, a number of enablers and risks have been identified.

8.5.1 Enablers

Enablers can be defined as capabilities, forces, and resources that contribute to the success of an entity, program or project (Business Dictionary, 2017d). In this case, they include: (a) their capability to produce fine flavour FTO beans, (b) complying with all the Canadian requirements needed in terms of labeling, packaging and processing, (c) establishing a brand as a premium supplier, (d) the direct exporting process and, (e) developing a partnership with a buyer that shares the same values, such as a bean-to-bar companies in Canada. These enablers will be described in further detail below.

Capability to produce fine flavour FTO cocoa beans. As mentioned in the previous chapters, CAC Oro Verde has the capability to produce FTO fine flavour cocoa beans which are unique to their region. However, in order for them to capitalize on the value of the fine flavour FTO cocoa beans, they must ensure that they separate the conventional and fine flavour cocoa beans which they currently mix. In order to ensure this, the importance of doing so must be communicated to the producers and everyone at the cooperative so that they can satisfy the targeted consumers' needs in Canada.

Complying with all the Canadian requirements needed in terms of labeling, packaging and processing. In addition to unmixing the cocoa beans, they must ensure that the producers and the cooperative comply to all the Canadian requirements needed for labeling, packing and processing their products. As mentioned in the previous section, guidelines on the product packaging, labelling, and transportation can be found. Further detail on these processes can be also found through the Canadian Food Inspection Agency's website.

Establishing a brand as a premium supplier. A brand is defined by a customer's overall perception of a business (Gregory, 2016). As Gregory (2016) stated, a successful brand has to be consistent in communication and experience, across many applications such as: (a) the environment; (b) the print, signage, and packaging; (c) the website and online advertising; (d) the social media and content marketing; and (e) sales and customer service. It is important to realize that brand building takes time and is a process to develop. However, persistence and consistency will result in establishing long-term relationships with customers. Gregory (2016) also indicated 11 steps that have been adapted for a successful brand building process as follows:

Determine the brand's target audience. CAC Oro Verde must tailor their mission and message to meet their target audiences' specific needs. Considering that they cannot be everything to everyone, they need to make a clear picture of their consumers. In this case, their consumers would be bean-to-bar businesses in Canada which they will need to understand and be able to relate to. From this report, it is known that the bean-to-bar businesses generally strongly value where they get their fine flavour cocoa beans from and prefer FTO products.

Define a branding mission statement. Before building a brand that the target audience will trust, knowing what value the business provides is crucial. The mission statement will define the purpose for existing and will build a foundation for what kind of brand will be further developed. As mentioned in Chapter I, currently CAC Oro Verde's vision is to make the cooperative and its partners profitable in their productive and commercial activities to improve their living conditions. Their mission involves providing relevant, efficient, sustainable services with a gender focus to improve productivity, quality of agroforestry products, market oriented in support of its technical teams and promoters, leaders including appropriate methodologies in the technical-productive management plans. CAC Oro Verde's values are transparency, respect, democracy, fraternity, perseverance, and punctuality. It is important that the vision, mission and values that the CAC Oro Verde have are in line with the target partner that they will approach.

Research brands within the identified industry niche. Never imitate exactly what the big brands are doing in the industry. However, it is important to be aware of what they do well and also be able to identify where they fail. Consistency with the message and visual identity across channels is important. In addition, quality of the products and services are highly recommended to be considered. Having customers' reviews that others can read, or social mentions are something that consumers also consider. Identifying gaps will enable the cooperative to differentiate from the competition.

Outline the key qualities and benefits the cooperative's brand offers. This means focusing on the qualities and benefits that make the cooperative unique. Generally, in Canada, consumers strongly value authenticity and transparency. Therefore, considering the levels of corruption in many of the regions that are able to produce similar products, a key success factor can also include consistency in quality and transparency or responsiveness to changes in the environment.

Create a great brand logo and tagline. This is the most basic although most important piece of brand building. The graphic will appear on everything that relates to the cooperative and it will become the visual recognition of whatever is promised within the brand. The logo and tagline plays a significant role in reinforcing visual identity of the brand. Hiring a professional designer or creative agency with branding and identity design experience to help build the brand can be very beneficial overall. The designer can also develop brand guidelines to ensure consistency for future application of the logo.

Form the brand's business voice. The brand's voice is dependent on the company's mission, audience and industry. In the case of CAC Oro Verde, this will involve how they will communicate to their partners and how they will respond. Therefore, the business voice can be professional, friendly, service-oriented, promotional, conversational or informative depending on how the company wants to be perceived.

Building a brand message and elevator pitch. After a business voice is chosen, it is important to tell the customers who the cooperative and its products are. The message should be conveyed in one to two sentences and intricately associated with brand. This message is an opportunity to connect and communicate on a human level to the consumer focusing on the benefits of the product to the consumer.

Let the brand personality stand out. It is important to consider that customers are looking for a genuine personal experience that is tailored to their needs. Customers are not looking for something that they can find anywhere in the world. Therefore, telling the stories of the unique places or about the producers involved in the process can be a big differentiating factor as it adds to creating that unique experience for the consumers. It is important to be consistent with this brand personality across all points of contact.

Integrate the brand into every aspect of the business. Brand building never stops so it is important to ensure that the brand is visible and reflected in everything that the customer sees and does not see. Clients should be able to feel the experience of what the brand intends to communicate through personal interactions and in the environment. Anything tangible including business cards, advertisements, packaging, needs to have the logo on it. Websites need to incorporate the chosen business voice, message and personality into the content. Profile pages for social media networks should be branded visually and with the chosen voice for engagement.

Stay true to the brand. Consistency is key. Once a voice is chosen, use it for every piece of content that is created.

Be the brand's biggest advocate. No one will know the brand better than the cooperative, so it's up to the cooperative and its producers to spread the word. Encouraging producers to establish a personal brand that aligns with the cooperative's brand can further strengthen their reach to the experience of the end consumers. Enabling consumers to have a voice on products by reviews or sharing the content can also have a powerful impact on building the brand.

Direct exporting process. This entry mode enables the producers and the cooperative to have more control over the logistics of their exports and also enables them to have greater benefits in return on investments since they do not have to pay a third party or intermediaries throughout the exporting process. To ensure that they receive more benefits than costs, they must ensure an efficient management of the logistics process which includes incoterms, packaging and transportation.

Developing a partnership with a buyer that shares the same values, such as a bean-to-bar companies in Canada. Choosing a suitable partner within the bean-to-bar segment in Canada will enable to the cooperative to gain traction the Canadian market. Suitability involves sharing similar values such as appreciating the region and stories of the producers involved in the process with the intention of improving the livelihood of everyone throughout the process.

8.5.2 Risks

One way to perceive risk is a probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action (Business Dictionary, 2017e). Some risks in terms of this case include: (a) risk of non-compliance of the producer, (b) limited source of finance, (c) fluctuations of countries' currency and price of conventional cocoa beans in Stock Markets, (d) levels of contaminants or hazards that can be a negative effect to a certain magnitude, and (e) mismanagement of direct exporting in terms of logistics, costs and communication.

Risk of noncompliance of the producer. The probability that the producers do not follow the proper regulations and meeting all the expectations in terms of quality and cross contamination of the fine flavour and conventional cocoa beans is to be considered as a risk that can greatly impact the relationship and trust of potential partnerships or customers. In order to avoid this, there must be some additional incentives for the producers to ensure consistency. A contract should be put in place ensuring that the terms are expected and required. Positive reinforcement such higher sums of income for farmers, supported by the higher returns for the fine flavour cocoa beans, will also be a good way to motivate the producers and genuinely increasing their livelihood.

Limited source of finance. The probability that the do not gain a larger net profit is a risk since they rely largely on their debt. According to Business Dictionary (2017e), financial risk is divided into categories such as: (a) basic risk, (b) capital risk, (c) country risk among others. In this case, Oro Verde has a limited source of finance considering that they have a large imbalance of capital. In this case, they may consider balancing their equity and liquid assets to have a more stable source of finance. In the long-term they may consider going publically traded for additional support.

Fluctuations of countries' currencies and price of conventional cocoa beans in Stock Markets. In order to manage exchange rate risk, a process known as currency hedging can be used. Forward, futures or currency options can be used. Using a banker or currency broker can help decide which is the best strategy can be used for mitigating risk of fluctuations on the exchange rate. Price of fine flavour cocoa beans, as mentioned before, has not decreased as much as the conventional cocoa. To avoid the risk of dropping prices of the cocoa market, developing a premium brand and using a premium pricing strategy for their products can mitigate the effects of being affected by the fluctuating prices of the industry.

Levels of contaminants or hazards that can be a negative effect to a certain magnitude. As mentioned in previous chapters, the levels of contaminants of cadmium, insects, pests and any other contaminants in the environment can be a risk that can impact the magnitude of overall production. In order to mitigate this, more frequent and exhaustive controls of production and on the farms, are necessary.

Mismanagement of direct exporting in terms of logistics, costs and communication. In order to minimize miscommunication, fluent English employees, preferably bilingual with Spanish, are needed at the point of contact during the exporting process. In addition, having a website with a version in English is also needed to develop its brand and increase its ability communicate its mission, vision and values. A logistics management team is needed to ensure more effective and efficient processes are being used in directly exporting into Canada's market. In addition, developing a partnership with a Canadian company will enable CAC Oro Verde to leverage details on the exporting process in addition to the market demand and preferences.

8.6 Conclusion

As explained in further detail in this chapter, the marketing mix and marketing strategy activities were used to develop a specific timeline that was presented using a Gantt chart and were used to calculate an estimate of implementation costs. The marketing mix involved the product, price, place and promotion. Developing the fine flavour FTO cocoa beans involve activities such as packaging labeling, and transportation.

In terms of price strategy, a premium pricing strategy is used because it will be considered to be a premium product that is double certified Organic and Fair Trade. The intent of this pricing strategy is to enhance the perception of the consumer and be perceived as more of a premium quality product. In chapter IX, the scenarios for fine flavour segmented prices will range from 5,000 USD to 6,500 USD considering that it will be positioned as a higher end premium product. After comparing to benchmarks of current competitors in the region, the prices ranged from 5,821 USD to 6,369 USD per TNE using the FOB incoterm and with the CIF incoterm prices were 7,224 USD to 7,560 USD.

The targeted place was assessed first looking at the number of bean-to-bar companies in each province then was further filtered looking at if they had demand for fine flavour FTO and a preference for direct trade. Furthermore, the demand for fine flavour cocoa that each province was determined by the percentage of exports by the main fine flavour cocoa countries and the total amount of cocoa beans imported for each province. After assessing each province further in terms of demand volumes and bean-to-bar companies, British Colombia was the most attractive and promising province followed by Ontario and Quebec. British Colombia has three out of six potential bean-to-bar partners that have the potential to create synergies in the Canadian market. Although British Colombia has a smaller overall demand of cocoa, it is a plausible market to enter the Canadian market considering the smaller capacity of CAC Oro Verde at this time. This is a great opportunity to build a brand and reputation within the Canadian market and as the production grows in the future, they will be able to develop brand awareness within Canada and can better anticipate where the next place to enter will be in other provinces.

In regards to promotion, promotional activities include three main strategies. One was utilizing the packaging of the Canadian partners by having them reference the origins of the cocoa. This includes their unique stories that highlight the flavours for each variety of the *Criollo* cocoa beans and the producers involved in the process. This also helps the bean-to-bar company create an enhanced experience in their final products. Secondly, they must update CAC Oro Verde's website including Canada's official languages such as English and French. The third promotion strategy involves CAC Oro Verde to go to different meetings, showrooms, conferences, fairs and events so that more people can be exposed to their product which can help with building a network.

Implementation is represented by the Gantt chart which gives an approximate although realistic timeline for the activities in the process. The estimated time for the whole implementation plan will take approximately 30 weeks which means seven to eight months from the moment the marketing strategy and mix are communicated until the first lot of production is exported to the Canadian market. The cost of implementation is approximately 109,000 USD which involves the activities mentioned in the marketing mix.

Key success factors include both enablers and risks for the proposed business opportunity. Regarding the enablers, they include building a unique premium fine flavour cocoa brand by creating a unique story from the cooperative's values and mission. Furthermore, enablers can be seen as some of their key success factors in the Canadian market which include their capability to produce fine flavour FTO cocoa beans, being able to provide Fair Trade and Organic certified products and complying with all the Canadian requirements needed in terms of labeling, packaging and processing, establishing a brand as a premium supplier, managing the direct exporting process efficiently and, developing a partnership with a buyer that shares the same values, such as a bean-to-bar companies in Canada. Regarding the risks, some of them are related to financial and operational risks. On the one hand, the limited source of finance for the producers, the fluctuations of countries' currencies, and instability of the prices of conventional cocoa beans in the Stock Markets are the main financial risks that may impact the normal development of this business opportunity. On the other hand, the risk of noncompliance of the producers, the uncontrolled levels of contaminants in the plantations, and the mismanagement of direct exporting in terms of logistics and communication are the main operational risks that may affect the business opportunity. Even though initially it may have considered as a risk the CAC Oro Verde's constraint of just entering to the Canadian market instead of analyzing all the most promising countries, the analyses showed that Canadian cocoa market is a very promising market all over the world for the kind of products that CAC Oro Verde produces.

Chapter IX. Expected Outcomes

In this chapter, the financial assessment will be performed in order to determine whether the marketing strategy and marketing mix proposed are viable or not in quantitative terms. In that sense, the financial assessment will have the following steps to cover: (a) forecasting demand, (b) scenarios, (c) assumptions for the calculation, (d) estimated net profit, and (e) key performance indicators. Furthermore, some other qualitative expected outcomes will be stated in the short, mid and long-term. Finally, the last section will summarize all the key points of this chapter through the conclusion.

9.1 Forecasting Demand

The chosen place for initially penetrating the Canadian cocoa market is British Columbia. Therefore, a forecast of the demand in this province for fine flavour cocoa beans will be performed using some assumptions as well as the forecast of all Canadian demand for the same product. Thus, the first step is to obtain the historical demand for both Canada and British Columbia from Chapter IV and Chapter VIII, respectively. Table 10 and Table 32 from both chapters contain the specific information for demand in those locations in the past years which is summarized in Table 36.

Table 36

Summary of Historical Demand for Fine Flavour Cocoa Beans in Canada and British Columbia from 2014 to 2016 expressed in TNE (Metric Ton)

Location	Exporters	Fine flavour?	Percentage of fine flavour	2014	2015	2016
				Imported quantity, TNE	Imported quantity, TNE	Imported quantity, TNE
Canada	Group 2: Ecuador, Peru and Colombia	Yes	Between 75% to 95%	8,472	13,976	17,339
British Columbia	Group 2: Peru, Ecuador, Colombia and Dominican Republic	Yes		24	23	222

Considering that the quantities of demand for cocoa beans shown in Table 36 came from countries whose percentage of production of fine flavour cocoa beans is between 75% to 95% out of the total production, then it is necessary to extract the quantity that only belongs to fine flavour cocoa beans. Therefore, an average value of 85% of the total imports will be taken into account in order to calculate the historical demand. Table 37 shows all mentioned above.

Table 37

Summary of the Adjusted Historical Demand for Fine Flavour Cocoa Beans in Canada and British Columbia from 2014 to 2016 expressed in TNE (Metric Ton)

Location	2014	2015	2016
British Columbia	20	20	189
Canada	7,201	11,880	14,738

Based on the historical demand in these locations for fine flavour cocoa beans and considering that the main industry for these kind of cocoa beans in British Columbia is the bean-to-bar industry, the projections of the demand for both locations are shown in Table 38 which were obtained by regression analysis from the three previous historical values. Moreover, Figure 26 and Figure 27 show the same information from a graphical perspective.

Table 38

Forecasted Demand for Fine Flavour Cocoa Beans in Canada and British Columbia for the Next Five Years Expressed in TNE (Metric Ton)

Location	Year 1	Year 2	Year 3	Year 4	Year 5
British Columbia	181	241	301	361	422
All Canada	15,210	17,567	19,925	22,282	24,640

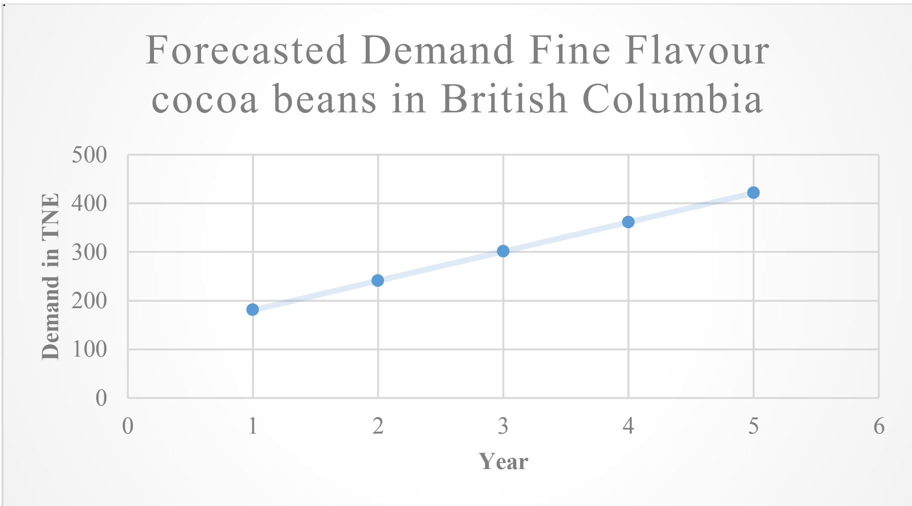

Figure 26. Forecasted demand for fine flavour cocoa beans in British Columbia for the next five years.

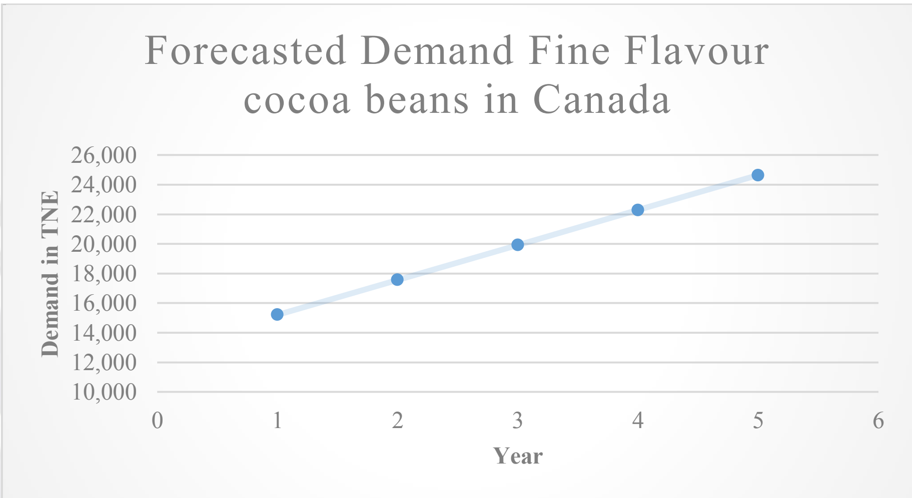

Figure 27. Forecasted demand for fine flavour cocoa beans in Canada for the next five years.

9.2 Scenarios

Considering different scenarios is very useful for the decision-making process. In cases in which there is little information of the market or have high levels of uncertainty because it is a new market, making different scenarios is the best method to show possibilities of expected outcomes. In this case, the scenarios are based on two main variables: (a) different prices that range from 5,000 USD to 6,500 USD according to the pricing strategy, and (b) different market shares or percentages of market that CAC Oro Verde may be able to achieve based on the total demand already identified in British

Columbia. In this last variable, the proposed range of market shares is from 5% to 15% of the total demand for fine flavour cocoa beans in British Columbia. These are relatively realistic starting points considering that is very unlikely to enter to a new market with values that are greater, for example 40%, 50% or 70%. However, it has not been greatly explored considering that it is a niche market. Thus, Table 39 shows the three main proposed values for each variable illustrated in Table 40, 41 and 42 which show the total of combinations that will be assessed. Moreover, it is considered that the Scenario 0 is the projection of the current situation, in other words, the projection without taking into consideration the business opportunity.

Table 39

Proposed Values for Each Variable of Market Share and Prices

Variables	Scenarios		
Market share	5%	10%	15%
Prices (USD)	5,000	5,750	6,500

Table 40

Case 1: Market Share 5%, All Range of Prices

Case 1 Market share 5%	Price (USD)	Demand (TNE)				
		Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	5,000	9.0	12.0	15.1	18.1	21.1
Scenario 2	5,750	9.0	12.0	15.1	18.1	21.1
Scenario 3	6,500	9.0	12.0	15.1	18.1	21.1

Table 41

Case 2: Market Share 10%, All Range of Prices

Case 2 Market share 10%	Price (USD)	Demand (TNE)				
		Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 4	5,000	18.1	24.1	30.1	36.1	42.2
Scenario 5	5,750	18.1	24.1	30.1	36.1	42.2
Scenario 6	6,500	18.1	24.1	30.1	36.1	42.2

Table 42

Case 3: Market Share 15%, All Range of Prices

Case 3 Market share 15%	Price (USD)	Demand (TNE)				
		Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 7	5,000	27.1	36.1	45.2	54.2	63.2
Scenario 8	5,750	27.1	36.1	45.2	54.2	63.2
Scenario 9	6,500	27.1	36.1	45.2	54.2	63.2

Depending on the results obtained, more scenarios will be performed in order to provide more alternatives for the decision-making process. Once the model of calculation is created, then it is easy to try different possibilities in order to show the outcome of each scenario.

9.3 Assumptions for the Calculation and Other Initial Data

The calculation for assessing the project proposed will be based on the two of the most widespread techniques for evaluating projects: (a) net present value (NPV), and (b) internal rate of return (IRR). However, in order to develop the calculation, some assumptions are made due to the fact that there was not enough information or in order to simplify the calculations. Moreover, other initial data concerning the different rates and values are explained in this section. The assumptions and initial data used are in regards to the following aspects: (a) use of the income statement to determine cash flow statement, (b) current products that the cooperative sells such as conventional cacao and coffee, (c) fine flavour FTO cocoa beans unit cost, (d) operational expenses, (e) other income and expenses, (f) initial data for the calculations, and (g) initial investment or cost of implementing the marketing mix.

9.3.1 Assumptions for the calculation

Use of the income statement to determine cash flow statement. The theory for evaluating projects using NPV and IRR states that it is necessary to use cash flows in each period of time in order to evaluate the project. The final outcome of an income statement is the net profit which differs from the final outcome of the cash flow statement which is the net cash flow in the following aspects: (a) the income statement considers depreciation and cash flow statement does not, and (b) the income statement considers accounts receivable and payable whereas the cash flow statement does not consider them (Tarver, 2015).

However, for this calculation, the net profit of the income statement will be considered as net cash flow in the same period of time due to the following reasons: (a) the income statements from the past five years did not include depreciation so that the income statement is closer to the cash flow statement; (b) although the balance sheet provides information regarding the accounts receivable and payable, these are combined for cocoa and coffee products so that it was impossible to determine which belongs to each kind of product; (c) it is not necessary to separate each product since the proposed calculation is incremental and it evaluates the changes in net profit for the projection that includes the proposed business opportunity compared to the net profit for the projection that does not include it and, therefore, both cash flow statement and income statement will eliminate the values of accounts receivable and accounts payable and depreciation; and (d) due to the prior reason, the changes in net profit are approximately the same as the changes in net cash flow.

The reason why it was not possible to use the cash flow statements directly is because the information delivered by CAC Oro Verde was not complete and it only included information until 2015 therefore, it was mandatory to make these assumptions in order to provide some financial figures for the decision-making process.

Assumptions in the sales and costs of the current products. The estimated income statement must include the projection of the sales of the current products such as conventional cacao and coffee. For that reason, a forecast of the sales is performed using the regression analysis considering the historical data of sales in order to project the sales for the next five years. Furthermore, the costs of goods sold for the current products are considered 84% of the total sales. This rate comes from the estimation from the past years shown in the income statement so that it simplifies the calculation considering that it is not the core of the calculation.

Assumptions in the operational expenses. As same as the assumptions in the costs of goods sold for the current products, these concepts are determined as percentages of the total sales based on an estimation from the past years shown in the income statement. Table 43 shows these estimations.

Table 43

Assumptions for the Main Operational Expenses

Main operational expenses	Percentage of total sales
Administrative expenses	6.5%
Sales expenses	2.5%
Financial expenses	6.0%

Moreover, for the assessment of all the proposed scenarios, it is considered that there is an expense of 45,000 USD that will be applied from the second year onwards as a concept for maintaining the business relationships and expanding the business in the Canadian market. For that reason, it is being considered that 3 people are travelling at least 3 times per year to Canada to comply with this purpose.

Other income and expenses. Several assumptions are done in this topic. The concepts that are included are: (a) financial income, and (b) miscellaneous income. All of them are explained in the following paragraphs.

Financial income. Although there were some financial incomes in the last years, there was not financial income in 2015. Since there was not information about this fact, it is conservative to assume that there will not be financial income in the next years so that the projection is more acid and less risky.

Miscellaneous income. The cooperative has been obtaining miscellaneous income since the beginning of its operations so that it is consistent to assume that the cooperative will keep obtaining income for this concept in the future. Therefore, a projection using regression analysis was performed with information from the past years.

9.3.2 Other initial data

Apart from the assumptions mentioned above, there are some initial data to take into consideration for the further calculations as follows: (a) fine flavour FTO unit cost, (b) initial investment which is the cost of implementing the marketing mix, (c) general initial data.

Fine flavour FTO unit cost. According to Instituto Interamericano de Cooperación para la Agricultura (2017), the unit cost for fine flavour FTO is composed by the following components: (a) cost of cocoa beans which is the price paid to the producers for fine flavour cocoa beans per TNE, (b) cost of processing the cocoa beans in the cooperative which includes mainly the cost for the fermentation and drying processes per TNE, (c) cost of export process for one container of 25 TNE, and (d) cost of customs agent for one container of 25 TNE. However, it is important to mention that the last two cost cannot be prorated in order to determine the unit cost per TNE. In this case, it was assumed that each container must be filled up until its full capacity which is 25 TNE except the last one that may be filled with less than the total capacity of the container. Although this is a point of discussion, there are several actions that the cooperative can do in other to diminish the impact of this situation which is: (a) share containers with other Peruvian producers that currently export to Canada, or (b) develop policies with customers in order to have shipments of the full capacity of the container or close to it. Finally, Table 44 and Table 45 show the unit cost of goods sold per TNE for the first two concepts of the total unit cost, and unit cost of goods sold per container of 25 TNE for the second two concepts of the total unit cost, respectively.

Table 44

Unit Cost of Goods Sold per TNE – First Two Concepts of the Total Unit Cost

Unit cost of goods sold per TNE	Total (USD)
Price paid to producers for fine flavour cocoa beans	2,477
Cost of processing the cocoa beans in the cooperative	90

Note. Adapted from "Plan de Negocios para la Exportación de Nibs y Cacao Fino de Aroma en Grano al Mercado Canadiense de la Cooperativa Agraria Cafetalera Oro Verde", by Instituto Interamericano de Cooperación para la Agricultura, 2017, Lima, Peru. Unpublished internal document.

Table 45

Unit Cost of Goods Sold per Container 25 TNE – Last Two Concepts of the Total Unit Cost

Description of cost of export process for one container of 25 TNE	Total (USD)
Shipping cost of cocoa beans samples to Canada	260
Sacks cost for cocoa beans (Food Grade quality)	1,675
Sacks labelling	552
Shipping cost transportation San Martín - Lima	5,000
SENASA's inspection	116
Gate out	534
Shipment fees	1,304
Administrative expenses of shipping company	425
Internal container's walls lined with Kraft paper	235
Container's positioning	515
Weighing	16
Logistics service	500
Cocoa's stowing in Lima	221
Certificate of origin	42
T/C Cocoa beans	390
B/L Cocoa beans	341
Cost of customs agent for one container of 25 TNE	238
Shipping costs of collection documents	145
Total	12,271

Note. Adapted from "Plan de Negocios para la Exportación de Nibs y Cacao Fino de Aroma en Grano al Mercado Canadiense de la Cooperativa Agraria Cafetalera Oro Verde", by Instituto Interamericano de Cooperación para la Agricultura, 2017, Lima, Peru. Unpublished internal document.

Initial investment. As previously stated in Chapter VIII, the initial investment is counted as the total cost of implementation which is 109,000 USD for the six activities described in Table 35. It is considered that this amount of money comes from the bank at an interest rate of 10.5% and it will be paid annually in a period of three years. Thus, the annual payment to the bank will be 44,217 USD.

General initial data. Several initial information is given for different purposes in different steps of the calculations. The ones used for this calculations are shown in Table 46 as follows.

Table 46

General Initial Data

Concept	Value
Exchange rate PEN /USD	3.25
Income tax rate for agroindustry sector	15%
CAC Oro Verde's opportunity cost rate	14%

Note. Adapted from "Plan de Negocios para la Exportación de Nibs y Cacao Fino de Aroma en Grano al Mercado Canadiense de la Cooperativa Agraria Cafetalera Oro Verde", by Instituto Interamericano de Cooperación para la Agricultura, 2017, Lima, Peru. Unpublished internal document.

9.4 Estimated Income Statements and Global Results

9.4.1 Estimated income statements

Considering the demand, scenarios, initial data and all the assumptions mentioned in the previous sections, a projected income statement for each proposed scenario will be performed. Due to the fact that the final assessment will be based on the changes in net profit for the projection of the income statement that includes the proposed business opportunity for each scenario compared to the net profit for the projection of income statement that does not include the proposed business opportunity, then it is needed to first calculate the last one. Hence, Table 47 shows the projections for the next five years including all the considerations and assumptions mentioned before but not including the business opportunity of fine flavour FTO cocoa beans. As stated before, this projected income statement will be used to compare the different scenarios of the same business opportunity.

Table 47

Projected Income Statement for the Next Five Years in PEN – Without Including Business Opportunity of Fine Flavour FTO Cocoa Beans

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales current products	27’856,599	31’150,075	34’443,552	37’737,028	41’030,505
Income	27’856,599	31’150,075	34’443,552	37’737,028	41’030,505
Cost of sales Current products	-23’399,543	-26’166,063	-28’932,584	-31’699,104	-34’465,624
Cost of sales	-23’399,543	-26’166,063	-28’932,584	-31’699,104	-34’465,624
Gross profit	**4’457,056**	**4’984,012**	**5’510,968**	**6’037,925**	**6’564,881**
Administrative expenses	-1’810,679	-2’024,755	-2’238,831	-2’452,907	-2’666,983
Sales expenses	-696,415	-778,752	-861,089	-943,426	-1’025,763
Financial expenses	-1’671,396	-1’869,005	-2’066,613	-2’264,222	-2’461,830
Total expenses	-4’178,490	-4’672,511	-5’166,533	-5’660,554	-6’154,576
Operational income	**278,566**	**311,501**	**344,436**	**377,370**	**410,305**
Financial income	-	-	-	-	-
Miscellaneous income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other cost	-	-	-	-	-
Income before income taxes	**1’222,186**	**1’311,946**	**1’401,706**	**1’491,466**	**1’581,227**
Income taxes	-183,328	-196,792	-210,256	-223,720	-237,184
Net profit	**1’038,858**	**1’508,738**	**1’611,962**	**1’715,186**	**1’818,411**

From Table 47, it is shown that the net profit estimated for the following five years are positive and they will be increasing as the total sales increase. Understanding this behaviour is crucial in order to understand the behaviours of the income statements for the proposed scenarios. Furthermore, the calculations of the projected income statements for all proposed scenarios are shown in Appendix J. One example of them is shown in Table 48 for scenario 1 which already includes the sales and cost of sales for fine flavour FTO as well as other assumptions explained above.

Table 48

Projected Income Statement for the Next Five Years in PEN – Example of Scenario 1

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales current products	27’856,599	31’150,075	34’443,552	37’737,028	41’030,505
Sales fine flavour FTO	146,916	195,804	244,693	293,581	342,469
Income	28’003,515	31’345,880	34’688,244	38’030,609	41’372,974
Cost of sales current products	-23’399,543	-26’166,063	-28’932,584	-31’699,104	-34’465,624
Costs of sales fine flavour FTO	35,716	43,439	51,161	58,884	66,606
Cost of sales	-23’363,827	-26’122,625	-28’881,422	-31’640,220	-34’399,018
Gross profit	**4’639,688**	**5’223,255**	**5’806,822**	**6’390,389**	**6’973,956**
Administrative expenses	-1’820,228	-2’037,482	-2’254,736	-2’471,990	-2’689,243
Sales expenses	-700,088	-929,897	-1’013,456	-1’097,015	-1’180,574
Financial expenses	-1’823,916	-2’024,458	-2’225,000	-2’281,837	-2’482,378
Total expenses	-4’344,232	-4’991,837	-5’493,192	-5’850,841	-6’352,196
Operational income	**295,456**	**231,418**	**313,630**	**539,548**	**621,760**
Financial income	-	-	-	-	-
Miscellaneous income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other cost	-	-	-	-	-
Income before income taxes	**1’239,075**	**1’231,863**	**1’370,901**	**1’653,644**	**1’792,681**
Income taxes	-185,861	-184,779	-205,635	-248,047	-268,902
Net profit	**1’053,214**	**1’416,643**	**1’576,536**	**1’901,690**	**2’061,584**

9.4.2 Global Results

In order to summarize the final calculation provided in Table 47 and in all tables of Appendix J, it is convenient to group just the relevant information for further analyses. Thus,

Table 49, Table 50, Table 51 and Table 52 show the net profit throughout all the next years of analysis for the projected current situation and for the different proposed scenarios, respectively.

Table 49

Summary of Net Profit in PEN for the Projected Current Situation

Case 0. Not including business opportunity	Net profit (PEN)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 0	1’038,858	1’508,738	1’611,962	1’715,186	1’818,411

Table 50

Summary of Net Profit in PEN for Case 1: Market Share 5%, All Range of Prices

Case 1. Market share 5%	Net profit (PEN)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1. 5,000 USD	1’053,214	1’416,643	1’576,536	1’901,690	2’061,584
Scenario 2. 5,750 USD	1’069,136	1’445,352	1’612,414	1’944,737	2’111,798
Scenario 3. 6,500 USD	1’085,058	1’474,062	1’648,292	1’987,783	2’162,013

Table 51

Summary of Net Profit in PEN for Case 2: Market Share 10%, All Range of Prices

Case 2. Market share 10%	Net profit (PEN)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 4. 5,000 USD	1’179,088	1’643,611	1’874,558	2’256,382	2’472,944
Scenario 5. 5,750 USD	1’210,932	1’701,031	1’946,314	2’342,474	2’573,373
Scenario 6. 6,500 USD	1’242,776	1’758,450	2’018,070	2’428,567	2’673,802

Table 52

Summary of Net Profit in PEN for Case 3: Market Share 15%, All Range of Prices

Case 3. Market share 15%	Net profit (PEN)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 7. 5,000 USD	1’315,593	1’884,964	2’158,196	2’611,073	2’884,305
Scenario 8. 5,750 USD	1’363,359	1’971,094	2’265,830	2’740,212	3’034,948
Scenario 9. 6,500 USD	1’411,125	2’057,223	2’373,464	2’869,351	3’185,592

Finally, as mentioned before, the important analysis is the comparison between the projections of the different scenarios that include the business opportunity with the projections of the current situation. Therefore, the last calculation is the difference between the values of net profit for the different scenarios shown in Table 50, Table 51 and Table 52 minus the values of net profit shown in Table 49 whose results are shown in the Table 53, Table 54 ad Table 55. As stated before, the important figure is to analyze how much the cooperative would gain if the business opportunity is implemented in comparison with the current situation.

Table 53

Final Results of Net Profit in PEN for Case 1: Market Share 5%, All Range of Prices

Case 1. Market share 5%	Difference in the net profit (PEN)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1. 5,000 USD	14,356	-92,095	-35,426	186,504	243,173
Scenario 2. 5,750 USD	30,278	-63,386	452	229,550	293,387
Scenario 3. 6,500 USD	46,200	-34,676	36,330	272,596	343,602

Table 54

Final Results of Net Profit in PEN for Case 2: Market Share 10%, All Range of Prices

Case 2. Market share 10%	Difference in the net profit (PEN)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 4. 5,000 USD	140,230	134,873	262,596	541,195	654,533
Scenario 5. 5,750 USD	172,074	192,293	334,352	627,288	754,962
Scenario 6. 6,500 USD	203,918	249,712	406,108	713,380	855,391

Table 55

Final Results of Net Profit in PEN for Case 3: Market Share 15%, All Range of Prices

Case 3. Market share 15%	Difference in the net profit (PEN)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 7. 5,000 USD	276,735	376,226	546,234	895,887	1’065,894
Scenario 8. 5,750 USD	324,501	462,356	653,868	1’025,025	1’216,537
Scenario 9. 6,500 USD	372,267	548,485	761,502	1’154,164	1’367,181

Considering some results of Table 53 which have negative values, it is interesting to realize that there are some cases in which the projections of the current situation are much profitable than the one for the business opportunity whereas in the other cases the opposite occurs. Moreover, the chosen range of market share of the total demand is very appropriate since it is shown that within it the switch from the negative values to positive values happens, in other words, the breakeven point in within that range.

9.5 Key Performance Indicators

Based on the final results for incremental net profit shown in Table 53, Table 54 and Table 55, now it is possible to assess them considering the initial investment to develop the project. The idea is to show whether the project is viable or not considering the techniques of net present value and internal rate of return which are used as the key performance indicators in order to determine the viability of the project for each proposed scenario. Thus the data considered for this calculation is: (a) the initial investment which is the cost of the implementation whose total amount is 109,000 USD determined in Chapter VIII, and (b) the final results of net profit for each scenario shown in Table 53, Table 54 and Table 55. Finally, the results of the key performance indicators for all the proposed scenarios are shown in Table 56, Table 57 and Table 58 and graphically explained in Figure 28 and Figure 29.

Table 56

Net Present Value and Internal Rate of Return for Case 1: Market Share 5% or 9.0 TNE, All Range of Prices

Price (USD)	Initial investment (PEN)	Difference in the net profit (PEN)					NPV (PEN)	IRR
		Year 1	Year 2	Year 3	Year 4	Year 5		
5,000	-354,250	14,356	-92,095	-35,426	186,504	243,173	-199,711	NV
5,750	-354,250	30,278	-63,386	452	229,550	293,387	-87,870	NV
6,500	-354,250	46,200	-34,676	36,330	272,596	343,602	23,971	15.8%

Note. NV refers to the abbreviation of Not Viable. NPV refers to net present value and IRR refers to internal rate of return.

Table 57

Net Present Value and Internal Rate of Return for Case 2: Market Share 10% or 18.1 TNE, All Range of Prices

Price (USD)	Initial investment (PEN)	Difference in the net profit (PEN)					NPV (PEN)	IRR
		Year 1	Year 2	Year 3	Year 4	Year 5		
5,000	-354,250	140,230	134,873	262,596	541,195	654,533	710,159	59.3%
5,750	-354,250	172,074	192,293	334,352	627,288	754,962	933,841	71.7%
6,500	-354,250	203,918	249,712	406,108	713,380	855,391	1’157,524	83.7%

Note. NV refers to the abbreviation of Not Viable. NPV refers to net present value and IRR refers to internal rate of return.

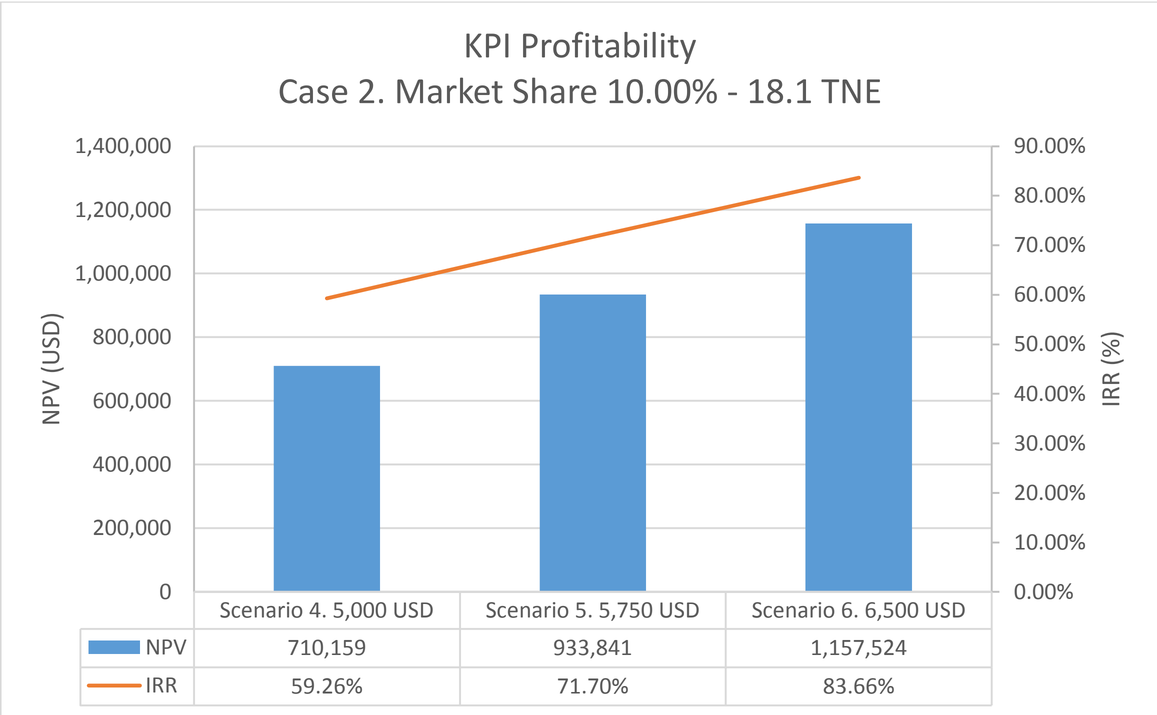

Figure 28. NPV and IRR for case 2 that includes market share 10% or 18.1 TNE.

Table 58

Net Present Value and Internal Rate of Return for Case 3: Market Share 15% or 27.1 TNE, All Range of Prices

Price (USD)	Initial inv. (PEN)	Difference in the net profit (PEN)					NPV (PEN)	IRR
		Year 1	Year 2	Year 3	Year 4	Year 5		
5,000	-354,250	276,735	376,226	546,234	895,887	1’065,894	1’630,715	108.4%
5,750	-354,250	324,501	462,356	653,868	1’025,025	1’216,537	1’966,239	124.9%
6,500	-354,250	372,267	548,485	761,502	1’154,164	1’367,181	2’301,763	141.0%

Note. NV refers to the abbreviation of Not Viable. NPV refers to net present value and IRR refers to internal rate of return.

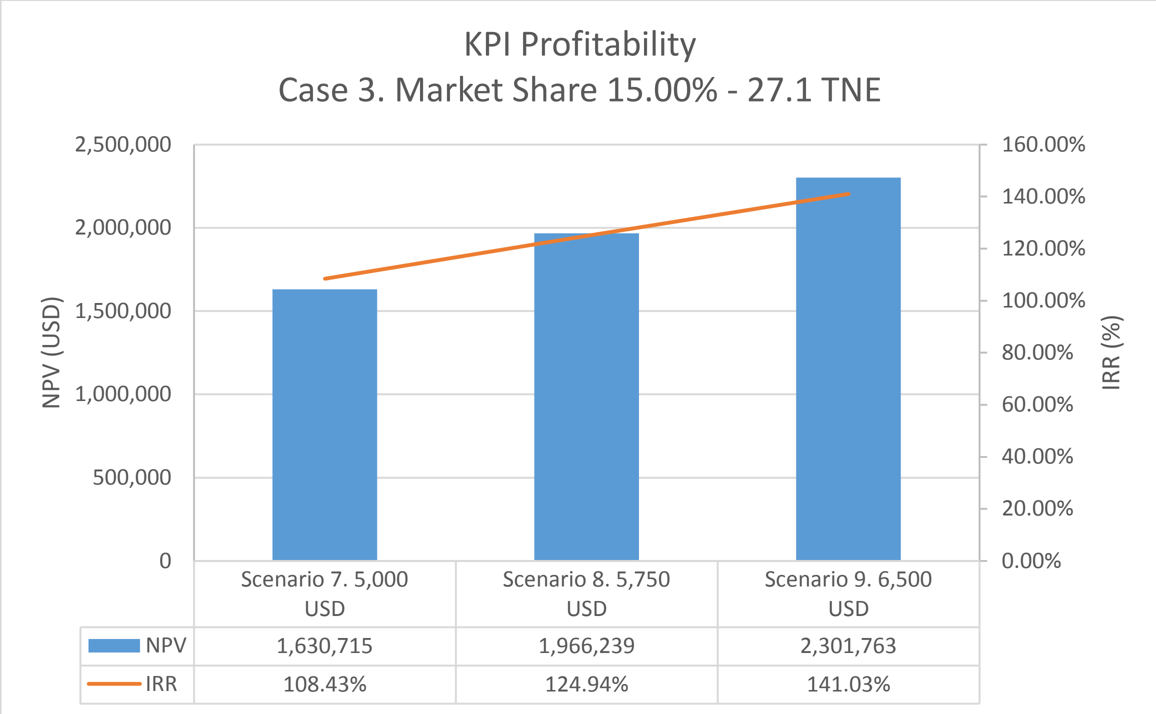

Figure 29. NPV and IRR for case 3 that includes market share 15% or 27.1 TNE.

There are three different possible results which are explained as follows: (a) if the NPV is greater than zero, then the project is viable and the IRR must be greater than 14% which is the opportunity cost of CAC Oro Verde; (b) if the NPV is less than zero, then the project is not viable, the IRR is less than 14% and, therefore, it is not convenient for CAC Oro Verde to invest in this project since they can invest in other business opportunity that currently offers 14% of return; and (c) if the NPV is equal to zero, then CAC Oro Verde would have the same opportunity than investing in the other business opportunity that currently offers 14% of return since the IRR is exactly 14%.

Furthermore, several other scenarios were proposed in other to expand and provide other alternatives. In this case, considering that the range of prices between 5,000 USD to 6,500 USD is not likely to vary that much, then the variable to gamble is the possible market share that CAC Oro Verde can catch. Thus, three more cases with nine more scenarios are developed and shown in Table 59, Table 60 and Table 61, and graphically explained in Figure 30, Figure 31, and Figure 32, respectively.

Table 59

Net Present Value and Internal Rate of Return for Case 4: Market Share 7.5% or 13.6 TNE, All Range of Prices

Price (USD)	Initial investment (PEN)	Difference in the net profit (PEN)					NPV (PEN)	IRR
		Year 1	Year 2	Year 3	Year 4	Year 5		
5,000	-354,250	77,293	21,389	106,392	371,042	456,046	258,244	31.9%
5,750	-354,250	101,176	64,454	160,210	435,611	531,367	426,292	42.5%
6,500	-354,250	125,059	107,518	214,027	500,181	606,689	593,887	52.6%

Note. NV refers to the abbreviation of Not Viable. NPV refers to net present value and IRR refers to internal rate of return.

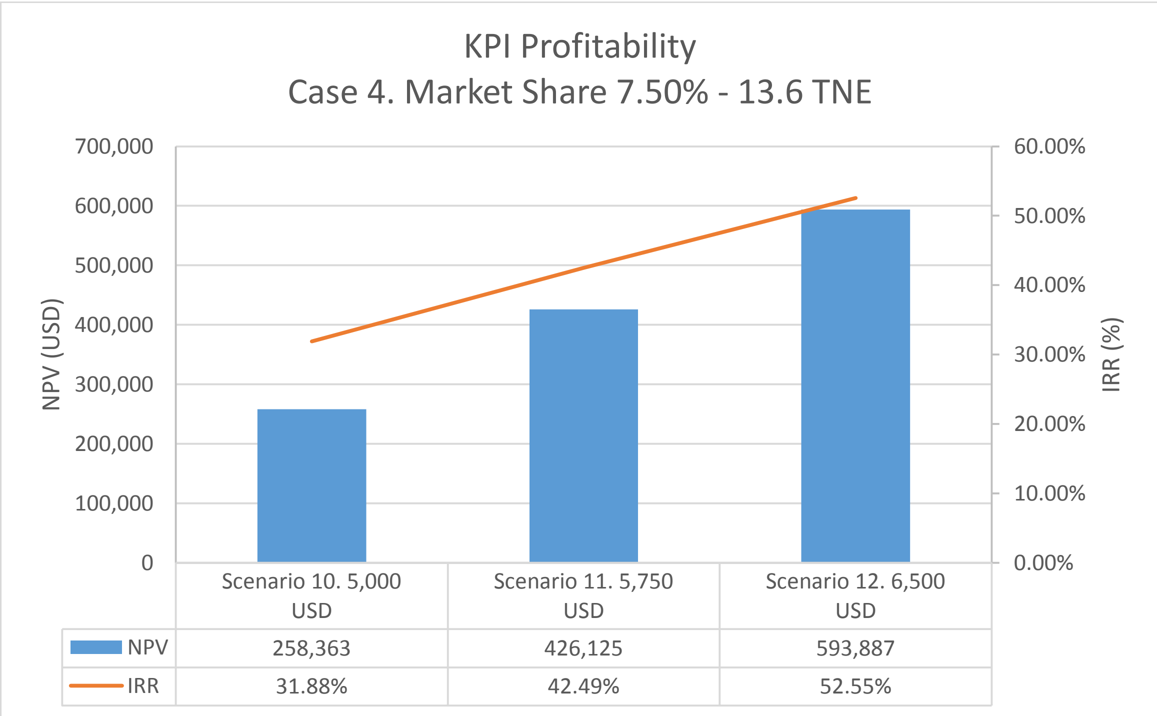

Figure 30. NPV and IRR for case 4 that includes market share 7.5% or 13.6 TNE.

Table 60

Net Present Value and Internal Rate of Return for Case 5: Market Share 12.5% or 22.6 TNE, All Range of Prices

Price (USD)	Initial inv. (PEN)	Difference in the net profit (PEN)					NPV (PEN)	IRR
		Year 1	Year 2	Year 3	Year 4	Year 5		
5,000	-354,250	203,166	262,742	404,415	711,349	867,406	1’170,785	84.4%
5,750	-354,250	242,971	334,517	494,110	818,964	992,942	1’450,388	98.8%
6,500	-354,250	282,776	406,291	583,805	926,580	1’118,479	1’729,991	112.7%

Note. NV refers to the abbreviation of Not Viable. NPV refers to net present value and IRR refers to internal rate of return.

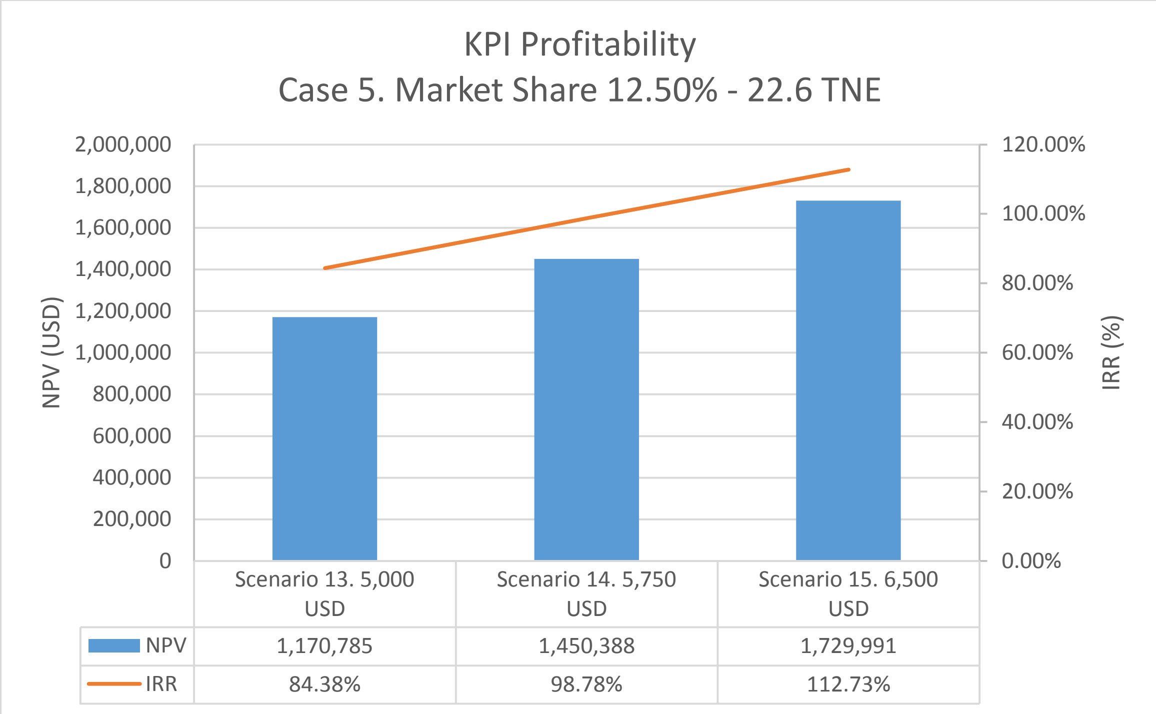

Figure 31. NPV and IRR for case 5 that includes market share 12.5% or 22.6 TNE.

Table 61

Net Present Value and Internal Rate of Return for Case 6: Market Share 20% or 36.2 TNE, All Range of Prices

Price (USD)	Initial inv. (PEN)	Difference in the net profit (PEN)					NPV (PEN)	IRR
		Year 1	Year 2	Year 3	Year 4	Year 5		
5,000	-354,250	402,609	603,195	844,256	1’236,834	1’477,254	2’532,068	151.5%
5,750	-354,250	466,297	718,034	987,768	1’408,378	1’678,112	2’979,433	172.1%
6,500	-354,250	529,985	832,873	1’131,280	1’580,563	1’878,970	3’426,798	192.4%

Note. NV refers to the abbreviation of Not Viable. NPV refers to net present value and IRR refers to internal rate of return.

From the six different cases proposed and the 18 scenarios evaluated, it is shown that, as the price increases, the NPV has more chances to become a positive value and, therefore, the IRR greater than 14%. The same trend occurs with the percentage of market share from the total demand which, as it increases, there are more chances to have positive values of the NPV and, therefore, IRR’s percentages greater than 14%. Thus, the higher price and market share, the higher chances of having positive values of NPV and higher percentages of IRR.

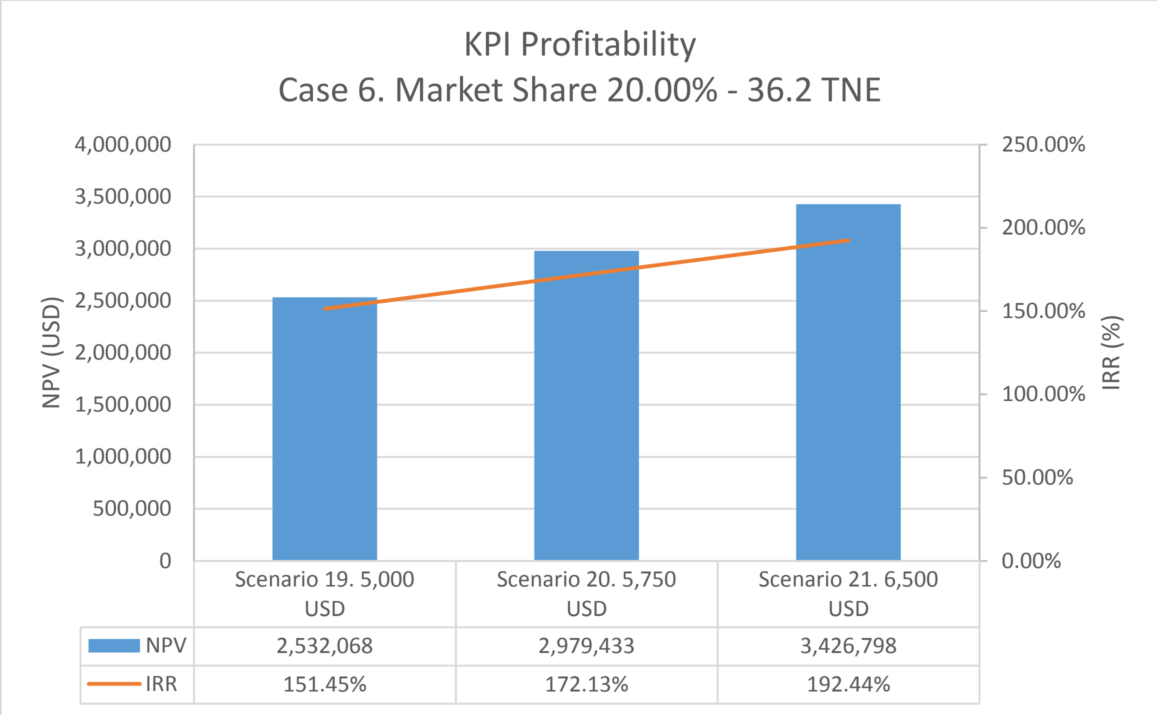

Figure 32. NPV and IRR for case 6 that includes market share 20% or 36.2 TNE.

Finally, a sensitivity analysis is performed in order to calculate the breakeven point for the percentage of market share by which the net present value becomes a positive number, in other words, the percentage of market share from which the project is viable at the different scenarios of price proposed. Table 62 shows the different breakeven points for each value of price within the range proposed which is graphically shown in Figure 33.

Table 62

Sensitivity Analysis of the Breakeven Points for the Different Percentages of Market Share

Price (USD)	Breakeven Point Market Share (%)	Breakeven Point Quantity (TNE)
5,000	6.1%	11.0
5,250	5.9%	10.7
5,500	5.7%	10.3
5,750	5.5%	9.9
6,000	5.3%	9.6
6,250	5.1%	9.2
6,500	4.9%	8.9

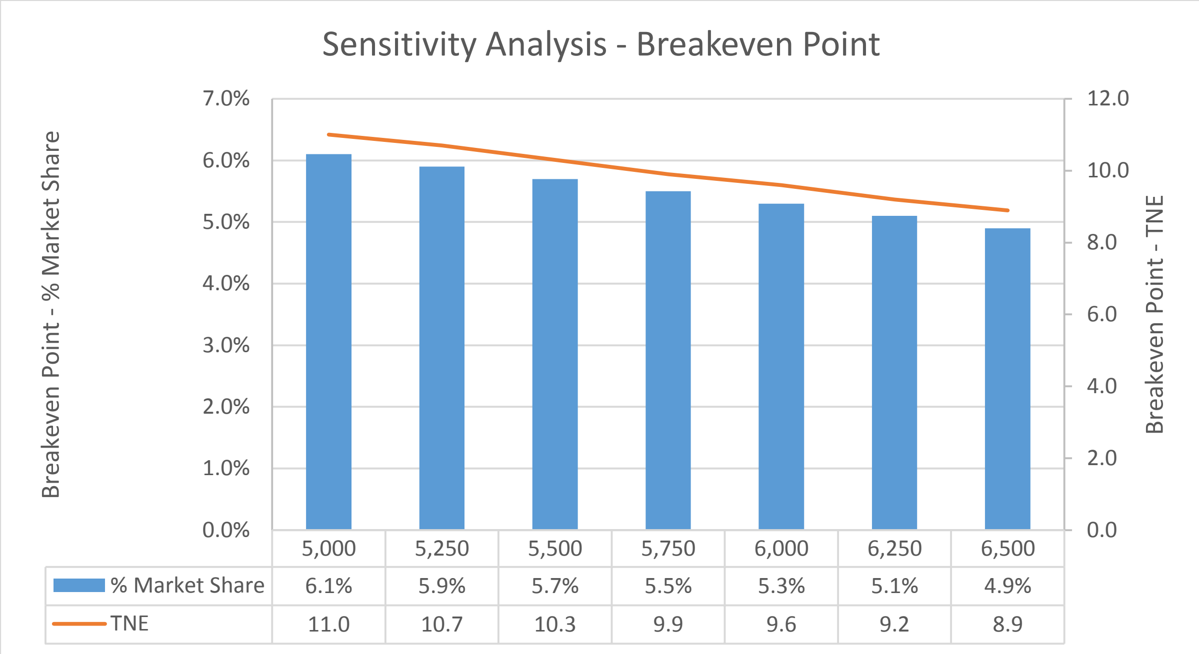

Figure 33. Sensitivity analysis of the breakeven points for the different percentages of market share from which the project is viable.

As shown, considering all the range of prices, from 4.9% to 6.1% of market share of the total demand, then the project is viable or the IRR is greater than 14%. This means quantities of demand between 8.9 TNE to 11.0 TNE per year in order to make the project viable. Moreover, in case this estimation is achieved, then values of IRR for 10% of market share are between 59.3% to 83.7% which shows the high profitability of the business opportunity. This means NPV between .7 million to 1.1 million PEN. In case a 15% of market share is achieved, then values of IRR between 108.4% to 141.0% are expected. This means NPV between 1.6 million to 2.3 million PEN. In case a 20% of market share is achieved, then values of IRR between 151.5% to 192.4% are expected. This means NPV between 2.5 million to 3.4 million PEN. Finally, it is important to state that CAC Oro Verde's currently capacity allows them to meet the demand identified.

9.6 Qualitative Expected Outcomes

Apart from the results of the quantitative expected outcomes shown in the previous section, it is necessary to give an overview of the qualitative expected outcome. In here, some aspects not related to numbers are presented in the short, mid and long-term.

9.6.1 Short-term

In the short-term, the penetration into the Canadian fine flavour cocoa market will be done through the province of British Columbia. The idea is to establish partnerships with the three main trade partners in the province already identified in Chapter VIII. It is crucial to have the intention to establish a long-term relationship from the beginning since they will play the role of promoters of CAC Oro Verde's business through including CAC Oro Verde's brand on their packaging when entering into the Canadian fine flavour cocoa market. The demand to meet in this province is relatively low in comparison with other provinces such as Ontario and Quebec. Nonetheless, the current capacity of CAC Oro Verde for fine flavour FTO cocoa beans can meet this demand without problems. Once CAC Oro Verde can build a brand reputation in this niche market, then it is time to start expanding the business.

9.6.2 Mid-term

In the mid-term, once CAC Oro Verde have a strong presence in the province of British Columbia, then the other three potential partners located in Alberta, Ontario and Quebec appear as the next customers with which it is attractive to establish partnerships. Due to the fact that they might look for references in order to better know the quality of the product of CAC Oro Verde, then they can refer to the three main customers that will already be partners of the cooperative in British Columbia. Moreover, the group of potential partners in the mid-term mentioned in Chapter VIII can be the next potential customers to approach in British Columbia. At this point the demand will increase due to the different customers that the cooperative will approach. In that sense, CAC Oro Verde should use the full capacity of its producers as well as start increasing the production of fine flavour FTO in order to meet the future demand. If this process takes some years, then a strategy can be to start switching the production from conventional FTO to fine flavour FTO from now.

9.6.3 Long-term

In the long-term, once the cooperative can achieve a strong presence in British Columbia followed by a good brand reputation in Ontario and Quebec, then it is possible to fully penetrate those last markets. The main potential customers will be the ones mentioned in Chapter VIII as the main potential partners in the mid-term for Ontario and Quebec. As the same as the case explained above, when they will look for references of CAC Oro Verde's products, then they can refer to all the partners that the cooperative will have not only in British Columbia but also the one in Quebec and the one in Ontario. However, as explained before, these customers will have substantially greater demand than British Columbia. Therefore, in order to meet that demand CAC Oro Verde would need to increase their production of fine flavour FTO switching the much of their production from conventional FTO to fine flavour FTO.

9.7 Conclusion

From the quantitative expected outcomes, an assessment of the project was done considered the net present value and internal rate of return as main key performance indicators. Moreover, different scenarios were considered for this calculation, varying the suggested price for the fine flavour FTO and varying the percentage of market share that CAC Oro Verde can catch out of the total demand in the province. At the end, in total 18 scenarios were assessed in order to determine two main factors: (a) the breakeven point of the percentage of market share from which the project is financially viable, in other words, profitable; and (b) in the cases that the project is financially viable, the net present value and the internal rate of return of each scenario in order to determine how profitable the project is.

Regarding the first factor, from the sensitivity analysis and considering all the range of proposed prices, it was determined that the breakeven points are located between 4.9% to 6.1% of market share of the total demand in British Columbia. This means values of demand between 8.9 TNE to 11.0 TNE per year in order to make the project viable. Moreover, it confirms that the initial range of scenarios proposed were accurate since it included the breakeven points for all range of prices.

Regarding the second factor, in order to make the project viable, the values of IRR should be above 14% which is the opportunity cost for CAC Oro Verde. Thus, for the scenarios that include 10% of market share, the values of IRR are between 59.3% to 83.7% which shows the high profitability of the business opportunity. This means values of NPV between .7 million to 1.1 million PEN. In case a 15% of market share is achieved, then values of IRR are between 108.4% to 141.0% which means values of NPV between 1.6 million to 2.3 million PEN. In case a 20% of market share is achieved, then values of IRR are between 151.5% to 192.4% which means values of NPV between 2.5 million to 3.4 million PEN. Finally, CAC Oro Verde's currently capacity allows them to meet the demand identified in this financial assessment.

From the qualitative expected outcomes, different expected outcomes were identified along the timeline. Thus, in the short-term, the cooperative would penetrate the fine flavour cocoa market in British Columbia targeting the three main potential partners already identified in Chapter VIII. Then, in the mid-term and once the cooperative can build a brand reputation, the other three main potential partners located in Alberta, Ontario and Quebec and the main possible partners in the mid-term in British Columbia mentioned in Chapter VIII would be the next targeted customers. Finally, in the long-term and once the cooperative can have a well-known brand over the main provinces, then the other main possible partners in the mid-term in Quebec and Ontario mentioned in Chapter VIII would be the next targeted customers. In order to accomplish all mentioned before, CAC Oro Verde should increase its levels of production for fine flavour FTO considering the mid and long-terms goals.

Chapter X. Conclusions and Recommendations

10.1 Conclusions

As an overview of the overall objectives which involved a marketing strategy, marketing mix and financial assessment; it was possible to determine the location, ownership, time perspective and magnitude of this project. Considering the initial CAC Oro Verde’s constraints about the project which are: (a) the target market must be Canada, and (b) the product to export must be cocoa beans; and as a result of all the research and analysis made in regards to this business opportunity, it was determined that the best business opportunity within the Canadian cocoa market is located in British Columbia, targeting the bean-to-bar segment with premium fine flavour Fair Trade and Organic certified cocoa beans. In order to develop this project, an implementation plan was suggested using the activities that came from the marketing strategy and marketing plan. The plan which was presented using a Gantt chart included a timeline estimated in 30 weeks from the moment that the marketing mix is communicated to all the internal stakeholders until the first lot of fine flavour cocoa beans is exported to the Canadian market. Moreover, the cost of implementation of this plan resulted in 109,000 USD which factored in a wide range of activities for each stage of the proposed marketing mix. After financially assessing the project considering 18 different scenarios, it was determined that the breakeven points in terms of market share of demand for the range of prices suggested are from approximately 4.9% for the 6,500 USD price to 6.1% for the 5,000 USD price. These percentages of market shares represent between 8.9 TNE to 11.0 TNE per year in order to break even in such a niche market. For the best-case scenario, CAC Oro Verde has the potential to make a net profit of approximately 530,000 PEN in year one if they are able to attain 20% market share which in five years they have the potential to make a net present value of approximately 3’400,000 PEN which indicates a 192.4% internal rate of return on the initial investment.

In regards to the product, it was determined that the main business opportunity for CAC Oro Verde is the fine flavour Fair Trade and Organic certified cocoa beans. Different assessments showed this fact in terms of demand, customer preferences, prices and profitability. However, several strict regulations must be complied before entering to the Canadian market. Nonetheless, the implementation plan contemplates this scenario and it proposed a period of time and budget to adapt to these requirements. In terms of pricing strategy, a premium pricing strategy was determined due to the fact that the cooperative should enter to the Canadian market with a premium product that is double certified Organic and Fair Trade. The intent of this pricing strategy is to enhance the perception of the consumer and be perceived as more of a premium quality product. Thus, a range of prices from 5,000 USD to 6,500 USD was determined considering that it will be positioned as a higher end premium product.

After assessing the most attractive provinces in terms of demand volumes and bean-to-bar companies, British Columbia is the recommended province to initially enter. British Columbia has three out of six potential bean-to-bar customers that have the potential to create synergies in the short-term in the Canadian market. Although British Columbia has a smaller overall demand of cocoa, it is a plausible market to enter the Canadian market considering the smaller capacity of fine flavour cocoa beans that CAC Oro Verde has at this time. This is a great opportunity to build a brand and reputation within the Canadian market and as the production grows in the future, the cooperative will be able to develop brand awareness within Canadian market and potential opportunities will arise in other provinces. As mentioned before, the targeted place was assessed by three main factors: (a) the number of bean-to-bar companies in each province of Canada; (b) the customer's willingness for partnerships, direct trade and for sharing the same values as CAC Oro Verde; and (c) the demand for fine flavour cocoa beans in each province.

In regards to promotion, it was concluded that the promotional activities must include three main strategies. The first promotional strategy is after developing a partnership with the bean-to-bar companies in British Columbia, they must collaborate with their partner, utilizing the packaging of their products and websites to reference the origins of the cocoa beans. This would include their unique stories that highlight the flavours for each variety of the *Criollo* cocoa beans and the producers involved in the process. As typically found, bean-to-bar companies tend to create an enhanced experience in their final products with this type of tactic. The second promotional strategy is in regards to CAC Oro Verde's website which must include Canada's official languages such as English and French. The third promotional strategy involves CAC Oro Verde's participation in different meetings, showrooms, conferences, fairs and events so that more people can be exposed to their products which can help with building a network. This will in turn promote their product through word of mouth by more credible people in the cocoa industry.

Key success factors of this business opportunity include several enablers and risks. Regarding the enablers, building a unique premium fine flavour cocoa brand by creating unique stories from the cooperative's values and mission is mandatory. In the short-term, the cooperative must target the main potential bean-to-bar partners in British Columbia that demand fine flavour cocoa beans which are: (a) Wild Sweets by Dominique & Cindy Duby, (b) EastVan Roasters, and (c) Sirene Chocolate. Direct exporting to these bean-bar-bar potential partners will give CAC Oro Verde more control over their products and gain more of the benefits through that process. As the market trends are increasingly shifting towards fine flavour cocoa beans in the Canadian market, CAC Oro Verde will increase its level of production for fine flavour Fair Trade and Organic certified cocoa beans. Before doing this, the cooperative must also stress the fact that they need to separate their fine flavour cocoa and conventional cocoa that they currently mix. In addition, the cooperative must develop consistency with the regulations within Canada and ensure high quality in their products. Going into the Canadian market, CAC Oro Verde needs to develop a premium brand as a supplier, with premium pricing to enhance the perception of their consumers. This is a great opportunity to build a brand reputation within the niche Canadian market and as the demand grows in the future, they will be able to develop brand awareness within the market and can consider entering other provinces. Regarding the risks, some of them are related to financial and operational risks that must be taken into consideration in order to avoid them or to properly react in case they happen. On the one hand, the limited source of finance for the producers, the fluctuations of countries' currencies, and instability of the prices of conventional cocoa beans in the Stock Markets are the main financial risks that may impact the normal development of this business opportunity. On the other hand, the risk of noncompliance of the producers, the uncontrolled levels of contaminants in the plantations, and the mismanagement of direct exporting in terms of logistics and communication are the main operational risks that may affect the business opportunity. Even though initially it may have considered as a risk the CAC Oro Verde's constraint of just entering to the Canadian market instead of analyzing all the most promising countries, the analyses showed that Canadian cocoa market is a very promising market all over the world for the kind of products that CAC Oro Verde produces.

10.2 Recommendations

After the overall analysis made in this report, there are several recommendations that arise in order to help CAC Oro Verde make better decisions in regards to the business opportunity proposed. Some of the recommendations are as follows:

Recommendation 1. CAC Oro Verde should ensure a complete overview of the current Canadian laws and regulations in terms of importing products. Although there were some insights were given in this report, it is necessary to check the complete guidelines in order to comply to the regulations in the specific region that they will be entering in the Canadian market. As stated before, there is one main Canadian document to review in this process which is the Guide to Importing Food Products Commercially from the Canadian Food Inspection Agency which is the main authority in this case.

Recommendation 2. CAC Oro Verde should hire a specialized cocoa taster in order to purely and accurately determine the different of varieties and tastes of the native *Criollo* cocoa beans. This can help with developing their brand and promoting their product. Peru has a comparative advantage in Criollo cocoa beans due to the fact that there are different varieties that just grow in unique places within their region. In doing this, it may reveal that CAC Oro Verde has some varieties that belong to the high end or ultra-premium segment market which account for very high prices in the cocoa market.

Recommendation 3. In regards to the recommendation 2, it is recommended that CAC Oro Verde stop mixing conventional cocoa beans with fine flavour cocoa beans. Although is a widespread practice in the region due to the convenience of selling these kind of products, this practice loses the added value that the *Criollo* cocoa beans have by itself. Therefore, the producers of these products may feel discouraged and less motivated to ensure quality of that type because their product is not being appreciated. Unmixing their fine flavour beans and conventional beans will enable CAC Oro Verde to increase their quality in the products that they have the potential to make substantially higher returns overall.

Recommendation 4. In regards to the recommendation 3, it is recommended that the cooperative pays higher prices to the producers for the fine flavour cocoa beans to ensure motivation to provide a consistent high-quality product. Currently, there is no differentiated price that is paid to the producers between conventional and fine flavour cocoa beans. Therefore, the producers are not motivated to keep producing this kind of product since they feel that they have to work more but they are not financially compensated for this work and product.

Recommendation 5. CAC Oro Verde should review and further analyze their internal processes in order to improve them. Currently, the cooperative has several challenges in regards to meeting deadlines and proper quantity of products. In that sense, a re-engineering process is suggested in order to improve the efficiency of them. Furthermore, considering that the Canadian market is very strict with punctuality, a deadline missed can cause substantial consequences and lead to losing customers and harm the brand reputation needed to deeper penetrate the Canadian market. Therefore, they must ensure that they have full transparency with their partners and in addition have a consistent and efficient logistics plan in place.

Recommendation 6. Regarding the qualitative expected outcomes, it is recommended that CAC Oro Verde follows the proposed sequence of penetration of the Canadian market which they should start in British Columbia to gain traction and then eventually consider going into Ontario and Quebec as secondary provinces of penetration. In this case, it is important that the cooperative develops and builds a brand reputation before entering to the other main provinces, especially considering that the importers in those provinces prefer suppliers that can be referenced by others.

Recommendation 7. In regards to the previous recommendation, it is suggested that the cooperative establishes further strategic alliances with other Peruvian cooperatives in order to reaching markets with high volumes of demand. Even though it might seem difficult, the cooperative should consider creating synergies instead of competition. Hence, this should be considered as an alternative before selling their product to wholesalers who would not add value to their product or transaction.

Recommendation 8. Regarding the financial part, as the volume of fine flavour cocoa beans increase in demand, the cooperative will not have dependence on the prices of conventional cocoa on the Stock Market. This is a current problem for the cooperative in financial terms that might be mitigated if the production of cocoa beans switches to fine flavour product in the long-term.

Recommendation 9. In regards to the financial assessment, for better and more accurate understanding and evaluation, it is mandatory that CAC Oro Verde performs the same financial analysis shown in this report but considering the current numbers or at least the ones updated to the end of 2016. Taking into consideration that the price of conventional cocoa beans has decreased more than 33% in the current year in comparison with the price of the last year obliges the cooperative to make the calculations again.

Recommendation 10. Another recommendation for another potential opportunity is that they should consider analyzing the idea of developing the bean-to-bar concept in Peru, where they would add value to their product and then consider exporting a finished product into Canada or other countries. This would be also a niche market although may represent a very interesting business opportunity for the future.

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Appendix A. List of the Main Canadian Cocoa Importers

Sharing 80% of All Cocoa Imports

180100 Cocoa Beans, Whole Or Broken, Raw Or Roasted

Company Name	City	Province	Postal Code
2083522 ONTARIO INC.	Shanty Bay	Ontario	L0L 2L0
6397832 CANADA INC.	Saint-Laurent	Quebec	H4S 1S4
ADVANTAGE HEALTH MATTERS INC	North York	Ontario	M9L 2W3
AVIVA INC	Winnipeg	Manitoba	R3L 0K4
BARRY CALLEBAUT CANADA INC	Saint-Hyacinthe	Quebec	J2S 1Y7
BEANPOD CHOCOLATE LTD.	Fernie	British Columbia	V0B 1M2
BLOMMER CHOCOLATE COMPANY OF CANADA INC .	Campbellford	Ontario	K0L 1L0
CHEWTERS CHOCOLATES (1992) INC	Richmond	British Columbia	V7A 4V5
CHRISTMAS NATURAL PRODUCTS LTD.	Burnaby	British Columbia	V3N 0B2
COOKIE CLUB INC	Laval	Quebec	H7L 5A7
CORWIN DISTRIBUTION LIMITED	Concord	Ontario	L4K 1L4
DC DUBY HOSPITALITY SERVICES INC .	Richmond	British Columbia	V7E 1S4
DISTRIBUTION HORIZON NATURE	Saint-Léonard	Quebec	H1P 3G7
DISTRIBUTIONS DIRECTA	Pointe-Claire	Quebec	H9R 4T8
E LAURENT CHOCOLATIER BELGE INC	Sillery	Quebec	G1T 1Z3
EARTH NOTIONS INC.	North York	Ontario	M3K 1K3
ECOTREND ECOLOGICS LTD.	Vancouver	British Columbia	V5Y 1E6
FTCG ENTERPRISES INC.	Calgary	Alberta	T2G 0T2
GIDDY YOYO INC.	Orangeville	Ontario	L9W 1P9
HARMONIC ARTS BOTANICAL DISPENSARY INC.	Courtenay	British Columbia	V9N 2M2
HILLEBRAND WINERY	Grimsby	Ontario	L3M 4E8
HUMMINGBIRD CHOCOLATE MAKER INC.	Almonte	Ontario	K0A 1A0
INDIGO NATURAL FOODS INC	Toronto	Ontario	M1R 3E4
KOKO MONK CHOCOLATES	Vancouver	British Columbia	V6J 5B8
LEFT COAST NATURALS	Burnaby	British Columbia	V5C 4C3
LENTIA ENTERPRISES LTD.	Surrey	British Columbia	V3S 7X1
LES ALIMENTS WHYTE'S INC./WHYTE'S FOODS INC.	Laval	Quebec	H7L 2N6

Figure A1. Main cocoa beans, whole or broken, raw or roasted – part 1. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

LES ALIMENTS WHYTE'S INC./WHYTE'S FOODS INC.	Laval	Quebec	H7L 2N6
LEVEL GROUND TRADING LTD.	Saanichton	British Columbia	V8M 2A6
LIVING LIBATIONS	Toronto	Ontario	M5R 2R7
M&B ALCHEMY INC.	Orangeville	Ontario	L9W 2Y8
MOM'S PANTRY PRODUCTS LTD	Winnipeg	Manitoba	R2N 4B4
MORRISSEY INDUSTRIES LTD.	Anmore	British Columbia	V3H 3C8
MUM'S ORIGINAL INC.	Stayner	Ontario	L0M 1S0
NEWEDGE GROUP	London		E1 6E
NUTRIART INC.	Vanier	Quebec	G1M 2K2
OLIVIA CHOCOLATIERS	Gatineau	Quebec	J9J 0H2
ONTARIO FEDERATION OF FOOD CO OPERATIVES AND CLUBS INC.	Mississauga	Ontario	L5R 3K5
ORGANIC FAIR INC.	Nanaimo	British Columbia	V9T 4B5
PHS COMMUNITY SERVICES SOCIETY	Vancouver	British Columbia	V6B 1G6
PRANA BIOVEGAN INC./PRANA BIOVEGETALIENS INC.	Saint-Laurent	Quebec	H4N 1X7
PRO-AMINO INTERNATIONAL INC	Saint-Eustache	Quebec	J7R 5B4
QUALIFIRST FOODS LTD.	Toronto	Ontario	M9W 1B3
QUANTUM HOMEOPATHICS INC.	Calgary	Alberta	T2X 3H5
R.C. PURDY CHOCOLATES LTD.	Vancouver	British Columbia	V5X 3Y7
RAIN FOREST HERBAL PRODUCTS INC.	Thornhill	Ontario	L4J 6K3
RAW ELEMENTS INC.	Acton	Ontario	L7J 2V7
REAL RAW FOOD	Naramata	British Columbia	V0H 1N0
RENE REY SWISS CHOCOLATES LTD.	North Vancouver	British Columbia	V7P 1J9
SOCIETE GENERALE NEWEDGE UK LIMITED	London		
SOMA CHOCOLATE LTD	Toronto	Ontario	M5A 3C4
SUNTRIBE ORGANICS	Vancouver	British Columbia	V6B 2Z4
TARA NATURAL	Burnaby	British Columbia	V3N 0B2
THE CHEFS' WAREHOUSE PASTRY DIVISION CANADA ULC	Toronto	Ontario	M9W 5S6
THE FIRE ROASTED COFFEE COMPANY	London	Ontario	N5Y 5P8
THE LIGHT CELLAR	Calgary	Alberta	T3B 0E5
THE METROPOLITAN TEA COMPANY LTD.	Toronto	Ontario	M8W 4W4
THE SILK ROAD SPICE MERCHANT, LTD.	Calgary	Alberta	T2G 1L6
TOOTSI IMPEX INC	Montréal	Quebec	H3S 1P4
UHTCO CORPORATION	Ancaster	Ontario	L9K 0B5
ULTIMATE SUPERFOODS, INC.	Moorpark	California	
UNFI CANADA, INC.	Concord	Ontario	L4K 2N1
WINNERS DIVISION OF WINNERS MERCHANTS INT. LP.	Mississauga	Ontario	L4V 1Y2
ZIMT ARTISAN CHOCOLATES LIMITED	Vancouver	British Columbia	V6N 1Y2

Figure A2. Main cocoa beans, whole or broken, raw or roasted – part 2. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

180310 Cocoa Paste, Not Defatted

Company Name	City	Province	Postal Code
ADM AGRI-INDUSTRIES COMPANY	Kahnawake	Quebec	J0L 1B0
BARRY CALLEBAUT CANADA INC	Saint-Hyacinthe	Quebec	J2S 1Y7
NESTLE CANADA INC.	Toronto	Ontario	M5P 2V4

180500 Cocoa Powder, Not Containing Added Sugar Or Other Sweets

Company Name	City	Province	Postal Code
ADM AGRI-INDUSTRIES COMPANY	Kahnawake	Quebec	J0L 1B0
ASSOCIATED BRANDS LIMITED PARTNERSHIP	Mississauga	Ontario	L4W 0B3
BARRY CALLEBAUT CANADA INC	Saint-Hyacinthe	Quebec	J2S 1Y7
BLOMMER CHOCOLATE COMPANY OF CANADA INC .	Campbellford	Ontario	K0L 1L0
CARGILL LIMITED	Winnipeg	Manitoba	R3C 4C5
ENGLISH BAY BLENDING	Delta	British Columbia	V3M 5R5
FERRERO CANADA LIMITED/FERRERO CANADA LIMITEE	North York	Ontario	M2N 6N5

Figure A3. Main cocoa paste, not defatted; and cocoa powder, not containing added sugar or other sweets. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

180631 Chocolate/Cocoa Preparations (<2Kg) - Filled Blocks

Company Name	City	Province	Postal Code
CLIF BAR & COMPANY	Emeryville	California	
GENERAL NUTRITION CENTRES COMPANY	Pittsburgh	Pennsylvania	
HERSHEY CANADA INC.	Mississauga	Ontario	L4W 0B1
LINDT & SPRUNGLI (CANADA), INC	Toronto	Ontario	M5H 3M7
MARS CANADA INC	Newmarket	Ontario	L3Y 7B3
NESTLE CANADA INC	Toronto	Ontario	M5P 2V4
PREMIER PROTEIN, INC	Emeryville	California	
STORCK CANADA INC	Mississauga	Ontario	L4Z 1H8
VITA HEALTH PRODUCTS INC	Winnipeg	Manitoba	R2J 3W2

180620 Chocolate And Other Food Preparations With Cocoa (>2Kg)

Company Name	City	Province	Postal Code
ADM AGRI-INDUSTRIES COMPANY	Kahnawake	Quebec	J0L 1B0
BARRY CALLEBAUT CANADA INC	Saint-Hyacinthe	Quebec	J2S 1Y7
BLOMMER CHOCOLATE COMPANY OF CANADA INC.	Campbellford	Ontario	K0L 1L0
FERRERO CANADA LIMITED/FERRERO CANADA LIMITEE	North York	Ontario	M2N 6N5
GANONG BROS, LIMITED	St. Stephen	New Brunswick	E3L 2X5
HERSHEY CANADA INC.	Mississauga	Ontario	L4W 0B1
KARMA CANDY INC.	Hamilton	Ontario	L8L 8K6
KEURIG CANADA INC.	Montréal	Quebec	H1Z 4K3
LES ALIMENTS MULTIBAR INC.	Anjou	Quebec	H1J 3A9
MARS CANADA INC.	Newmarket	Ontario	L3Y 7B3
MONDELEZ CANADA INC.	Mississauga	Ontario	L4W 5M2
NESTLE CANADA INC.	Toronto	Ontario	M5P 2V4
THE CHEFS' WAREHOUSE PASTRY DIVISION CANADA ULC	Toronto	Ontario	M9W 5S6

Figure A4. Main chocolate/cocoa preparations (<2Kg) – filled blocks; and chocolate and other food preparations with cocoa (>2Kg). Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

180610 Cocoa Powder, Containing Added Sugar Or Other Sweets

Company Name	City	Province	Postal Code
0429746 B.C. LTD.	Delta	British Columbia	V3M 6C7
ALTRA FOODS	Anjou	Quebec	H1J 1S8
ASSOCIATED BRANDS LIMITED PARTNERSHIP	Mississauga	Ontario	L4W 0B3
BROKERHOUSE DISTRIBUTORS INC	Toronto	Ontario	M9W 5S6
CAFE VITTORIA INC.	Ascot	Quebec	J1H 4E4
CRYSTAL TEMPTATION	North Arlington	New Jersey	
E.D. SMITH FOODS, LTD./LES ALIMENTS E.D. SMITH LTEE	Stoney Creek	Ontario	L8E 5S3
MARKCOL DISTRIBUTION LIMITED	Oshawa	Ontario	L1H 7Y2
MEAL KIT SUPPLY CANADA INCORPORATED	Georgetown	Ontario	L7G 5X7
MORRIS NATIONAL INC.	Lasalle	Quebec	H8N 1B7
NESTLE CANADA INC.	Toronto	Ontario	M5P 2V4
ONTARIO FEDERATION OF FOOD CO OPERATIVES AND CLUBS INC.	Mississauga	Ontario	L5R 3K5

180632 Chocolate/Cocoa Preparations (<2Kg) - Blocks Not Filled

Company Name	City	Province	Postal Code
CHOCOLAT FREY AG	Buchs Ag		
CHOCOLATE CHOCOLATE	Blaine	Washington	
CLIF BAR & COMPANY	Emeryville	California	
FORWARD FOODS LLC	Carson City	Nevada	
GENERAL MILLS CANADA CORPORATION /CORPORATION			

Figure A5. Main chocolate/cocoa preparations (<2Kg) – blocks not filled – part 1. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

GENERAL MILLS	Mississauga	Ontario	L4W 5P6
GENERAL NUTRITION CENTRES COMPANY	Pittsburgh	Pennsylvania	
GODIVA CHOCOLATES	Wyomissing	Pennsylvania	
HERSHEY CANADA INC.	Mississauga	Ontario	L4W 0B1
KELLOGG CANADA INC.	Mississauga	Ontario	L4W 5S1
KIND LLC	New York	New York	
LA SIEMBRA CO-OPERATIVE INC	Ottawa	Ontario	K2P 0W7
LINDT & SPRUNGLI (CANADA), INC .	Toronto	Ontario	M5H 3M7
LOBLAWS INC.	Brampton	Ontario	L6Y 5S5
MONDELEZ CANADA INC.	Mississauga	Ontario	L4W 5M2
NESTLE CANADA INC.	Toronto	Ontario	M5P 2V4
PREMIER BRANDS CANADA LTD.	Pickering	Ontario	L1W 4A3
REGAL CONFECTIONS	Laval	Quebec	H7L 5A3
TREE OF LIFE CANADA ULC	Mississauga	Ontario	L5R 3X4
UNFI CANADA, INC.	Concord	Ontario	L4K 2N1

Figure A6. Main chocolate/cocoa preparations (<2Kg) – blocks not filled – part 2. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

180690 Chocolate And Other Food Preparations Containing Cocoa Nes

Company Name	City	Province	Postal Code
ALIMENTS MEDAILLON INC./ MEDAILLON FOODS INC.	Montréal	Quebec	H3H 2H8
AURORA IMPORTING & DISTRIBUTING LIMITED	Mississauga	Ontario	L5S 1P2
BODYBUILDING.COM, LLC	Boise	Idaho	
CAVALIER FOODS LTD.	Winnipeg	Manitoba	R3B 0R4
CLASEN QUALITY COATINGS, INC.	Madison	Wisconsin	
COSTCO WHOLESALE CANADA LTD	Ottawa	Ontario	K2E 1C5
DISTRIBUTION FRERES MAGID/AREL SALES/MAGID BROTHERS DISTI	Laval	Quebec	H7L 4Z6
DISTRIBUTIONS DENIS FONTAINE INC	Mirabel	Quebec	J7J 1P3
DOLLARAMA S.E.C./DOLLARAMA L.P.	Montréal	Quebec	H4P 0A1
ELCO FINE FOODS INC	Markham	Ontario	L3R 3W6
EURO-EXCELLENCE INC.	Candiac	Quebec	J5R 6Z7
FERRERO CANADA LIMITED/FERRERO CANADA LIMITEE	North York	Ontario	M2N 6N5
GENERAL MILLS CANADA CORPORATION /CORPORATION GENERAL	Mississauga	Ontario	L4W 5P6
GODIVA CHOCOLATES	Wyomissing	Pennsylvania	
HERSHEY CANADA INC.	Mississauga	Ontario	L4W 0B1
HUSKY FOOD IMPORTERS & DISTRIBUTORS LIMITED	Vaughan	Ontario	L4H 0A4
INTERNATIONAL BISCUITS & CONFECTIONS LLC	Medford	New Jersey	
J P SUNRISE BAKERY	Edmonton	Alberta	T5L 2P2
KELLOGG CANADA INC.	Mississauga	Ontario	L4W 5S1
KRAFT CANADA DON MILLS	North York	Ontario	M3B 3L6
LINDT & SPRUNGLI (CANADA), INC .	Toronto	Ontario	M5H 3M7
LOBLAWS INC.	Brampton	Ontario	L6Y 5S5
MARS CANADA INC.	Newmarket	Ontario	L3Y 7B3
MEILLEURES MARQUES LTEE	Anjou	Quebec	H1J 3A7
MONDELEZ CANADA INC.	Mississauga	Ontario	L4W 5M2
MORRIS NATIONAL INC.	Lasalle	Quebec	H8N 1B7
NESTLE CANADA INC.	Toronto	Ontario	M5P 2V4
OMEGA FOOD IMPORTERS CO LTD	Mississauga	Ontario	L5T 2W9
PREMIER BRANDS CANADA LTD.	Pickering	Ontario	L1W 4A3
R. M. PALMER COMPANY	West Reading	Pennsylvania	
REGAL CONFECTIONS	Laval	Quebec	H7L 5A3
RUSSELL STOVER CANDIES, INC.	Kansas City	Missouri	
SHOPPERS DRUG MART INC.	North York	Ontario	M2J 4W8

Figure A7. Main chocolate and other food preparations containing cocoa nes – part 1. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

STORCK CANADA INC	Mississauga	Ontario	L4Z 1H8
UNFI CANADA, INC.	Concord	Ontario	L4K 2N1
UNIDENTIFIED IMPORTER/IMPORTATEUR NON-IDENTIFIÉ			
WINNERS DIVISION OF WINNERS MERCHANTS INT. LP.	Mississauga	Ontario	L4V 1Y2
WORLD'S FINEST CHOCOLATE CANADA COMPANY	Campbellford	Ontario	K0L 1L0

Figure A8. Main chocolate and other food preparations containing cocoa nes – part 2. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

Appendix B. Bean-to-Bar Craft Chocolate Makers in Canada

Table B1

Bean-to-Bar Craft Chocolate Makers in Canada – Part 1

List of all bean-to-bar craft chocolate makers in Canada		
Chokolat	Calgary, AB	sochoklat.com
McGuire Chocolate	Calgary, AB	mcguirechocolate.com
Moth Chocolate	Calgary, AB	mothchocolate.com
Organic Fair	Cobble Hill, BC	organicfair.com
Take a Fancy Chocolate	Burnaby, BC	takeafancy.ca
Kasama Chocolate	East Vancouver, BC	kasamachocolate.com
Beanpod Chocolate	Fernie, BC	beanpod.ca
Wild Sweets by Dominique & Cindy Duby	Richmond, BC	dcduby.com
Coconama Chocolate	Vancouver, BC	coconama.com
EastVan Roasters	Vancouver, BC	eastvanroasters.com
Zazubean Chocolate	Vancouver, BC	zazubean.com
Sirene Chocolate	Victoria, BC	sirenechocolate.com
Uncouth Chocolate	Victoria, BC	facebook.com/Uncouthchocolate/
Aschenti Cocoa	Winnipeg, MB	aschenti.com
Popp Chocolates	Winnipeg, MB	constancepopp.com
Hummingbird Chocolate	Almonte, ON	hummingbirdchocolate.com
Bruama's Artisan Chocolate	Cambridge, ON	bruamas.com
Living Libations	Haliburton, ON	livinglibations.com
Cócó Chocolate Company	Kingston, ON	facebook.com/cocochocolateco
Habitual Chocolate	London, ON	habitualchocolate.com

Note. Adapted from "List of Small-Batch, Craft Bean-to-Bar Chocolate Makers in Canada", The Ultimate Chocolate Blog, 2017 (http://ultimatechocolateblog.blogspot.pe/2014/01/canadas-growing-bean-to-bar-craft.html).

Table B2

Bean-to-Bar Craft Chocolate Makers in Canada – Part 2

List of all bean-to-bar craft chocolate makers in Canada		
Ultimately Chocolate	Manitoulin Island, ON	ultimatelychocolate.com
Giddy Yoyo	Orangeville, ON	giddyyoyo.com
ChocoSol Traders	Toronto, ON	chocosoltraders.com
Marigold's Finest	Toronto, ON	marigoldsfinest.com
Pascha Chocolate	Toronto, ON	paschachocolate.com
Soma Chocolatemaker	Toronto, ON	somachocolate.com
Soul Chocolate	Toronto, ON	soulroasters.com
DesBarres Chocolate	Uxbridge, ON	facebook.com/desbarreschocolate
Ambrosia Pastry	Waterloo, ON	ambrosiapastry.com
Chaleur B Chocolate	Carleton-sur-Mer, QC	chaleurb.com
Olivia Chocolat	Gatineau, QC	oliviachocolatiers.com
Avanaa	Montréal, QC	avanaa.ca
Chocolat Monarque	Montréal, QC	facebook.com/chocolatsmonarque
Chocolats Privilége	Montréal, QC	chocolatsprivilege.com
Qantu	Montréal, QC	facebook.com/qantuchocolate
Rica Chocolat	Montréal, QC	ricachocolat.com
Palette de Bine	Mont-Tremblant, QC	palettedebine.com
Rose Chocolat	Quebec, QC	eauderosechocolat.com
Petite Patrie Chocolate	Canning, NS	petitepatriechocolate.com
Chocolat Bernard	New Brunswick, NB	facebook.com/pg/chocolat.berNard

Note. Adapted from “List of Small-Batch, Craft Bean-to-Bar Chocolate Makers in Canada”, The Ultimate Chocolate Blog, 2017 (http://ultimatechocolateblog.blogspot.pe/2014/01/canadas-growing-bean-to-bar-craft.html).

Appendix C. CAC Oro Verde Organizational Chart

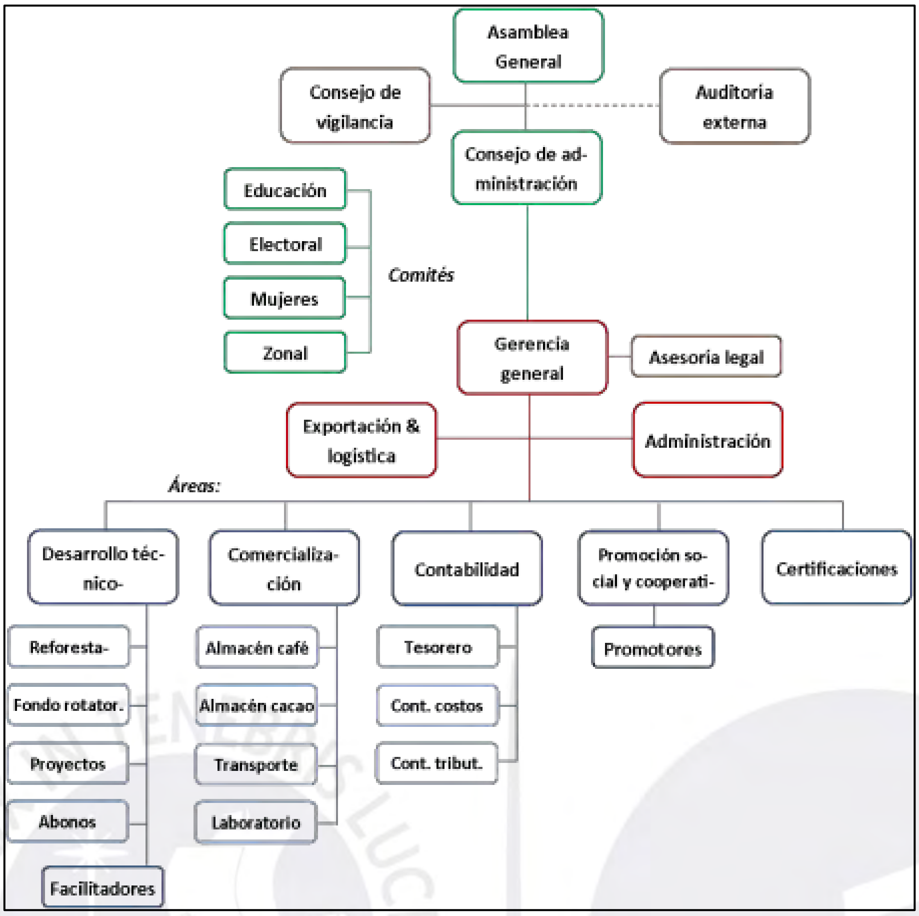

Figure C1. CAC Oro Verde organizational chart. Data are from *Plan de Negocios para la Exportación de Nibs y Cacao Fino de Aroma en Grano al Mercado Canadiense de la Cooperativa Agraria Cafetalera Oro Verde*, by Instituto Interamericano de Cooperación para la Agricultura, 2017, Lima, Peru. Unpublished internal document.

Appendix D. CAC Oro Verde Value Chain and Processes Flow Diagrams

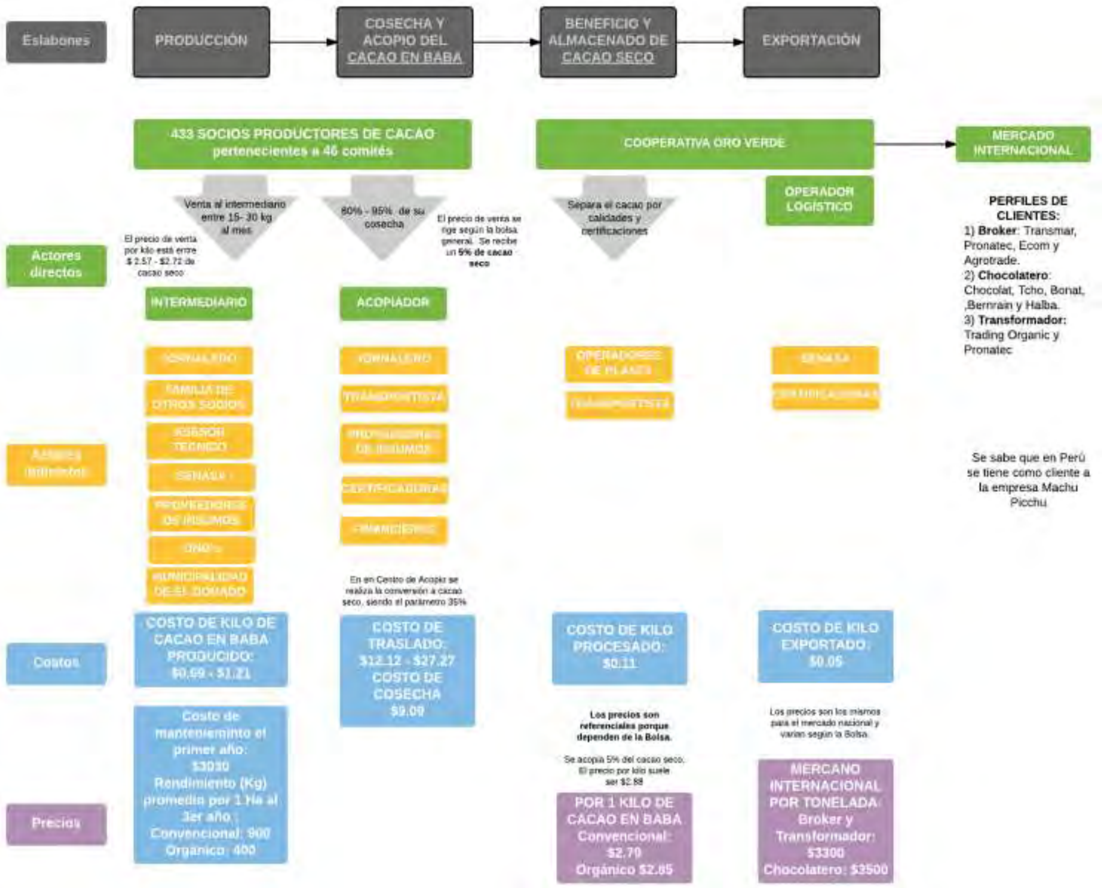

Figure D1. CAC Oro Verde value chain. Data are from *Plan de Negocios para la Exportación de Nibs y Cacao Fino de Aroma en Grano al Mercado Canadiense de la Cooperativa Agraria Cafetalera Oro Verde*, by Instituto Interamericano de Cooperación para la Agricultura, 2017, Lima, Peru. Unpublished internal document.

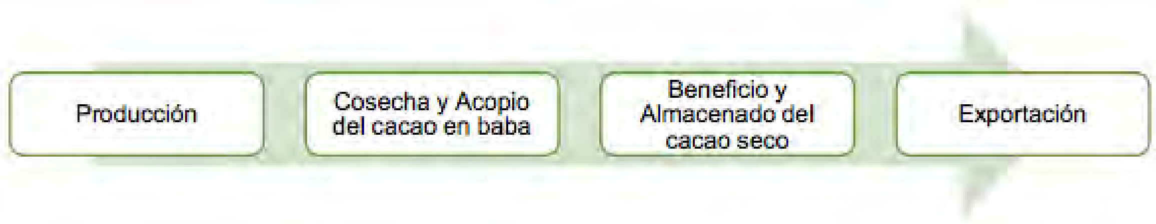

Figure D2. CAC Oro Verde total process flow diagram. Data are from *Plan de Negocios para la Exportación de Nibs y Cacao Fino de Aroma en Grano al Mercado Canadiense de la Cooperativa Agraria Cafetalera Oro Verde*, by Instituto Interamericano de Cooperación para la Agricultura, 2017, Lima, Peru. Unpublished internal document.

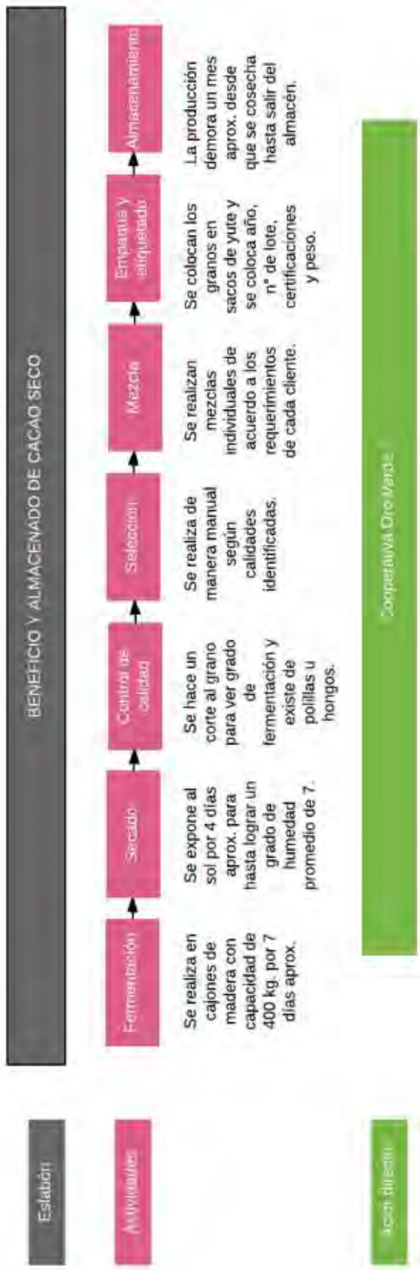

Figure D3. CAC Oro Verde main process flow diagram. Data are from *Plan de Negocios para la Exportación de Nibs y Cacao Fino de Aroma en Grano al Mercado Canadiense de la Cooperativa Agraria Cafetalera Oro Verde*, by Instituto Interamericano de Cooperación para la Agricultura, 2017, Lima, Peru. Unpublished internal document.

Appendix E. CAC Oro Verde Financial Statements

Table E1

CAC Oro Verde Income Statement 2013, 2014 and 2015 in PEN

	2013	2014	2015
Sales current products	18’320,410	19’613,807	25’552,271
Income	18’320,410	19’613,807	25’552,271
Cost of sales current products	-15’282,042	-16’291,250	-21’768,951
Cost of sales	-15’282,042	-16’291,250	-21’768,951
Gross profit	**3’038,368**	**3’322,557**	**3’783,320**
Administrative expenses	-1’685,928	-1’798,389	-1’566,659
Sales expenses	-417,005	-678,844	-793,791
Financial expenses	-1’775,784	-1’401,658	-2’094,824
Total expenses	-3’878,717	-3’878,891	-4’455,274
Operational income	**-840,349**	**-556,334**	**-671,954**
Financial income	709,602	15,925	-
Miscellaneous income	305,751	791,181	927,188
Other income	1’015,353	807,106	927,188
Other cost	-	-	-
Income before income taxes	**175,004**	**250,772**	**255,234**
Income taxes	-44,441	-131,846	-35,327
Net profit	**130,563**	**118,926**	**219,907**

Note. Adapted from “Plan de Negocios para la Exportación de Nibs y Cacao Fino de Aroma en Grano al Mercado Canadiense de la Cooperativa Agraria Cafetalera Oro Verde”, by Instituto Interamericano de Cooperación para la Agricultura, 2017, Lima, Peru. Unpublished internal document.

Table E2

CAC Oro Verde Balance Sheet 2013, 2014 and 2015 in PEN

	2013	2014	2015
Total current assets	**5’856,605**	**6’942,243**	**9’972,639**
Cash and marketable securities	1’065,569	365,479	1’329,037
Commercial account receivable (net)	2’748,808	1’829,279	3’420,751
Other account receivables (net)	886,894	1’306,001	1’624,120
Inventory (net)	461,443	2’893,132	2’597,787
Prepaid expenses	-	-	-
Taxes paid in advance	693,891	548,352	1’000,945
Total non current assets	**5’499,033**	**5’109,281**	**5’033,229**
Investments	48,179	55,463	222,962
Machinery and equipment (net)	5’444,324	5’049,103	4’807,454
Intangible assets (net)	-	-	-
Tax credit	6,530	4,715	2,813
Total assets	**11’355,638**	**12’051,524**	**15’005,868**
Current liabilities	**7’982,113**	**8’574,251**	**10’292,354**
Commercial account payables	6,447	8,276	-
Other account payables	344,926	601,953	360,366
Related account payables	57,888	544,893	103,978
Funds payables	394,034	-	117,483
Provisions	-	-	-
Financial obligation in short-term	7’178,817	7’419,129	9’710,527
Non current liabilities	668,523	629,123	2’300,024
Long-term financial payments	373,751	334,351	2’018,906
Liabilities for income tax and participation	294,772	294,772	281,118
Equity	**2’705,003**	**2’848,150**	**2’413,489**
Social capital	97,402	97,402	778,797
Additional capital	433,111	562,064	28,513
Revaluation surplus	2’006,181	2’006,181	858,240
Legal reserves	519,388	556,435	528,032
Other reservations	154,692	191,761	-
Accrual income	-636,335	-684,619	-
Net income	130,564	118,926	219,907
Total liabilities and equity	**11’355,638**	**12’051,524**	**15’005,868**

Note. Adapted from “Plan de Negocios para la Exportación de Nibs y Cacao Fino de Aroma en Grano al Mercado Canadiense de la Cooperativa Agraria Cafetalera Oro Verde”, by Instituto Interamericano de Cooperación para la Agricultura, 2017, Lima, Peru. Unpublished internal document.

Appendix F. Example of the Market Research Survey

Canadian Cocoa Importer Practices and Trends

1. Company Name:

____

2. What is your position title within your company?

____

3. Type of Company:

__Distributor __Manufacturer __Broker __Retailer

Other: ____________________________________

4. In which province or territory is your main business located?

____

5. What size is your business, measured by employment size?

__Small (0-100) __Medium (100-500) __Large (500+)

6. What category(s) of cocoa products or materials do you source/purchase?

__Cocoa Beans, raw __Cocoa beans, roasted

__Cocoa Nibs, raw __Cocoa Nibs, roasted

__Cocoa Butter __Cocoa Powder

__Chocolate Chips/Drops __Chocolate Bars

Other: ____________________________________

7. Which certification(s) or characteristics are important to you when sourcing cocoa products or materials?

__UTZ __Organic __Fairtrade __Rain Forest Alliance

Other: ____________________________________

Figure F1. Market research survey for Canadian cocoa importer practices and trends – part 1. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

8. At which of the following scales do you sell your final cocoa products?

__Local __Regional __Provincial

__National __International

9. In which season(s) do you source the majority of your cocoa materials or products?

__Spring __Summer __Fall __Winter

10. On average, in what quantity do you source cocoa materials or products annually, in tonnes?

	Less than 1t	1t - 10t	10t - 50t	50t – 100t	More than 100t
Cocoa Beans, raw					
Cocoa Beans, roasted					
Cocoa Nibs, raw					
Cocoa Nibs, roasted					
Cocoa Butter					
Cocoa Powder					
Chocolate Chips/Drops					
Chocolate Bars					
Other					

11. On average, how many times annually do you source your cocoa products or materials? If possible, please be specific to each different product or material imported by your company.

Cocoa Beans, raw _______ times a year

Cocoa Beans, roasted _______ times a year

Cocoa Nibs, raw _______ times a year

Cocoa Nibs, roasted _______ times a year

Cocoa Butter _______ times a year

Figure F2. Market research survey for Canadian cocoa importer practices and trends – part 2. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

Cocoa Powder _______ times a year

Chocolate Chips/Drops _______ times a year

Chocolate Bars _______ times a year

Other _______ times a year

12. Indicate the origin of the majority of your sourced cocoa products or materials.

__Africa __South America __Central America

__Asia and Oceania __Other

13. Have you ever bought cocoa products or materials from organized small producers in South America?

__Yes __No

14. Have you ever bought cocoa products or materials from organized small producers in Peru?

__Yes __No

15. Have you ever bought cocoa products or materials from organized small producers in the Dominican Republic?

__Yes __No

16. From which country(s) do you currently source your cocoa products or materials from?

____

____

____

17. What are the main factors that influence your decision to source from a particular supplier? Please select up to three from the following list.

Figure F3. Market research survey for Canadian cocoa importer practices and trends – part 3. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

__Price

__Reliability of supply

__Confidence in compliance with trade food safety and international standards

__Product quality

__Certifications (ie. Fairtrade, Organic)

__Prioritization of employment of women

__Fine or flavour sourced cocoa

__Direct source

Other, please specify: ____________________________

18. On a scale from 1-8, with 1 being the lowest and 8 being the highest,

a. How much priority do you give to sourcing from a recognized or certified environmentally sustainable supplier? _____

b. How much priority do you give to sourcing from small scale producers? _____

c. How much are women-owned businesses and female entrepreneurs a determining factor in selecting a supplier and trade partner? _____

d. How much priority do you give to sourcing from a recognized or certified fine flavour supplier? _____

19. In what ways do you seek or pursuit a new supplier?

__Websites __Databases __Directories __Reference

Other: ____

Figure F4. Market research survey for Canadian cocoa importer practices and trends – part 4. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

20. Have you experienced any major challenges when sourcing cocoa materials or products from international suppliers? If so, please provide some examples.

____

____

____

21. From your experience, what do you think are the most important factors to the Canadian consumer when making a cocoa or chocolate purchase decision? Select up to three from the following list.

__Attractive packaging

__Healthy benefits/nutritional value

__Organic

__Fair Trade

__Price

__Origin of sourced product

__Quality of cocoa

__Taste

Other, please specify: ______________________________

22. What do you think will be the most dynamic cocoa product(s) in the Canadian market in the next 5 to 10 years? Explain very briefly why.

____

____

____

Figure F5. Market research survey for Canadian cocoa importer practices and trends – part 5. Data are from *The Canadian Cacao Market*, by Inter-American Institute for Cooperation on Agriculture Delegation Canada, 2017, Ottawa, Canada. Unpublished internal document.

Appendix G. List of Supplying Markets for a Product Imported by Canada of Product: 18 Cocoa and Cocoa Preparations

Table G1

List of Supplying Markets for a Product Imported by Canada – In CAN Thousand

Exporters	Imported value in 2012	Imported value in 2013	Imported value in 2014	Imported value in 2015	Imported value in 2016
World	1’280,037	1’382,310	1’632,862	1’918,646	2’048,567
USA	610,679	667,649	757,541	908,788	972,501
Côte d'Ivoire	174,376	138,528	205,308	216,293	168,389
Switzerland	54,555	56,350	66,504	75,724	80,459
Indonesia	21,776	46,588	65,008	53,812	78,676
Mexico	32,818	36,840	47,014	74,339	71,726
Belgium	55,425	66,776	73,003	66,185	69,118
Germany	61,972	57,344	58,791	66,122	66,733
Malaysia	19,061	24,561	47,073	63,010	63,154
Ghana	12,716	16,811	14,674	40,475	57,987
Nigeria	15,994	23,931	35,041	9,224	49,957
United Kingdom	38,384	40,715	48,592	50,434	48,939
Ecuador	9,202	30,189	17,639	44,965	41,937
Italy	18,997	18,587	16,505	26,624	31,921
Peru	2,806	4,360	16,055	14,725	30,330
Netherlands	20,799	19,517	16,783	19,838	28,490
Poland	14,062	16,683	19,201	20,604	20,124
Canada	6,279	9,258	14,394	21,991	16,258
Brazil	14,069	5,177	4,514	4,511	13,001
Colombia	166	1,243	3,119	4,126	10,157
Singapore	7,236	7,883	6,983	7,500	8,062
Turkey	3,136	6,319	6,585	6,137	7,149
Cameroon	4	23	152	73	44
Jamaica	10	19	17	29	40
Saint Lucia	-	-	-	20	40
Luxembourg	-	-	-	-	32
Costa Rica	21	6	23	40	29
Guatemala	3	1	1	10	28
Dominica	-	10	7	36	25
Nicaragua	-	5	7	4	20

Note. Adapted from “List of Supplying Markets for a Product Imported by Canada - Product: 18 Cocoa and Cocoa Preparations”, International Trade Center, 2017 (http://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1|124||||18|||2|1|1|2|1|2|1|1).

Table G2

List of Supplying Markets for a Product Imported by Canada – In USD Thousand

Exporters	Imported value in 2014	Imported value in 2015	Imported value in 2016
World	**202,119**	**214,617**	**199,018**
Côte d'Ivoire	111,763	105,894	59,847
Nigeria	31,166	7,228	37,728
Ghana	12,796	27,288	33,216
Ecuador	13,994	34,592	31,165
Peru	10,121	9,004	19,983
Colombia	1,987	333	3,421
Total six countries	**181,827**	**184,339**	**185,360**
Percentage six countries out of total world	**89.96%**	**85.89%**	**93.14%**

Note. Adapted from "List of Supplying Markets for a Product Imported by Canada - Product: 1801 Cocoa beans, whole or broken, raw or roasted", International Trade Center, 2017 (http://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1|124||||1801|||4|1|1|1|2|1|2|1|1).

Table G3

List of Supplying Markets for a Product Imported by Canada – In TNE (Metric Ton)

Exporters	2014	2015	2016
	Imported quantity, TNE	Imported quantity, TNE	Imported quantity, TNE
World	**65,027**	**68,339**	**61,595**
Côte d'Ivoire	35,926	33,746	17,423
Nigeria	10,136	2,211	11,711
Ecuador	4,484	11,147	9,726
Ghana	3,712	8,291	9,174
Peru	3,341	2,720	6,487
Colombia	647	109	1,126
Total six countries	**58,246**	**58,224**	**55,647**
Percentage six countries out of total world	**89.57%**	**85.20%**	**90.34%**

Note. Adapted from "List of Supplying Markets for a Product Imported by Canada - Product: 1801 Cocoa beans, whole or broken, raw or roasted", International Trade Center, 2017 (http://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1|124||||1801|||4|1|1|1|2|1|2|2|1).

Appendix H. Fine Flavour Cocoa Producing Countries and the Percentage of Its Production That Is Fine Flavour Classified, as Classified by ICCO

Table H1

List of Fine Flavour Cocoa Producing Countries and the Percentage of Its Production Classified as Fine Flavoured

Countries	Share of total exports of the country classified as fine flavour cocoa
Belize	50%
Bolivia	100%
Colombia	95%
Costa Rica	100%
Dominica	100%
Dominican Republic	40%
Ecuador	75%
Grenada	100%
Guatemala	50%
Honduras	50%
Indonesia	1%
Jamaica	95%
Madagascar	100%
Mexico	100%
Nicaragua	100%
Panama	50%
Papua New Guinea	90%
Peru	75%
Saint Lucia	100%
São Tomé and Principé	35%
Trinidad and Tobago	100%
Venezuela	100%
Vietnam	40%

Note. Adapted from “Fine or Flavour Cocoa”, International Cocoa Organization, 2017 (https://www.icco.org/about-cocoa/fine-or-flavour-cocoa.html).

Appendix I. List of Supplying Markets for a Product Imported by Canadian Provinces of Product: 1801 Cocoa Beans, Whole or Broken, Raw or Roasted

Table I1

List of Supplying Markets for a Product Imported by British Columbia – In TNE (Metric Ton)

Exporters	2014	2015	2016
	Imported quantity, TNE	Imported quantity, TNE	Imported quantity, TNE
World	**32**	**50**	**253**
United States	6	25	23
Peru	12	7	205
Ecuador	12	6	15
Colombia	-	9	1
Dominican Republic	-	1	1
Total five countries	**30**	**48**	**245**
Percentage five countries out of total world	**93.75%**	**96.00%**	**96.84%**

Note. Adapted from "Top 10 countries for December 2016 to which we imported commodity "180100 Cocoa beans, whole or broken, raw or roasted" from British Columbia customs basis, 6-digit commodity level", Statistics Canada, 2017 (http://www5.statcan.gc.ca/cimt-cicm/topNCountries-pays?lang=eng&getSectionId()=0&dataTransformation=0&refYr=2016&refMonth=12&freq=12&countryId=0&getUsaState()=0&provId=59&retrieve=Retrieve&country=null&tradeType=3&topNDefault=10&monthStr=null&chapterId=18&arrayId=0&sectionLabel=&scaleValue=0&scaleQuantity=0&commodityId=180100).

Table I2

List of Supplying Markets for a Product Imported by Ontario – In TNE (Metric Ton)

Exporters	2014	2015	2016
	Imported quantity, TNE	Imported quantity, TNE	Imported quantity, TNE
World	**2,038**	**1,006**	**1,943**
Côte d'Ivoire	390	105	546
Dominican Republic	578	237	485
Ecuador	589	427	364
Nigeria	155	59	263
Peru	149	80	87
Total five countries	**1,861**	**908**	**1,745**
Percentage five countries out of total world	**91.32%**	**90.26%**	**89.81%**

Note. Adapted from "Top 10 countries for December 2016 to which we imported commodity "180100 Cocoa beans, whole or broken, raw or roasted" from Ontario customs basis, 6-digit commodity level", Statistics Canada, 2017 (http://www5.statcan.gc.ca/cimt-cicm/topNCountries-pays?lang=eng&getSectionId()=0&dataTransformation=0&refYr=2016&refMonth=12&freq=12&countryId=0&getUsaState()=0&provId=35&retrieve=Retrieve&country=null&tradeType=3&topNDefault=10&monthStr=null&chapterId=18&arrayId=0&sectionLabel=&scaleValue=0&scaleQuantity=0&commodityId=180100).

Table I3

List of Supplying Markets for a Product Imported by Quebec – In TNE (Metric Ton)

Exporters	2014	2015	2016
	Imported quantity, TNE	Imported quantity, TNE	Imported quantity, TNE
World	**62,902**	**67,246**	**57,871**
Côte d'Ivoire	35,536	33,641	16,877
Nigeria	9,981	2,152	11,448
Ghana	3,631	8,290	9,168
Ecuador	3,851	10,708	9,344
Peru	3,178	2,631	6,188
Total five countries	**56,177**	**57,422**	**53,025**
Percentage five countries of total world	**89.31%**	**85.39%**	**91.63%**

Note. Adapted from "Top 10 countries for December 2016 to which we imported commodity "180100 Cocoa beans, whole or broken, raw or roasted" from Quebec customs basis, 6-digit commodity level", Statistics Canada, 2017 (http://www5.statcan.gc.ca/cimt-cicm/topNCountries-pays?lang=eng&getSectionId()=0&dataTransformation=0&refYr=2016&refMonth=12&freq=12&countryId=0&getUsaState()=0&provId=24&retrieve=Retrieve&country=null&tradeType=3&topNDefault=10&monthStr=null&chapterId=18&arrayId=0&sectionLabel=&scaleValue=0&scaleQuantity=0&commodityId=180100).

Appendix J. Projected Income Statements for Nine Different Scenarios of Possible Financial Outcomes Including Proposed Business Opportunity

Table J1

Projected Income Statement for the Next Five Years in PEN – Scenario 1

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales current products	27’856,599	31’150,075	34’443,552	37’737,028	41’030,505
Sales fine flavour FTO	146,916	195,804	244,693	293,581	342,469
Income	28’003,515	31’345,880	34’688,244	38’030,609	41’372,974
Cost of sales current products	-23’399,543	-26’166,063	-28’932,584	-31’699,104	-34’465,624
Costs of sales fine flavour FTO	35,716	43,439	51,161	58,884	66,606
Cost of sales	-23’363,827	-26’122,625	-28’881,422	-31’640,220	-34’399,018
Gross profit	**4’639,688**	**5’223,255**	**5’806,822**	**6’390,389**	**6’973,956**
Administrative expenses	-1’820,228	-2’037,482	-2’254,736	-2’471,990	-2’689,243
Sales expenses	-700,088	-929,897	-1’013,456	-1’097,015	-1’180,574
Financial expenses	-1’823,916	-2’024,458	-2’225,000	-2’281,837	-2’482,378
Total expenses	-4’344,232	-4’991,837	-5’493,192	-5’850,841	-6’352,196
Operational income	**295,456**	**231,418**	**313,630**	**539,548**	**621,760**
Financial income	-	-	-	-	-
Miscellaneous income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other cost	-	-	-	-	-
Income before income taxes	**1’239,075**	**1’231,863**	**1’370,901**	**1’653,644**	**1’792,681**
Income taxes	-185,861	-184,779	-205,635	-248,047	-268,902
Net profit	**1’053,214**	**1’416,643**	**1’576,536**	**1’901,690**	**2’061,584**

Table J2

Projected Income Statement for the Next Five Years in PEN – Scenario 2

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales current products	27’856,599	31’150,075	34’443,552	37’737,028	41’030,505
Sales fine flavour FTO	168,954	225,175	281,396	337,618	393,839
Income	28’025,552	31’375,250	34’724,948	38’074,646	41’424,344
Cost of sales current products	-23’399,543	-26’166,063	-28’932,584	-31’699,104	-34’465,624
Costs of sales fine flavour FTO	35,716	43,439	51,161	58,884	66,606
Cost of sales	-23’363,827	-26’122,625	-28’881,422	-31’640,220	-34’399,018
Gross profit	**4’661,725**	**5’252,626**	**5’843,526**	**6’434,426**	**7’025,326**
Administrative expenses	-1’821,661	-2’039,391	-2’257,122	-2’474,852	-2’692,582
Sales expenses	-700,639	-930,631	-1’014,374	-1’098,116	-1’181,859
Financial expenses	-1’825,238	-2’026,220	-2’227,202	-2’284,479	-2’485,461
Total expenses	-4’347,538	-4’996,243	-5’498,697	-5’857,447	-6’359,902
Operational income	**314,187**	**256,383**	**344,828**	**576,979**	**665,425**
Financial income	-	-	-	-	-
Miscellaneous income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other cost	-	-	-	-	-
Income before income taxes	**1’257,807**	**1’256,828**	**1’402,099**	**1’691,075**	**1’836,346**
Income taxes	-188,671	-188,524	-210,315	-253,661	-275,452
Net profit	**1’069,136**	**1’445,352**	**1’612,414**	**1’944,737**	**2’111,798**

Table J3

Projected Income Statement for the Next Five Years in PEN – Scenario 3

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales current products	27’856,599	31’150,075	34’443,552	37’737,028	41’030,505
Sales fine flavour FTO	190,991	254,546	318,100	381,655	445,209
Income	28’047,590	31’404,621	34’761,652	38’118,683	41’475,714
Cost of sales current products	-23’399,543	-26’166,063	-28’932,584	-31’699,104	-34’465,624
Costs of sales fine flavour FTO	35,716	43,439	51,161	58,884	66,606
Cost of sales	-23’363,827	-26’122,625	-28’881,422	-31’640,220	-34’399,018
Gross profit	**4’683,763**	**5’281,996**	**5’880,230**	**6’478,463**	**7’076,697**
Administrative expenses	-1’823,093	-2’041,300	-2’259,507	-2’477,714	-2’695,921
Sales expenses	-701,190	-931,366	-1’015,291	-1’099,217	-1’183,143
Financial expenses	-1’826,561	-2’027,983	-2’229,404	-2’287,121	-2’488,543
Total expenses	-4’350,844	-5’000,648	-5’504,203	-5’864,052	-6’367,607
Operational income	**332,919**	**281,348**	**376,027**	**614,411**	**709,089**
Financial income	-	-	-	-	-
Miscellaneous income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other cost	-	-	-	-	-
Income before income taxes	**1’276,539**	**1’281,793**	**1’433,297**	**1’728,507**	**1’880,011**
Income taxes	-191,481	-192,269	-214,995	-259,276	-282,002
Net profit	**1’085,058**	**1’474,062**	**1’648,292**	**1’987,783**	**2’162,013**

Table J4

Projected Income Statement for the Next Five Years in PEN – Scenario 4

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales current products	27'856,599	31'150,075	34'443,552	37'737,028	41'030,505
Sales fine flavour FTO	293,832	391,609	489,385	587,161	684,938
Income	28'150,431	31'541,684	34'932,937	38'324,190	41'715,443
Cost of sales current products	-23'399,543	-26'166,063	-28'932,584	-31'699,104	-34'465,624
Costs of sales fine flavour FTO	58,924	74,369	102,322	117,768	133,213
Cost of sales	-23'340,619	-26'091,694	-28'830,261	-31'581,336	-34'332,412
Gross profit	**4'809,812**	**5'449,989**	**6'102,676**	**6'742,853**	**7'383,031**
Administrative expenses	-1'829,778	-2'050,209	-2'270,641	-2'491,072	-2'711,504
Sales expenses	-703,761	-934,792	-1'019,573	-1'104,355	-1'189,136
Financial expenses	-1'832,731	-2'036,206	-2'239,681	-2'299,451	-2'502,927
Total expenses	-4'366,270	-5'021,208	-5'529,896	-5'894,878	-6'403,566
Operational income	**443,542**	**428,782**	**572,780**	**847,975**	**979,465**
Financial income	-	-	-	-	-
Miscellaneous income	943,620	1'000,445	1'057,271	1'114,096	1'170,922
Other income	943,620	1'000,445	1'057,271	1'114,096	1'170,922
Other cost	-	-	-	-	-
Income before income taxes	**1'387,162**	**1'429,227**	**1'630,051**	**1'962,071**	**2'150,386**
Income taxes	-208,074	-214,384	-244,508	-294,311	-322,558
Net profit	**1'179,088**	**1'643,611**	**1'874,558**	**2'256,382**	**2'472,944**

Table J5

Projected Income Statement for the Next Five Years in PEN – Scenario 5

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales current products	27’856,599	31’150,075	34’443,552	37’737,028	41’030,505
Sales fine flavour FTO	337,907	450,350	562,793	675,235	787,678
Income	28’194,506	31’600,425	35’006,345	38’412,264	41’818,183
Cost of sales current products	-23’399,543	-26’166,063	-28’932,584	-31’699,104	-34’465,624
Costs of sales fine flavour FTO	58,924	74,369	102,322	117,768	133,213
Cost of sales	-23’340,619	-26’091,694	-28’830,261	-31’581,336	-34’332,412
Gross profit	**4’853,887**	**5’508,731**	**6’176,083**	**6’830,928**	**7’485,772**
Administrative expenses	-1’832,643	-2’054,028	-2’275,412	-2’496,797	-2’718,182
Sales expenses	-704,863	-936,261	-1’021,409	-1’106,557	-1’191,705
Financial expenses	-1’835,376	-2’039,731	-2’244,086	-2’304,736	-2’509,091
Total expenses	-4’372,881	-5’030,019	-5’540,907	-5’908,090	-6’418,977
Operational income	**481,006**	**478,712**	**635,176**	**922,838**	**1’066,794**
Financial income	-	-	-	-	-
Miscellaneous income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other cost	-	-	-	-	-
Income before income taxes	**1’424,625**	**1’479,157**	**1’692,447**	**2’036,934**	**2’237,716**
Income taxes	-213,694	-221,874	-253,867	-305,540	-335,657
Net profit	**1’210,932**	**1’701,031**	**1’946,314**	**2’342,474**	**2’573,373**

Table J6

Projected Income Statement for the Next Five Years in PEN – Scenario 6

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales current products	27’856,599	31’150,075	34’443,552	37’737,028	41’030,505
Sales fine flavour FTO	381,982	509,091	636,201	763,310	890,419
Income	28’238,581	31’659,167	35’079,752	38’500,338	41’920,924
Cost of sales current products	-23’399,543	-26’166,063	-28’932,584	-31’699,104	-34’465,624
Costs of sales fine flavour FTO	58,924	74,369	102,322	117,768	133,213
Cost of sales	-23’340,619	-26’091,694	-28’830,261	-31’581,336	-34’332,412
Gross profit	**4’897,962**	**5’567,472**	**6’249,491**	**6’919,002**	**7’588,512**
Administrative expenses	-1’835,508	-2’057,846	-2’280,184	-2’502,522	-2’724,860
Sales expenses	-705,965	-937,729	-1’023,244	-1’108,758	-1’194,273
Financial expenses	-1’838,020	-2’043,255	-2’248,490	-2’310,020	-2’515,255
Total expenses	-4’379,492	-5’038,830	-5’551,918	-5’921,301	-6’434,389
Operational income	**518,469**	**528,642**	**697,573**	**997,701**	**1’154,124**
Financial income	-	-	-	-	-
Miscellaneous income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other cost	-	-	-	-	-
Income before income taxes	**1’462,089**	**1’529,087**	**1’754,844**	**2’111,797**	**2’325,045**
Income taxes	-219,313	-229,363	-263,227	-316,770	-348,757
Net profit	**1’242,776**	**1’758,450**	**2’018,070**	**2’428,567**	**2’673,802**

Table J7

Projected Income Statement for the Next Five Years in PEN – Scenario 7

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales current products	27’856,599	31’150,075	34’443,552	37’737,028	41’030,505
Sales fine flavour FTO	440,749	587,413	734,078	880,742	1’027,406
Income	28’297,347	31’737,488	35’177,629	38’617,770	42’057,911
Cost of sales current products	-23’399,543	-26’166,063	-28’932,584	-31’699,104	-34’465,624
Costs of sales fine flavour FTO	94,640	117,807	140,975	176,651	199,819
Cost of sales	-23’304,903	-26’048,256	-28’791,608	-31’522,453	-34’265,805
Gross profit	**4’992,444**	**5’689,232**	**6’386,021**	**7’095,318**	**7’792,106**
Administrative expenses	-1’839,328	-2’062,937	-2’286,546	-2’510,155	-2’733,764
Sales expenses	-707,434	-939,687	-1’025,691	-1’111,694	-1’197,698
Financial expenses	-1’841,546	-2’047,955	-2’254,363	-2’317,066	-2’523,475
Total expenses	-4’388,307	-5’050,578	-5’566,600	-5’938,916	-6’454,937
Operational income	**604,137**	**638,654**	**819,421**	**1’156,402**	**1’337,169**
Financial income	-	-	-	-	-
Miscellaneous income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other cost	-	-	-	-	-
Income before income taxes	**1’547,757**	**1’639,099**	**1’876,692**	**2’270,498**	**2’508,091**
Income taxes	-232,163	-245,865	-281,504	-340,575	-376,214
Net profit	**1’315,593**	**1’884,964**	**2’158,196**	**2’611,073**	**2’884,305**

Table J8

Projected Income Statement for the Next Five Years in PEN – Scenario 8

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales current products	27’856,599	31’150,075	34’443,552	37’737,028	41’030,505
Sales fine flavour FTO	506,861	675,525	844,189	1’012,853	1’181,517
Income	28’363,460	31’825,600	35’287,741	38’749,882	42’212,022
Cost of sales current products	-23’399,543	-26’166,063	-28’932,584	-31’699,104	-34’465,624
Costs of sales fine flavour FTO	94,640	117,807	140,975	176,651	199,819
Cost of sales	-23’304,903	-26’048,256	-28’791,608	-31’522,453	-34’265,805
Gross profit	**5’058,556**	**5’777,344**	**6’496,132**	**7’227,429**	**7’946,217**
Administrative expenses	-1’843,625	-2’068,664	-2’293,703	-2’518,742	-2’743,781
Sales expenses	-709,086	-941,890	-1’028,444	-1’114,997	-1’201,551
Financial expenses	-1’845,513	-2’053,241	-2’260,970	-2’324,993	-2’532,721
Total expenses	-4’398,224	-5’063,795	-5’583,116	-5’958,732	-6’478,053
Operational income	**660,332**	**713,549**	**913,016**	**1’268,697**	**1’468,164**
Financial income	-	-	-	-	-
Miscellaneous income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other cost	-	-	-	-	-
Income before income taxes	**1’603,952**	**1’713,994**	**1’970,287**	**2’382,793**	**2’639,085**
Income taxes	-240,593	-257,099	-295,543	-357,419	-395,863
Net profit	**1’363,359**	**1’971,094**	**2’265,830**	**2’740,212**	**3’034,948**

Table J9

Projected Income Statement for the Next Five Years in PEN – Scenario 9

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales current products	27’856,599	31’150,075	34’443,552	37’737,028	41’030,505
Sales fine flavour FTO	572,973	763,637	954,301	1’144,964	1’335,628
Income	28’429,572	31’913,712	35’397,853	38’881,993	42’366,133
Cost of sales current products	-23’399,543	-26’166,063	-28’932,584	-31’699,104	-34’465,624
Costs of sales fine flavour FTO	94,640	117,807	140,975	176,651	199,819
Cost of sales	-23’304,903	-26’048,256	-28’791,608	-31’522,453	-34’265,805
Gross profit	**5’124,669**	**5’865,456**	**6’606,244**	**7’359,540**	**8’100,328**
Administrative expenses	-1’847,922	-2’074,391	-2’300,860	-2’527,330	-2’753,799
Sales expenses	-710,739	-944,093	-1’031,196	-1’118,300	-1’205,403
Financial expenses	-1’849,480	-2’058,528	-2’267,576	-2’332,920	-2’541,968
Total expenses	-4’408,141	-5’077,012	-5’599,633	-5’978,549	-6’501,170
Operational income	**716,528**	**788,444**	**1’006,611**	**1’380,991**	**1’599,158**
Financial income	-	-	-	-	-
Miscellaneous income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other income	943,620	1’000,445	1’057,271	1’114,096	1’170,922
Other cost	-	-	-	-	-
Income before income taxes	**1’660,148**	**1’788,890**	**2’063,882**	**2’495,088**	**2’770,080**
Income taxes	-249,022	-268,333	-309,582	-374,263	-415,512
Net profit	**1’411,125**	**2’057,223**	**2’373,464**	**2’869,351**	**3’185,592**