

FEASIBILITY ANALYSIS OF A VIETNAMESE CAFÉ IN SPAIN

Case: Café Hanoi, Barcelona, Spain

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Nguyen, Tra My

Lahti University of Applied Sciences
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NGUYEN, TRA MY:

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ABSTRACT

This study covers the feasibility of a business idea – a Vietnamese café in the city of Barcelona, Spain. The study is the preliminary of a business plan. Therefore, it aims to discover the environment surrounding the café in Barcelona, Spain.

The study employs descriptive approach, using both quantitative and qualitative methods. The data collection includes both primary and secondary data. The primary data is collected through focus group, interviews and questionnaire. The secondary data is retrieved from books, articles and reports.

The study evaluates the business idea, using a feasibility analysis. Four different aspects of a business idea are analyzed: product and service feasibility; industry and market feasibility; organizational feasibility; financial feasibility. Different tools are used to deliver the results such as PESTLE, Porter's Five Forces, financial and resources theory.

The key results include customer perception of Vietnamese coffee, market situation and regulations related to a café business and estimated finance for the business. In conclusion, the Vietnamese café is a feasible idea. On the way to recovering from the economic crisis, Barcelona is a promising market. Furthermore, the target group is also open toward Vietnamese coffee beverages. The business is financially feasible, thanks to the support of a micro bank loan. Regardless, it is not possible to open a café in the designated area due to urban planning limitations.

Despite a well-structured design, the research external validity is low. The reason behind is the small sample size. Hence, a part of the research cannot be generalized. Further research of product feasibility is suggested.

Key words: café, business idea, feasibility, Vietnamese coffee, Barcelona, Spain.

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GLOSSARY

CIA: Central Intelligence Agency.

FDI: Foreign Direct Investment.

GDP: Gross Domestic Product.

VAT: Value Added Tax.

1 INTRODUCTION

This chapter gives readers an overview into the study. First, the author presents the thesis background, with personal motivation and contextual motivation behind. Then, the research objectives, followed by research questions and sub questions are defined. Next, scopes and limitations of the research are clearly stated. Afterwards, the theoretical framework behind the research is explained. After that, research methodology and data collection are presented. Finally, the author provides a detailed structure of the thesis.

1.1 Thesis background

After experiencing a prolonged recession in the wake of the global financial crisis that began in 2008, in 2014 Spain marked the first full year of positive economic growth in seven years, largely due to increased private consumption (Central Intelligence Agency 2014). Figure 1 provides a detailed look into Spain's GDP components.

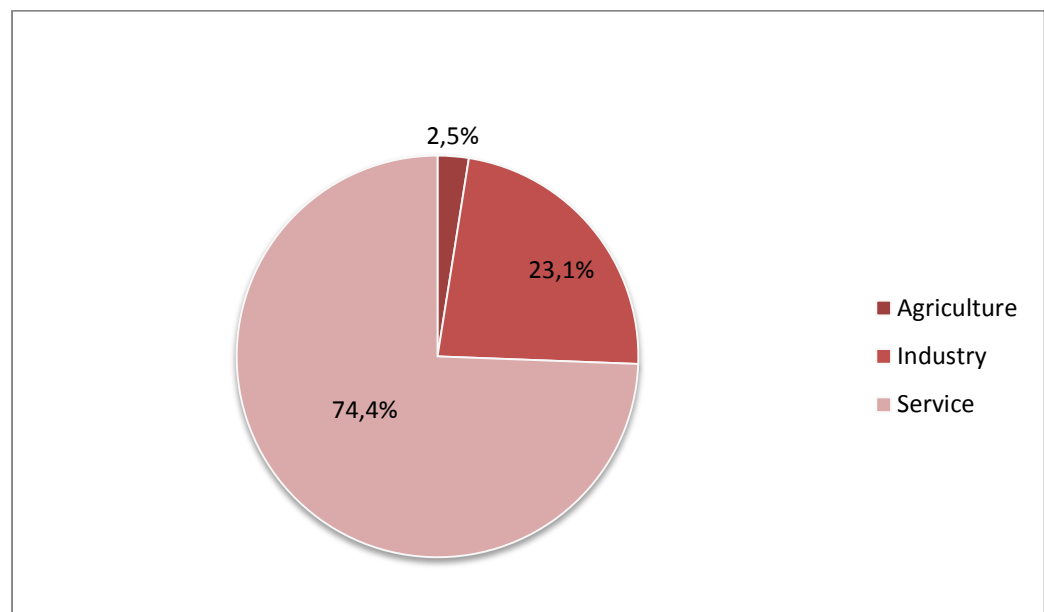


FIGURE 1. Spain GDP, composition, by sector of origin (modified from CIA 2014)

From the figure, service industry plays an important part in Spain's economy. It makes up 74,4% of the GDP in 2014. The Spanish service sector consists of many industries. First of all, data suggests that tourism is one of the big contributors for service sector. According to World Travel and Tourism Council, tourism accounts for 15,2% of Spain's GDP (2014). This is the total contribution, which includes direct, indirect and induced contribution. Figure 2 breaks down these contributions.

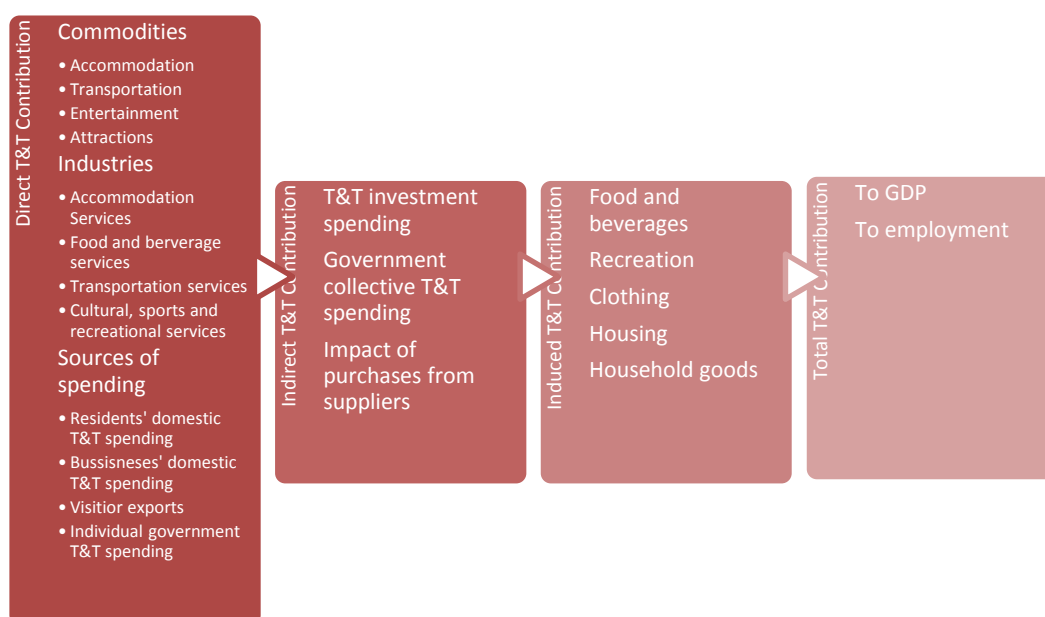


FIGURE 2. Economic contribution of Travel & Tourism in Spain (World Travel and Tourism Council 2015)

From the definition of economic contribution of travel and tourism, it is easy to see that service is vital to the industry. On top of that, food and beverage services is one of the direct contributions.

Second of all, from the author's observation while living in Barcelona, food and beverage service is popular. Eating out is a cultural habit of Spain. The Spaniards have the term "ir de tapas", which is translated to "going out for tapas", but the underlying definition of the term reveals more about the Spanish eating habits. "ir de tapas" means "the practice of visiting various bars and snacking in each one until you have had your meal"

(Donquijote 2016). Furthermore, to strengthen author's observation, this eating habit is tested during the empirical research of this study through focus group and questionnaire.

Coffee is considered a necessity in Spain. In 2011, Spain accounted for 2.6% of the World's consumption. At home coffee consumption is relatively low in Spain compared to other importing countries; Spaniards consume 43.4% of their coffee at out-of-home outlets, with 2.7% by chain outlets and 40.6% by other outlets. (International Coffee Organization 2012.) These statistics are promising to smaller coffee businesses. Table 1 demonstrate the origins of coffee in Spain.

TABLE 1. Top origins of coffee for selected importing countries-Spain (modified from International Coffee Organization 2012)

Country of origin	2011	Average (1997-2011)	% share in total Imports
Vietnam	1432	1176	27,2
Brazil	864	793	18,3
Uganda	299	402	9,3
Germany	521	298	6,9
Columbia	236	272	6,3
Selected total	3352	2940	67,9
Total import	4821	4329	100

In addition, Spain is one of the top importing countries of coffee. Spain imports 4.7% of its consumption. 67.9% of Spain's imported coffee comes from five main countries: Vietnam, Brazil, Uganda, Germany and Colombia. Table 1 provides statistic from each country. With 27,2 % share in total imported amount, Vietnam is the leading supplier of Spain. These numbers prove a strong position of Vietnamese coffee on Spanish market.

The author is a last year student at Lahti University of Applied Science, degree in International Business. At Lahti University of Applied Science, entrepreneurship is always encouraged through academic courses and student organizations. During the last year of her studies, the author has finished a 6-month practical training in Barcelona, Spain. The duration of the placement is long enough for her to immerse in Spanish environment. Soon, the author recognizes a potential market for a café business in Barcelona, Spain. Coming from Vietnam, the author acknowledges the reputation of Vietnamese coffee. Further research reveals that Vietnamese coffee is often viewed as low in quality and only used in instant coffee (Schearf 2012). In Barcelona, after trying a "Vietnamese coffee" with a strange flavor, the author comes up with the idea of a café where she can introduce the authentic Vietnamese coffee beverages and erase the preconception of the product.

1.2 Research Objective, Research Questions

The research is twofold. First of all, the research evaluates the viability of the author's business idea. The outcome serves as an experience for future development. Second of all, the research provides a closer look at doing business in Spain, from a foreigner point of view. The data can be used as a market research or a benchmark for doing business in Spain. These are the long-term values of this study.

With these two objectives in mind, the author comes up with the research question: How feasible is a Vietnamese café in Barcelona, Spain?

Following the main research question, the author drafts a list of sub questions:

- What is customer perception of Vietnamese coffee beverages?
- How attractive is the industry and market in Barcelona, Spain?
- What are the requirements for opening a café in Spain?
- How much capital is needed and how profitable is the business?

1.3 Scopes and limitations

According to Verzuh (2011, 67), project scope is all the work needed to meet project objectives. Therefore, it is worth noting that the study only serves as a feasibility analysis of a business idea, not a business plan. In short, the author wants to explore the possibility of the idea for further development. For general use, the study serves as a market research. Additionally, opening a business in Spain as a foreigner is also covered.

The research is conditioned by three limitations. First of all, due to the limited time period, sample size expectation may not be met. The lack of sample may affect research's validity. In order to reduce this effect, the author uses mixed method of data collection, which is explained in the next chapter. Third of all, the author currently resides in Lahti, Finland. Thus, geographical distance can be a disadvantage. Nevertheless, it is possible to obtain data from distance with the help of technology. Last but not least, language is another barrier of the research. The author's proficiency of Spanish is basic, which may not be enough to execute several data collection process in the original language. To make up for this, a translation can be provided.

1.4 Theoretical framework

Ideas are about theories and ideas and theory building go together (Fawcett & Pockett 2015, 9). Therefore, it is essential to demonstrate the theoretical framework behind this research. Hence, the theoretical

framework of this research is described in figure 3.

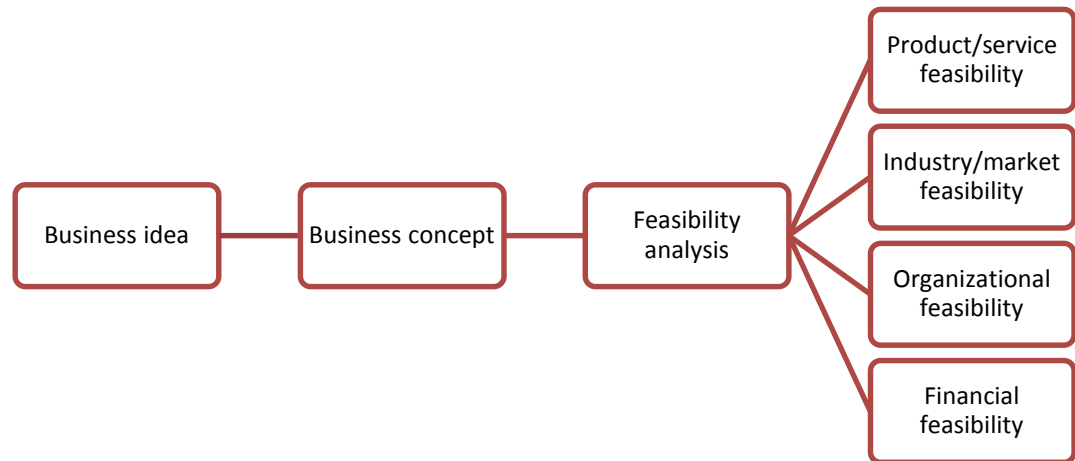


FIGURE 3. Theoretical framework

The thesis aims to determine the feasibility of a business idea. Thus, chapter 2 gets readers familiarized with the theories behind business idea. Moving forward, planning a new venture takes a lot of effort. That effort includes developing a business concept that meets all real market need. (Allen 2010, 56.) Hence, chapter 3 defines the business concept with detailed description.

Kubr (1998, 25) mentioned: “The idea itself has no intrinsic value. It only acquires economic value when it has been successfully realized in the market”. In other word, the idea must be tested. Keeping this in mind, the author chooses to do feasibility analysis, which is believed to be the essential step before starting a new venture, even before writing a business plan (Scarborough 2014, Allen 2010, Barringer 2015). A feasibility analysis is the process of determining whether a business idea is viable for creating a successful business (Scarborough 2014, 143). Feasibility analysis is composed of product/service feasibility, industry/target market feasibility and financial feasibility (Barringer 2015). These definitions and concepts are explained in chapter 2, as theories of business idea.

1.5 Research methodology and data collection

Scientific research needs to be done systematically and is based on logic not belief (Ghuri & Grønhaug 2010, 12). For that reason, figures 4 describes the research methodology of this study.

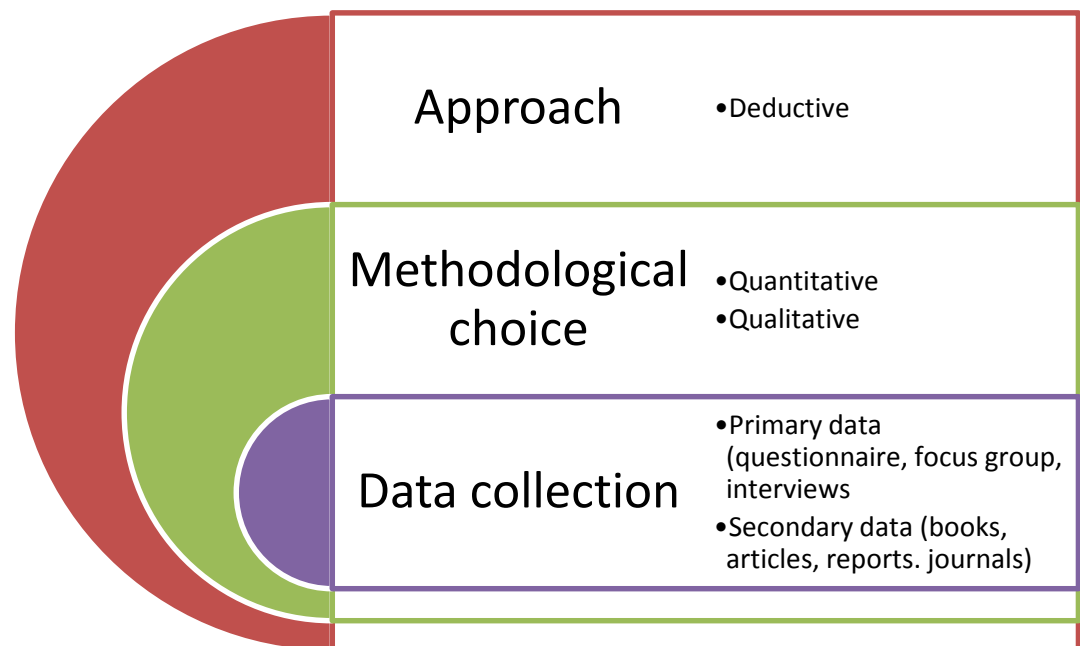


FIGURE 4. Research methodology

Research approach

Research approach depends on two characteristics: the emphasis of the research and the nature of the research (Saunders et al 2012, 148). This research features the testing of a business idea with a defined theoretical framework. Additionally, the time frame of the research is approximately 3 months. Deriving from these two features, deductive is the suitable

approach.

Deductive approach is drawing conclusions through logical reasoning (Ghauri & Grønhaug 2010, 16). Figure 5 describes the deductive approach in this research.

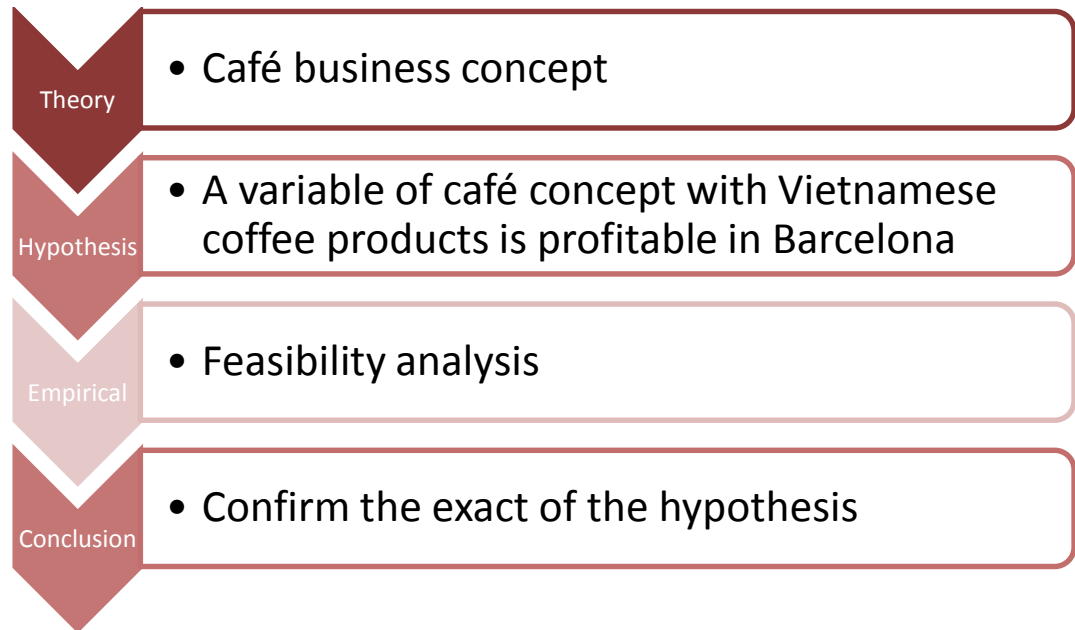


FIGURE 5. Research approach

Research method

Quantitative research is a method for testing objective theories by examining the relationship among variables. On the other hand, qualitative is an approach for exploring and understanding connection between individuals or groups with a social or human issue. (Creswell 2014, 4.) As mentioned in research objectives, this thesis aims to gain insights of starting a business in Spain and from there examine the feasibility of the author's idea. Thus, choosing a mix of both quantitative and qualitative methods strengthens the validity of this research. The combination of both methods helps the researcher have a better understanding of the problem than either method alone (Creswell 2014, 4).

The data collection of this research includes primary data and secondary data. Primary data refers to data and statistics that are collected for the

first time. On the other hand, secondary data is retrieved and presented logically. (Fox et al 2014, 23.) Furthermore, two types of data collection also have different set of information. Primary data includes observation, experiments, surveys and interviews, while secondary data includes book journal articles, online data sources (Ghauri & Grønhaug 2010, 90, 99). Last but not least, primary data is analyzed in the research while secondary data is not.

For the purposes of this research, both primary and secondary data are collected. Secondary data provides the theory behind the research while primary data reveals reality discovery. There are three sources of primary data in the empirical research. First of all, a focus group is formed and consumer's opinions on the products are recorded. Second of all, a web-based questionnaire is distributed to gain consumer insights. The last source of primary data is interviews with business advisors, which reveal the regulations of starting a business in Spain. On the other hand, secondary data is collected from various sources such as books, journal articles, reports, etc.

1.6 Thesis structure

Hereby, figure 6 presents the thesis structure to help readers navigate through this paper.

Chapter 1: Introduction

- Background; research questions; methodology; scopes and limitation; theoretical framework.

Chapter 2: Theory in Business Idea

- Business idea; business concept; feasibility analysis.

Chapter 3: Business concept

- Concept of café Hanoi

Chapter 4: Empirical Research

- Data collection procedures and data analysis.

Chapter 5: Feasibility analysis

- Industry/market feasibility; service feasibility; oraganizational feasibility; financial feasibility .

Chapter 6: Conclusion

- Finding, realiability and validity; recommendation for further research.

Chapter 7: Summary

FIGURE 6. Thesis structure

The first chapter represents an overview of the thesis. It includes background information, research questions, methodology, scopes, limitations and theoretical framework. The second chapter lays out the theory behind business idea, which includes business concept and theory of feasibility analysis. The third chapter presents the business concept of the café business and café Hanoi. The fourth chapter describes in depth the empirical research with data collection procedure and data analysis. Next, in the fifth chapter, theory is implemented into a feasibility analysis of product; industry and market; organization and finance. Then, the conclusion provides a summary of the findings, evaluates the reliability and validity of the research and suggests further research topics. Finally, chapter 7 gives a big picture of the study.

2 THEORY IN BUSINESS IDEA EVALUATION

This chapter introduces theories behind the research. First, business idea definition, characteristic and role are presented. Second, definition and importance of business concept are described. Finally, detailed theories of feasibility analysis are shown.

2.1 Business idea

Everyone has ideas, hundreds of them, everyday (Allen 2010, 41). But there is more to a business idea than just an idea. First of all, business idea fills a need and creates unique value to the customer (Barringer 2015, 40). It involves a product, service or method, which is linked to market demand (Allen 2010, Burns 2011). Second of all, a successful business idea has commercial potential. In other words, it must generate money. (Allen 2010, 41.)

Barringer (2015) suggests three sources of business idea: changing environmental trends, unsolved problems and gaps in the marketplace. These trends should be considered simultaneously when defining a business idea. Business idea is the first step to a new venture (Barringer 2015, Allen 2010). Therefore, without a business idea, a business doesn't exist. However, the idea is only the beginning of a process towards mature business (Kubr 1998, 20). In order to refine a business idea, entrepreneurs must develop a business concept and business model to capture value.

2.2 Business concept

A business concept is a precise description of a business idea. Business concept contains four elements: the value proposition; the product/service; the customer definition; and the distribution channel. (Allen 2010, 57.) In other words, business concept defines the benefits of the product or

service, how it is differentiated from similar ones, who will buy it and methods of delivery (Muller 2012).

On the role of business concept, Muller (2012) writes:

“Business concept acts as a bridge between business idea and business plan. A clear business concept enables the founder to effectively communicate the nature of the business to suppliers, customers, lenders and resource team members.”

Finally, during feasibility testing, where the founder learns more about the market and potential profitability of the business, the business concept may change (Muller 2012).

2.3 Feasibility analysis

A feasibility analysis is the process of determining whether an entrepreneur's idea and business model are the viable foundation of a successful business (Scarborough 2014, 143).

Feasibility analysis plays an important part in building a new business. First of all, feasibility analysis reveals uncertainty of the business concept (Allen 2010, 83). Thus, it prevents the waste of valuable time, money, energy and other resources (Scarborough 2014, 143). Second of all, feasibility analysis helps entrepreneurs understand the context of the environment, in which the business operates (Allen 2010, 88). Last but not least, feasibility analysis allows new idea and opportunities, which can improve the business concept (Barringer 2015, 73).

Barringer (2015) creates a template for feasibility analysis. It is a combination of product/service feasibility, industry/market feasibility, organizational feasibility and financial feasibility. These four components are described in detail below.

2.3.1 Products feasibility

Product feasibility is the test of overall appeal of the product or service being proposed (Barringer 2015, 74). Customer is the center of product feasibility analysis. Customer only buy a product or service because it solves a problem for them, meets a need they have or adds value to them. Furthermore, entrepreneurs need to understand the motives for buying. From there, the product or service can be tailored to meet those needs. (Burns 2011, 145.) With the customer as the focus of product and service feasibility analysis, Barringer (2015) suggests two features for research: product desirability and product demand.

Product desirability assures that the product or service is desirable and meet a market's need. While product demand determines if there is a demand for the product. (Barringer 2015.) There are many methods to define product feasibility such as survey, concept test (Barringer 2015), and focus groups (Scarborough 2014). In this study, the author chooses focus group and survey to determine product feasibility. The focus group is conducted first, followed by a survey.

Focus group

A focus group typically brings eight to ten individuals for a face-to-face discussion of a particular topic. There are four components of a focus group: recruiting profile, participant, moderator, and discussion guide. (Edmunds 1999, 1, 29.) These components engage in three steps of focus group. First, participants are recruited, using a recruiting profile. Second, the focus group is conducted, leading by a moderator, using a discussion guide. Lastly, data from the session is analyzed. (Rea 2014.)

During the planning of focus group, the researcher needs to identify a recruiting profile and a discussion guide. Recruiting profile is a list of characteristics of the potential participants. Recruiting profile can consist specified requirements in age, occupation, ethnicity, residency... (Rea 2014, 83.) If recruiting profile helps researcher in choosing the suitable candidates, discussion guide helps researcher carry out a successful

session. Discussion guide is an outline, which the moderator follows when conducting focus group (Edmunds 1999, 75). Figure 7 demonstrates an example of discussion guide for a new product.

There are two reasons for choosing focus group in this study. First, focus group method is said to be exploratory, which is the nature of this thesis (Edmunds 1999). The method is best used in new product development (Ottum 1996). Naturally, focus group is the best method to test out completely new products from café Hanoi. In addition, focus group is a good preliminary information-gathering technique for the survey. Data collected from focus group can be used to develop survey's questions. (Rea et al 2014.)

Focus group discussion guide

1. Introduction (10 minutes)

- Greetings
 - Topic of the discussion
 - Research expectation
 - Rules
 - Confidentiality
- Participants are asked to introduce themselves with the following information
 - Name
 - Age
 - Occupation/Industry
 - Nationality

2. General info around the industry or type of product (10 minutes)

Participants give some general opinions about the industry or type of product.

3. Product concept

Participants listen to the product concept. Afterwards, a short ask and answer session is given

4. Initial Evaluation

Participants share their first impression with the product concept.

5. Product trial

Participants try on products

6. Product evaluation

Participant gives evaluation of products

7. Suggestion

Participants suggests ideas, improvements

8. Closing

FIGURE 7. Focus group discussion guide (modified from Edmunds 1999)

Figure 7 serves as a sample for the empirical discussion guide in appendix 2.

Survey

Survey is a data collection method, which utilizes a structured set of data. Survey analysis describes the nature of a set of cases. (deVaus 2002, X.) Following these features, there are many types of survey. Due to time and resource limitation, the author chooses web-based questionnaire to collect data for survey method. A questionnaire is a list of questions in a predetermined order, in which participants answer the same set of questions. (deVaus 2002.) When using questionnaire together with focus group, it is important that the respondents of the questionnaire do not participate in focus group (Barringer 2015). Furthermore, the planning of the questionnaire is also important. Deriving from Burns' logical sequence of survey questions (2014, 226), figure 8 describes an outline of the questionnaire used in this research, with the purpose of each section.

Questionnaire outline

1. Screens

Selects the desired respondent type.

2. Warm ups

Generates interest.

3. Transitions

Notifies the respondents about change in subject or format of following questions.

4. Complicated questions

Digs deeper in the questionnaire's topic.

5. Classification and demographic questions

Segments the respondents

FIGURE 8. Questionnaire outline (modified from Burns 2014).

Survey research method is chosen because it is usually connected with deductive research approach. Furthermore, survey suits with the exploratory nature of the thesis. As mentioned above, survey is also linked with focus group to raise the validity of this thesis.

2.3.2 Industry and market feasibility

Industry and market feasibility assets the overall appeal of the industry and the target market of the business. To start with, it is critical to distinguish between industry and target market. Industry is a group of businesses offering a similar product or service. (Barringer 2015.) On the other hand, target market is only a small group of customers that a business focus on (Allen 2010, 96). Most companies do not try to serve the whole industry

but a smaller target market (Barringer 2015). Therefore, the analysis goes from industry attractiveness to target market attractiveness.

Industry attractiveness

Understanding the industry is fundamental to shaping the business's entry and growth strategy (Allen 2010, 96). There are two techniques that are used in analyzing industry attractiveness: PESTLE analysis and Porter's Five Forces (Cadle et al 2010).

PESTLE Analysis

First of all, Allen (2010, 108) suggests PEST analysis as a tool to examine the macro-environment. He also writes that PEST can be extended further to cover different aspects of the industry. With the same suggestion, Cadle et al (2010) also proposes PEST, PESTEL and several variants of PESTLE analysis. Given the characteristics of the café industry, the author decides on PESTLE as the analysis method for macro-environment. Figure 9 summarizes six key areas that are covered in PESTLE: political, economic, socio-cultural, technological, environmental and legal aspect.

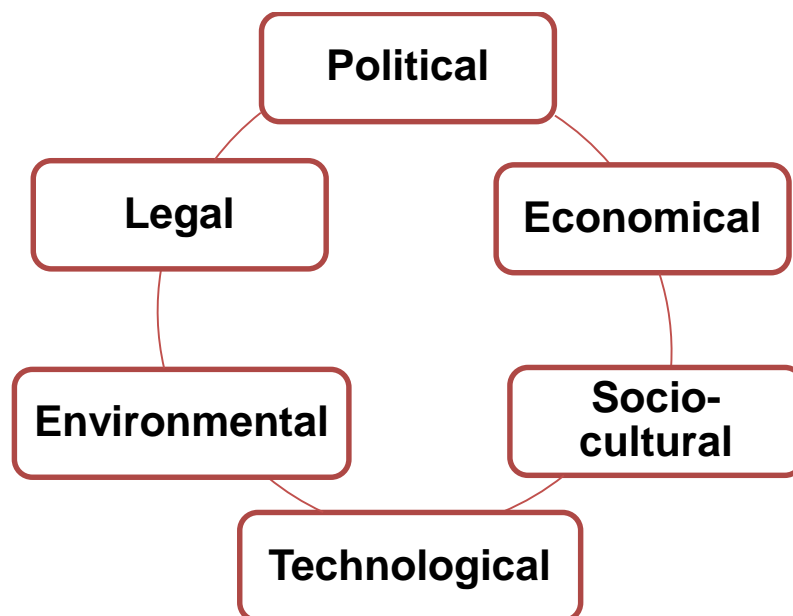


FIGURE 9. PESTLE Analysis (Cadle 2010)

Political factors include government attitude to employment, consumer protection, the environment, taxation, trade restrictions, societal reforms, as well as the burden of bureaucracy and the level of corruption (Team FME 2013). Nowadays, the development of government bodies and the growth of global trade and multinational organization can affect the business indirectly (Cadle 2010, 3).

Economic factors include changes in economy's inflation rate, taxes, interest rates, exchange rates, trading regulations and excise duties (Team FME 2013). Similar to political factors, economic difficulties in one nation can have a global impact (Cadle 2010, 4).

Socio-cultural factors include demographics, population, employment, income, education and career trends, social and cultural conventions (Team FME 2013). These changes can be subtle and hard to identify (Cadle 2010, 4).

Technological factors include the development of technology in manufacture and infrastructure (Team FME 2013; Cadle 2010, 4). Change in technology happens more and more frequently. Businesses are required to keep up with technology or face the risk of new entrants and competitors. (Cadle 2010, 4.)

Environmental factors include infrastructures, energy availability and cost, and the ecological consequences of production processes (Team FME 2013).

Legal factors include current and impending legislation that may affect the industry (Team FME). Similar to economic and political factors, businesses should also consider legal aspects from other countries since they may affect the operation (Cadle 2010, 4)

Porter's Five Forces

Second of all, both Allen (2010) and Scarborough (2014) list Porter's Five Forces as a useful tool for analyzing the industry attractiveness. Porter's work looks at the industry structure and a company's competitive strength

and positioning relative to that industry (Allen 2010, 103). Figure 10 depicts the five forces.

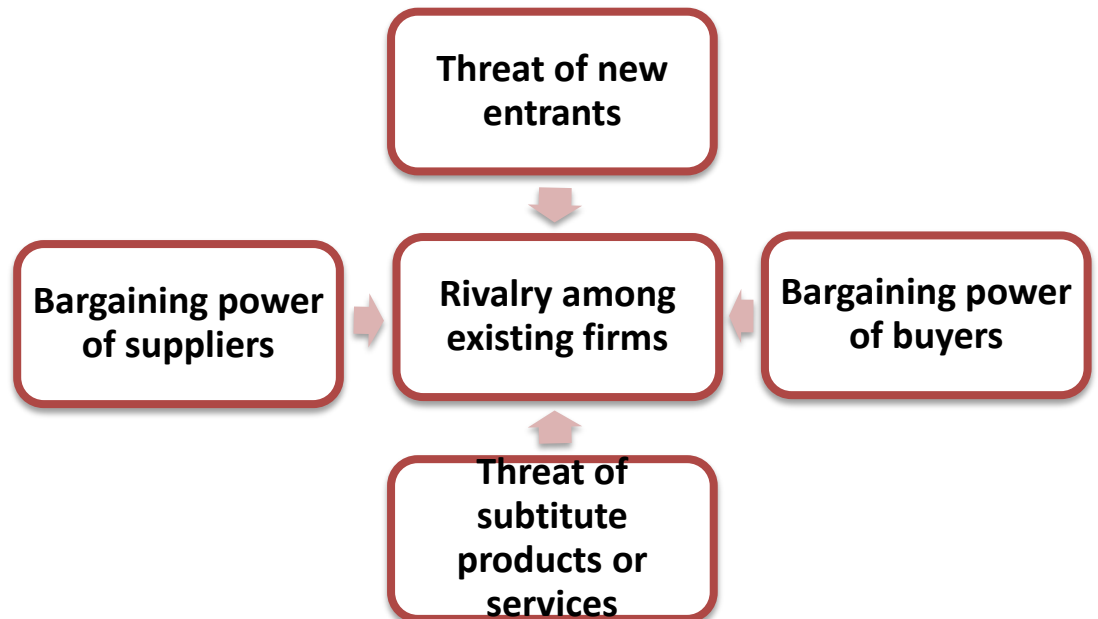


FIGURE 10. Porter's Five Forces (modified from Porter 1980)

Porter (1980, 2008) defines these five forces as following:

Threat of new entrants depends on barrier to entry, which is defined by seven major forces: Supply-side economical of scale, demand-side benefit of scale, capital requirement, switching cost, access to distribution channel, cost disadvantages independent of scale and government policy. In order to evaluate the threat of new entrants, one must understand these forces. First of all, *supply-side economical of scale* refers to the decline in unit costs of a product as the absolute volume per period increases. In other words, if the unit fixed costs of a product decrease as the absolute volume per period increases, it is harder for a new firm to enter the industry with low volume production. Second of all, *demand-side benefits of scale* refers to brand identification and customer loyalties. If a new firm needs to build a strong identity and customer base in order to compete with others, the threat of new entrant is low. Third of all, *capital requirement* is the required investment to start the business. If the capital requirement is high, there is a low chance of new entrants. Fourth of all,

switching cost is defined as the cost for buyers, presents when changing from one supplier to another. If the cost is higher, buyers have a higher loyalty to one supplier. Therefore, the threat of new entrant is low. Fifth of all, access to distribution channel serves an important role in many industries. If it is easy to access the distribution channel without scarifying profits, the threat of new entrants is high. Sixth of all, established firms have cost advantages that are independent from size and economies of scale. Consequently, new entrants face with *cost disadvantages independent of scale* in product technology, source of raw materials, locations, government subsidies, learning curve. If it costs a lot to keep up in these factors, the threat of entrants is low. Finally, *government policy* can build a barrier to entry with such controls as licensing requirements or limits on access to raw materials.

Bargaining power of buyer decides the price, and quality of products or services. The power of buyers depends on purchase volume, overall buyer cost, type of product, switching cost, buyers' profit, backward integration, the quality of product or service relative to buyers and buyers' information. Buyers are powerful when: their purchase volume is high relative to seller's sale; the purchase of a particular product represents a major fraction of buyers' overall cost; products are standardized; switching cost is low; buyers' profit is low; buyers pose credible threat of backward integration; the quality of the products is unimportant to buyers; the buyers have full information of the industry.

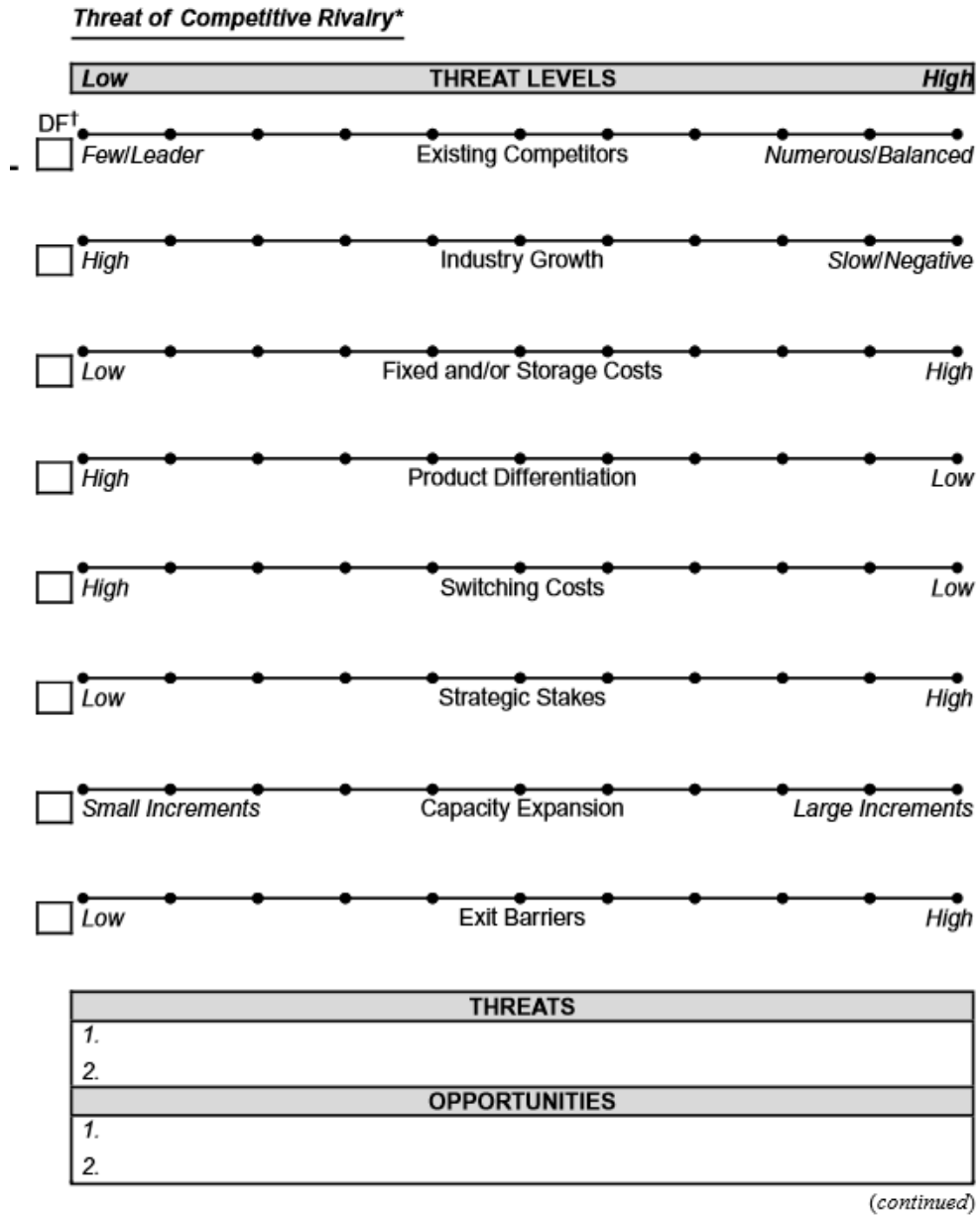
Threat of substitute products or services indicates the pressure from substitute products, which perform the same function as the product of the industry. Threat of substitute products or services is varied and decided by industry and buyers' preference.

Bargaining power of suppliers is defined by similar conditions to buyers' power. Suppliers have higher power when: the number of supplier for the product is low with low volume and low profit; absence of supplier substitutes; the industry is not an important customer of the supplier group;

suppliers' product is important in industry's process; supplier products are differentiated or have high switching cost; suppliers pose credible threat of forward integration.

The four factors above work together to *create rivalry among existing firms*. New venture can analyze the threat of competitive rivalry based on eight factors: Number of competitors, industry growth, fixed or storage costs, product differentiation, switching cost, capacity expansion, competitor diversity, strategic stakes, and exit barriers. The rivalry is intense when: competitors are numerous or are roughly equal in size and impact; industry growth is low; exit barriers are high; complicated strategic stakes that go beyond economic performance; competitors are too different from each other, making it hard to predict strategy. In addition, price competition happens when: fixed or storage costs are high, making companies to cut prices, hurting profit; product differentiation is high, as well as low switching costs for buyers; capacity expansion must be high to expand the business.

Porter's Five Forces is shaped by many factors. Thus, it is formidable to evaluate the five forces in depth. The author employs Dobbs' (2014) framework, which is depicted in figure 11.



Notes: *Rivalry necessitates price cuts, new product development, advertising campaigns, service improvements depending on the intensity and basis of competition between rival organizations; †DFT – driving factors of industry dynamics to be indicated with check marks

FIGURE 11. Example of Dobb's (2014) template for Porter's Five Force

Dobbs (2014) asserts challenges in deep, structured analysis using Porter's Five Forces. Hence, he suggests a template for five forces. Each template contains different sources of threat along with threat level indicators. Since source of threats have different impact in different

industry, Dobbs (2014) adds a check box for driving factors. At the end of the template, there is a brief conclusion of threats and opportunity for strategic reviews. With the template, Dobbs opens a different way to utilize Porter's work effectively. For that reason, the author adopts Dobbs' work in evaluating Porter's Five Force within the industry.

Target market attractiveness

Target market is a piece of a larger market segment. Most new ventures do not have the resources to participate in a board market. Therefore, focusing on a smaller target market helps them avoid competition with industry leaders. In addition, the firms can focus on serving a concentrated segment very well. (Barringer 2015.) In order to identify the attractiveness of the market, new ventures have to identify customers, and customers' demands.

Market segment

Through market segmentation, companies divide large market into smaller segment (Armstrong 2011, 203). Armstrong uses four main variables to segment consumer market: geographic, demographic, psychographic, and behavioral segmentation.

Geographic segmentation divides the market into different geographical units such as regions, nations, cities... Companies can choose to serve one, a couple or all geographical zone but have to keep in mind the differences in needs and wants of each zone. Demographic segmentation divides the market based on age, gender, family size, income, occupation, education, religion, race, generation, and nationality. Consumer needs, wants and usages relate closely to these variables. *Psychographic segmentation* differs consumers into social class lifestyle or personality. These factors can affect consumer needs and wants in the same demographic segment. *Behavioral segmentation* divides consumers by their knowledge, attitudes, uses or responses to a product.

Beside above segmentation, there are other variables used. Most businesses use a mix of these segmentations to understand consumers better.

Market demand

As important as targeting the right group, proving that the target market is interested in the product is even more so (Scarborough 2014). Hence, market demand need to be confirmed by analyzing trends and market size. The author uses a mix of primary data and secondary data to collect this information. First, secondary data provides statistics of possible market size and trends in several related industries. Specifically, the author utilizes articles and reports to obtain secondary data (Barringer 2015). Second, primary data confirms the findings from secondary data. Additionally, primary also gauge the share of market that are interested in café Hanoi's products and discover the needs and wants of the market. Of all primary data collection methods, questionnaire reveals information on market demand.

2.3.3 Organizational feasibility

Organizational feasibility is conducted to verify the adequacy of organizational competence and resources (Barringer 2015). In order to evaluate these requirements, the author utilizes resource audit (Cadle 2010) and a self-checked management prowess (Barringer 2010, 114).

Management prowess

Prowess refers to the ability of the initial management team, whether it is a sole entrepreneur or a bigger group. It is vital for the team to be honest in self-assessment on two aspects: the passion for the business idea and the knowledge of the market. The passion for the business idea keeps the entrepreneur maintains the objectives and successes in creating a new business. The knowledge of the market makes business processes easier, from finding partners, building a team to funding and reaching out for customers. (Barringer 2010, 114.)

Resource audit

Resource audit analyzes key areas of internal capability such as physical, human, reputation and know-how resources. For each area, resource audit defines whether the firm has access to resources in order to develop and grow. (Cadle 2010, 10.) First of all, physical resources refer to land, buildings and equipment, both owned and leased by the firm (Cadle 2010, 10). Second of all, human resources are the people that the firm employs, both permanent and temporary employees. Third of all, reputation resources indicate the firm's reputation and the amount of goodwill or antipathy resulted from this reputation. Finally, know-how implies the information held within the firm and how it is used to support the firm. (Cadle 2010, 11.)

2.3.4 Financial feasibility

Further into the business plan, a thorough financial analysis should be conducted. At the early stage of a business idea, a board financial analysis is sufficient. The board analysis includes the capital requirement, estimated earning and the resulting return on investment. (Scarborough 2014.)

Capital requirements

A business requires capital to purchase assets, acquire required resources and operate. Capital exists in many forms such as equipment, office, cash, and inventory. (Scarborough 2014.) New ventures need to determine how much capital they need to start and run the business in the first year.

When capital requirements are identified, entrepreneurs need to define the sources of capital. There are many sources for capital, but they can be classified into equity capital and debt capital. *Equity capital* represents owners' personal investment in the business. Equity capital does not required to be paid back as a loan does. Nevertheless, the entrepreneur has to give up ownership of the company in exchange for equity. Equity capital can come from founders, angle investors, family and friend, venture

capital companies... On the other hand, *debt capital* refers to the wealth that an entrepreneur borrows. Debts need to be paid back with interest. While debt capital allows the entrepreneur to keep ownership, it is considered a liability. In addition, the loan to small ventures requires higher interest rate. Debt capital mostly comes from commercial banks, stockbrokers, and some entrepreneurship support programs. (Scarborough 2014.)

Estimated earning

In order to calculate the estimated earning, the entrepreneur needs to prepare a pro-firma income statement. Income statement presents the projected profit or loss of a business in a specific period of time (Allen 2010, 180). Depends on the type of business, income statement entries are varied. Figure 12 suggests income statement entries of a café business.

Income Statement	
REVENUE	
	Sales
	Cost of goods sold
	<hr/>
	<i>Gross profit</i>
EXPENSES	
	Labor
	Rent
	Utilities (water, electricity, gas)
	Telephone
	Office expenses
	Advertising
	Promotion
	Maintenance and repair
	Equipment lease
	Professional fees
	Insurance
	<hr/>
	<i>Total Expense</i>
EBIT (Earnings before Interest and Taxes)	
	Interest
	Tax
	<hr/>
NET INCOME (Estimated earnings)	

FIGURE 12. Income statement of a café (modified from Matzen & Harrison 2006)

Besides presenting estimated earnings, income statement also helps the entrepreneur to predict total cash needed to operate the business until it generates a positive cash flow.

Return on investment (ROI)

Return on investment is a quick ratio in financial management. It measures the amount of return on the shareholders' equity. It tells the shareholders if the business is worth investing in or not. ROI is calculated by:

$$\text{Return on investment} = \frac{\text{Net income}}{\text{Shareholders' equity}}$$

(Allen 2010.)

3 VIETNAMESE CAFÉ CONCEPT

Café is not a new concept. However, the biggest difference of a Vietnamese café is **core products**. This chapter describes the café concept and style from general to regional and finally café Hanoi.

3.1 Café

Coffeehouse were created based on the model of Italian bar (Walker 2011, 50). Coffeehouse has many different names around the world and café is one of them. A café is a European model of coffeehouse. Typically, a café focus on serving liquid coffees, not bean sale. Usually, café also provides food such as pastry, snacks, sandwiches, etc. (Matzen et al 2006, 7-8.)

Coffee appeared in Europe in 17th century. Yet, it is not until 18th century, café became popular. Café or coffee house was the intellectual center during the Age of Enlightenment, where scholars exchanged ideas. (Standage 2006.)

There are four important factors of a café concept: location, style, products and amenities. The best location depends on concept, and customer profile. Different sites have different pros and cons. A good location is the key to maximize the profit while putting in less effort. (Matzen 2006, 34.)

Style of a café depends on location and owner's preference. It can be divided into serving style and café's image. First, serving style is the way products are served. Self-service is a serving style, in which customers serve themselves without the aid of a staff. This style minimizes the work load and save serving time. On the contrary, full service or table service requires staffs in every step from serving to cleaning. Second, café's image is the business's identity (Matzen 2006, 54). Café's image reflects on color, furniture, lightning, seating, table, music, smell and more. Café's owner has to decide an image that appeals to the target customers.

Product is the connection between the café's concept and its overall identity and purpose. Product, in conjunction with concept, guides equipment purchase. Additionally, product can complement the concept and vice versa. (Wade 2006.)

Amenity is add-on service of a café, beside beverages. For many café and restaurant, amenities can be their unique selling point such as board game café, book café, cat café... Customers can get coffee from many places but add-on services are the reason why they come back to a certain place. Amenity serves as added value for the product, which can boost the sale.

3.2 Café in Barcelona, Spain

While following the same concept, café in different countries and regions has its own characteristics. Café in Spain shows its characteristics through location, style and products. Location wise, you can always find a café within walking distance in Barcelona. The cheapest option is any "corner bar", known as "granjas" or "cervecerias". As the name suggested, you can find them in almost every corner. Besides "cervecerias", there are small private-owned cafés and chain stores, just a few examples to see the high density of coffee houses in Barcelona.

Café in Barcelona has a mix of styles. However, self-service is still dominating. Self-service refers to ordering at the cashier, paying for the order, waiting for the items and then bringing it to your table. But you don't have to clean up your table in Barcelona. On the other hand, some establishments, mostly in touristic areas, have full-service.

Spaniards have a different way to order their coffee. This fact reflects on a café's menu with distinct names for coffee. The author has tried to go to a Spanish café, ordered a latte macchiato and the result was unexpected. "Café con leche" is the one of the basic items on every café's menu. Spaniards start the day with "café con leche" and end the day with "café con leche" (Coneanu 2016). In addition, other staple items are "café

cortado”, “café solo”, etc. Table 2 explains Spanish most popular coffee drinks.

TABLE 2. List of Spanish coffee beverages (modified from Coneanu 2016)

Name	Description
Café con leche	Coffee with milk, half and half.
Café cortado	Espresso with a dash of milk
Café solo	Espresso
Café doble	Espresso double shot
Café con hielo	Espresso with ice

Table 2 lists only the most common coffee beverages of Spain. The drinks are varied in different café and location, creating a diverse market.

3.3 Vietnamese coffee beverages

According to The Observatory of Economic Complexity (2013), Vietnam is the second largest coffee exporter in the World. Despite the total production of 27,5 million bags per year, the Vietnamese only consume 2,1 million bags. Still, they have a distinct method of prepare their coffee beverages.

Vietnamese coffee is brewed using drip brewing method. In many countries, drip brewing involves a paper coffee filter. Grounded coffee is placed in the filter and hot water is poured in. The filter allows liquid to flow through, which result in coffee drink. Using the same principle, Vietnamese coffee is prepared using a metal filter, known as “phin”. Figure 13 shows the components of “phin”.



FIGURE 13. Phin-Vietnamese coffee filter (Heirloom Coffee 2016)

As shown in the figure, the kit includes cup spanner, filter chamber, filter press and lid. Vietnamese “phin” uses the same principle of drip brewing method to create coffee drink. First, grounded coffee is put into the pre-heated chamber. Then, the press is inserted. Next, the spanner and chamber are put over a cup. After that, a couple tablespoons of water are poured in to moist and swell the coffee. Wait about 20 seconds and then fill the chamber with hot water. Finally, place the lid on top and wait about four minutes. The result is a cup of freshly brewed coffee. (Heirloom Coffee 2016.) This original coffee can be modified to suit different tastes. As the results, various Vietnamese coffee beverages are created. In the next chapter, these original beverages are explained under products.

3.4 Café Hanoi’s concept

In this chapter, the concept of a Vietnamese café is described in detail with four components: location, style, products and amenities. These features differentiate café Hanoi to others. Finally, a concept statement is provided.

As mentioned above, the best location depends on the café's concept. Since the products of café Hanoi are unique and unfamiliar, the most suitable area would have creative demographics. Personally, the author chooses Gràcia area as the ideal neighborhood. To summarize Gràcia, TimeOut (2015) writes: "Popular and vibrant, Gràcia is a buzzing barrió." Moreover, the area is famous for its unique establishments, from café, restaurant to studio and workshop. Moreover, according to Barcelona Activa (2009), Gràcia is one of the most important commercial districts of Barcelona. The area is also famous for exotic food, bar and entertainment. The author believes Gràcia is a perfect starting point for café Hanoi. A perfect space ranges from 60m² to 80m², with kitchen, serving platform and lavatory.

The original serving style of café in Vietnam is full-service. However, in order to adapt with the environment, café Hanoi's style will be a modified full-service. Customers can order at the cashier, find a seat and wait for their items to be delivered. Then, payment can be made at the end of their visit. There are two benefits of this style. Externally, this modified style ensures that customers feel familiar. Internally, servers have a higher rotation between cashier and tables, so they are always attentive.

Product is the biggest feature of café Hanoi. Menu items can be divided into three categories: Spanish beverages, Vietnamese beverages and snack. In order to blend in with the Spanish taste, café Hanoi serves Spanish coffee drinks, using Vietnamese coffee or a local partner's product. These menu items guarantee a familiar yet special taste. On the other hand, Vietnamese drinks provide a unique experience. These drinks bring out the full taste and flavor of Vietnamese coffee beans. Since Vietnamese coffee drinks are unconventional, detail description is provided in Table 3.

TABLE 3. Café Hanoi's unique products




Name	Description	Serving suggestion
Black	Classic Vietnamese coffee, serve hot or cold, with “phin”	
Brown	Vietnamese coffee with condensed milk, serve hot or cold, with “phin”	
Egg coffee	Vietnamese black coffee with egg cream, serve hot.	

Table 3 presents three specialties of café Hanoi. These drinks are the key to café Hanoi's image. Café Hanoi's products are tested during the empirical research of this thesis. Beside beverages, café Hanoi also provides pastries, sandwiches and snacks. All products are fresh and made in-house.

Amenities create a comfortable atmosphere for café Hanoi and encourage customers to stay longer. Café Hanoi provides:

- Japanese tables with soft seats
- Complimentary Wi-Fi
- Board games
- Magazines, newspaper and books
- Power outlets throughout the store
- TV

Figure 14 represents concept image of café Hanoi. Please be advised that this image represents the concept, not café Hanoi itself.



FIGURE 14. Cooku's Nest Café-Ho Chi Minh, Vietnam

Above is the rough description of café Hanoi's concept. During the empirical research, namely focus group, the concept of café Hanoi may change to suit customer expectation. At the moment, café Hanoi's concept statement is:

“Café Hanoi proudly brings you Vietnamese coffee beverages and an authentic Vietnamese café experience. You can work, socialize and enjoy our unique beverage “egg coffee” in a cozy and friendly environment”.

4 EMPIRICAL RESEARCH

This chapter presents the empirical research process of the thesis. First, the data collection procedure is carefully described. Second, the data is analyzed. As mentioned in chapter 1.5, the thesis utilizes mixed methods research namely: interview, focus group and questionnaire. These methods and secondary data support each other to raise the validity and credibility of the thesis.

4.1 Data collection procedure

In this chapter, data collection procedure is clearly described. First, a table summarize the whole procedure is given. Then, the author explains each method's objective, role and collecting process.

TABLE 4. Data collection procedure

Data collection	Time frame			
	Feb 2016	Mar 2016	Apr 2016	May 2016
Secondary data	Research method, theoretical framework, theory	Industry and market, organization, financial		
Focus group		Design screening questionnaire, recruiting participant, design discussion guide	Launch, data analysis	
Interview		Design interview questions, contact interviewees	Launch, data analysis	
Questionnaire			Design questionnaire, launch	Data analysis

Table 4 presents a complete data collection process from start to finish. In February and early March 2016, the author starts with secondary data to collect as much information as possible. Secondary data builds the

structure for the thesis as well as a baseline for empirical research. Hence, the author forms research method and theoretical framework using secondary data. Next, the author proceeds to collect theory surrounding business idea. By the end of February 2016, the structure of the thesis is ready to be implemented into empirical research. In March 2016, the author continues collecting secondary data of the industry, market, organization and finance of café Hanoi. The data collected during this month eliminates the possibility of repetition during empirical research.

During March 2016, after collecting secondary data, the author prepares required documents for focus group and interview, which are conducted parallel with each other in April 2016. Due to language limitation of the author, the focus group and the interviews are conducted in English. The author arranges a trip to Barcelona to conduct the focus group and interviews in person.

First, the purpose of focus group is to define consumer desirability with café and café Hanoi's products. Furthermore, the data collected from focus group is used to design the questionnaire. As mentioned in chapter 2.3.1, focus group requires a screening questionnaire and a discussion guide. The screening questionnaire ensures that participants of focus group are within the target market. There are several criteria such as coffee consumption, point of consumption, previous experience in café and focus group, age, etc. The screening questionnaire is distributed through the Internet and flyer two weeks prior to the focus group. On the Internet, the author posts the questionnaire link in related groups on Facebook and Meetup website. At the same time, flyer is posted in Barcelona at co-working spaces and cafés. Before launching the focus group, a discussion guide needs to be prepared. As the name suggested, the discussion guide is a rough script of the focus group meeting. The discussion guide ensures that the group covers research objectives and stays focused. The screening questionnaire and the discussion guide can be found under as appendix 2 and 3, respectively. After preparing these documents, the author launches the focus group in Barcelona, on 2nd

April with 4 participants. The group is diverse in occupation, gender and nationality. All participants are in working age. Despite a long period of preparation and recruitment, the focus group lacks participants. On the other hand, the meeting follows time schedule and guidelines. All participants have the opportunity to try authentic Vietnamese coffee beverages. Most importantly, through the focus group, the author yields important information about consumer's preferences.

Second, after reviewing secondary data, the author realizes the need of primary data about starting a business in Barcelona, specifically for the café business. Hence, an interview with Barcelona Activa is conducted. In March 2016, the author forms a list of question for the interview. The questions aim to discover the law and regulations surround a café business in Barcelona. Furthermore, the interview provides financial information regarding capital investment and costs of a café business in Barcelona. The interview is semi-structured with two main concerns mentioned above. In April 2016, the author contacts Barcelona Activa, a public organization that helps and support entrepreneurship in Barcelona area. The interview is conducted with Ivan Rodriguez. After the interview, Rodriguez refers the author to Javier Terrisse for issue surrounding licenses in Barcelona. Then, another interview is conducted with Javier Terrisse. All interviews are recorded for future evaluation.

Finally, in order to identify product demand, a questionnaire is implemented. The questionnaire is designed in both Spanish and English to maximize reach. The author designs a questionnaire in English. Then, it is translated to Spanish by Diego Alvanrez. The questionnaire has a pilot test with opinions from several people. After finalizing the questionnaire, the author distributes it through Facebook and personal messages in one week from 25 April to 1 May. In early May, questionnaire data is analyzed. Then, final findings are presented. After collecting data from focus group, the questionnaire aims to generalize attitude toward Vietnamese coffee beverages and collect opinions on characteristics of a café.

4.2 Data analysis

In this chapter, findings from empirical research are revealed. First of all, opinions from the focus group are presented. Second of all, information from two interviews is shown in an organized order. Finally, data collected from the questionnaire is depicted with charts, tables and descriptions.

4.2.1 Focus group

As mentioned above, the focus is held despite difficulties. The discussion guide is designed in order to discover consumer's opinions on Vietnamese coffee beverages.

Discoveries on coffee preference

Three out of four participants state "café con leche" as their common coffee drinks. The second most popular drink is espresso, "café solo" or "doble", all off these terms refer to black coffee with different intensities. Additionally, other coffee drinks such as latte and "cortado" are also listed. All participants rarely buy non-traditional coffee drinks. On the taste of coffee, all participants like bitter and strong coffee.

Discoveries on café's habit

All participants buy their coffee at least once a day from a café. Contreras (2016) buys coffee three to four times a day. The price for a cup of coffee ranges from €1 to €1,50. Participants also show interest in food products beside coffee such as croissant, pastry and carrot cake. Rocafort (2016) always buys a small food item to go with coffee. When asked about the reason why they choose to visit a café, most participants list the coffee quality as the first reason. Citati (2016) exclusively drinks coffee from café because she doesn't like the quality of coffee that is made at home. In addition, Contreras (2016) also goes to café for the smell and the atmosphere and Urrutia (2016) goes to café to relax, get some energy back as well as meeting with friends. When asked about the important

features of a café, Rocafort (2016) states comfortable chairs. Citati (2016) mentions full table service and friendly waiters. Contreras and Urrutia (2016) both agree on the quality of the coffee is the most important feature. In addition, Urrutia (2016) expresses the importance of having personal space in a café. On chairs and table, all participants require comfortable chairs. Three out of four participants prefer lower chairs such as sofa and couch.

Discoveries on café Hanoi's products

In the preliminary, all participants show interests in the way the coffee is made using "phin". Two out of four participants state that the dripping coffee looks very calm and meditating. However, Urrutia (2016) states that he wouldn't wait for the coffee during the week, but maybe in the weekend. When asked which product they would buy from the description, all participants are curious with egg coffee. On the other hand, the interest is equal between black and brown drinks, which matches with personal preferences of participants, discovered in previous questions. In the product testing, the participants have different opinions on each drink. The opinions reflect their usual choice of drink. First, "black" is described as aromatic, strong, bitter and tasty. While Urrutia, Citati and Contreras (2016) would buy the coffee occasionally, Rocafort (2016) prefers milk in his coffee rather than pure coffee. When asked about the price, all participants are willing to pay between €1-2 for the drink. Second, "brown" is described as aromatic, sweet and tasty. Urrutia would be more likely to buy Brown than Black. Also, Rocafort (2016) confirms that he would very likely to buy Brown coffee. On the other hand, with the preference of café doble, Contreras (2016) states that he would never buy "brown". The price range for "brown" is between €1,50 to €3. Third, "egg coffee" is described as very different, complex and the egg enhances the flavor of the coffee significantly. Although the drink is sweet, Contreras (2016) would consider buying it sometimes. Rocafort (2016) also very likely to buy the product. However, Urrutia (2016) lists egg coffee as the drink he would least likely to buy out of all three types. The suggestion price ranges from €3-4.

Additionally, participants also give valuable suggestions for café Hanoi. Citati (2016) suggests “egg coffee” would be perfect with a hint of alcohol. The rest of the participants suggests light ambience music to set the atmosphere for the café.

4.2.2 Interviews

Two interviews are conducted with Barcelona Activa and Business Support Office. In the first interview with Ivan Rodriguez Ramonet, no significant finding is discovered. The reason behind this is the lack of previous acknowledgement of the research from the interviewee. Therefore, the author chooses to contact Ramonet through email after the interview. In the second interview with Javier Terrisse, the law and regulations related to a café are revealed.

Discoveries on location’s license.

The license of the location depends on the products that the business provides. Café Hanoi’s services include beverages, pastries and cakes. According to Terrisse (2016), the ideal license for café Hanoi is A5.1 and A5.3. The license A5.1 allows café Hanoi to sell pastries and cakes and the license A5.3 allows café Hanoi to bake the goods inhouse. These are the ideal licenses for café Hanoi. However, Terrisse (2016) also advises the author to consider a “trapaso”. “Trapaso” can be translated to transferring the location with a suitable license. Since Gràcia is an area with a high density of bars, café and restaurants. It is currently not possible to apply for license A5.1 and A5.3. If transferring is an option, the author should also consider license type C for bars and restaurants since it can also be utilized as a café-bar. The difference between type A and type C license is the sale of alcohol. According to a document provided by Terrisse (2016), café Hanoi needs a C2 or C3 license, depends on the design of the location. C2 and C3 licenses allow the place to sell alcohol, cook and serve food, as long as it serves the same food throughout the day. Finally, Terrisse (2016) also warns about the new regulation,

specified for Gràcia, is being rewritten at the moment. Therefore, the future is uncertain for café Hanoi.

Discoveries on location requirements.

The requirements of location are based on the type of business. With the café business, given that license A5.1 and A5.3 are applied, café Hanoi needs a minimum space of 52m². Two minimum requirements of space are the space for commercial activity and the space for storage. Moreover, the place also needs a lavatory. First, the minimum required space for selling, displaying and preparing products is 45m². Second, the minimum required space for storage is 6m². Third, the café needs a minimum lavatory. Fourth, apart from the minimum limits, there is also a maximum limit for serving area of a café in Barcelona. According to Terrasse (2016), the maximum allowance of serving area is 20m². The author has to consider all these requirements when choosing a suitable place for café Hanoi.

Discoveries on starting cost and capital requirement

Starting cost of a business in Barcelona is varied. In this thesis, the starting cost refers to the required investment in legal forms and license. First, it is important to define the legal identity of the business. Ramonet (2016) states that most café's owners are registered as "autonomo". The author is the sole trader and subjected to personal income tax. Second, opening license scheme is also a requirement for café Hanoi. The cost of opening license scheme depends on the cost of renovation. The minimum cost of renovation is €10.000. It is varied depend on the project. On top of that, €800 is added as service fee to validate the renovation with the council. (Ramonet 2016b.) The opening license cost can be calculated as follow.

$$\text{Opening license cost} = \text{€}800 + (3,5\% * \text{renovation cost})$$

(Ramonet 2016b).

4.2.3 Questionnaire

Sample description

The questionnaire receives 61 responses. Minor respondent errors exist such as spelling mistake, different wording, and typographical errors. For the purpose of analysis, all minor errors are fixed by the author while strictly maintain the original contents to ensure the reliability. The profile of respondents is defined only by gender, age, nationality and duration of residency in Barcelona. Figure 15 depicts the distribution of gender.

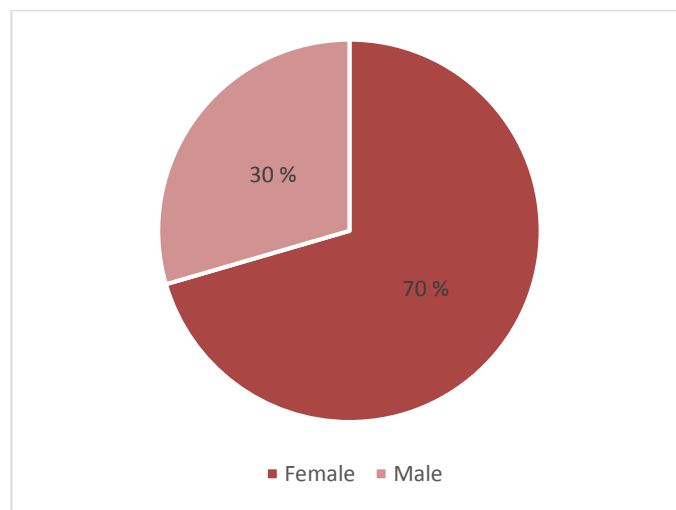


FIGURE 15. Questionnaire respondents by gender

With the Internet as the main distribution channel, it is not surprise that 79% of the respondents are young adults (younger than 36 years old), followed by 21% of middle-aged respondents. Out of 61 respondents, 11 are Spaniards, which accounts for 20%. The rest of the respondents are foreigners from 21 countries. Finally, 59% of respondents has been living in Barcelona for over a year.

Café's habit

As mentioned in chapter 3.2, "café con leche" is a Spaniard's staple drink at a café. The result from the questionnaire confirms this fact with 37,7%

respondent chooses “café con leche” as their preferred drink. The second most popular choice is tea at 24,6%. “Café solo” or “doble” follows closely at 21,3%. 16,4% of respondents would choose something else, namely other coffee drinks or non-caffeinated options.

When asked about price, 78,7% respondents pay from €1 to €2 for a drink, followed by 18% respondents pay from €2,10 to €3. The rest is divided between less than €1 and more than €4.

90,2% of respondents buy some other products with their drinks. Only 9.8% do not buy anything else beside the drinks. The purpose of café goers is varied. Café seems to be a common place for meeting with friends. 65,6% of respondents choose meeting as the common reason they visit cafés. Another reason is the food and drinks, which is chosen by 55,7% of respondents. Working only accounts for 26,2% of respondents. Only three respondents choose “other” and list reading and Wi-Fi as their reasons.

Café preference and suggestions

In question 6, the participants are asked about their opinion towards nine features of a café, followed by an open-ended question about other unlisted important features. Table 5 summarizes the result and rank the features by mean.

TABLE 5. Result of café features, ranked by mean

Rank	Feature	Mean	Mode	Std. Deviation
1	Drinks and food's selection and quality	4,43	5	0,784
2	Service	4,28	5	0,819
3	Comfortable seats	4,11	5	0,968
4	Location	4,05	4	0,884
5	Price	3,97	4	0,912
6	Wi-Fi	3,77	5	1,371
7	Terrace	3,70	4	1,116
8	Electrical sockets	3,05	3	1,284
9	Entertainment	2,07	1	1,153

It is easy to see that the most important feature is drinks and food's selection and quality, followed by service, comfortable seats, location and price. The low standard deviation in all top five features shows that café goers have similar attitude toward these five attributes. While it is obvious that the top five features have both high mean and mode, the next two features have conflicted numbers. The most controversial feature is Wi-Fi with a standard deviation of 1,371, the highest in the list. The mode of Wi-Fi is at 5, while the mean is at only 3,77. These results show strong opinions towards Wi-Fi; it is either very important or not important at all. In addition, respondents also have different opinions about terrace but the mean at 3,7 proves that this feature is also important. The next feature with high standard deviation is electrical socket. However, with mean at 3,05 and mode at 3, the feature does not seem to be as important as Wi-Fi

and terrace. The least important feature is entertainment with mean at $2.077 \pm 1,153$, leaning toward 1. Question 7 is an open-ended question about other important features. There are 33 responses for question 7. Of which, 16 (48%) responses mention good atmosphere and nice music as notable attributes. Other popular suggestions are having an exclusive selection of food and drinks, social events and being dog friendly. In conclusion, the food and drinks is still the most important characteristic of a café, people would go to a specific place that satisfies their palates and diet. The café should also have excellent space and service to make customers feel comfortable.

Attitude towards café Hanoi's signature products

68,9% of respondents have not heard of Vietnamese coffee. The rest of respondents are divided into two other categories with 18% of respondents know and have tried Vietnamese coffee and 13,1% have heard but have not tried the product. When asked about which product they would try, 52,5% respondents choose "brown", 49% choose "egg coffee" and 36,1% choose "black". Only 9,8% respondents refuse to try any of the drink. A similar result is collected with buying intention, "brown" and "egg coffee" are equal at 45,9%, "black" coffee is at 32,8% and "none" is at 14,8%. There is a slight drop in buying intention for all of the drinks. Subsequently, more customers say that they are not willing to pay for the drinks. This outcome suggests that customers are skeptical of café Hanoi's signature products. They are more open to try the product rather than buying product when being provided only the description of the beverages. A crosstab between question 8, 9 and 10 evokes a relationship between respondents who have tried Vietnamese coffee and their responses in question 9 and 10. The result is the same at trying intention and buying intention: 90,9% respondent would choose the drinks, if they have tried it.

Table 6 shows the calculation for buying frequency from the respondent. It suggests that respondent's opinions are varied. But in conclusion, most of the respondents would only buy the product occasionally.

TABLE 6. Buying frequency of Vietnamese coffee beverages.

With 1=Never, 5=Always

	Mean	Mode	Std. Deviation
Buying frequency	2,11	1	1,066

When evaluating the price for Vietnamese coffee independently, 78,7% respondents are willing to pay from €1 to €2. 18% are willing to pay from €2,1 to €3. On the other hand, when running a chi-square test, there is very strong evidence of relationship between the price respondents usually pay and the suggested price for café Hanoi (Chi-square 107,548, $df = 12$, $p < 0,001$). Using the crosstab, the author discovers that 70,4% of respondents are willing to pay at least the usual price, 26,2% are willing to pay higher for Vietnamese coffee.

5 FEASIBILITY ANALYSIS

In this chapter, both primary and secondary data are utilized to define café Hanoi's feasibility. The first sub chapter presents product feasibility, using the data from empirical research. Next, the second chapter provides an in-depth analysis of the industry and market. Then, the third chapter evaluates café Hanoi's organizational feasibility. Finally, the finance feasibility is presented.

5.1 Product feasibility

In order to determine café Hanoi's product feasibility, the author implements focus group and survey method. In this chapter, findings about café Hanoi's products are presented.

Product desirability

During the focus group, participants try all signature products of café Hanoi. Despite the difference in taste and preference, all participants agree on some aspects. First, participants agree that Vietnamese coffee is very strong and aromatic. Second, they are also interested in looking at the coffee being made in front of them. Third, they are intrigued with egg coffee. However, when asked to choose between three drinks, participants tend to choose the one that is similar to their usual taste. The result of the focus group shows that participants still prefer their usual choices to Vietnamese coffee. They would only buy the product occasionally.

Participants also provide some critical features and improvements for café Hanoi. First, the products need precise recipe to maintain a balance taste. Citati (2016) even suggests some alcohol would go well in egg coffee. Second, comfortable seats and good service are their most desirable amenities.

Overall, the desirability for café Hanoi's product is not very strong. Therefore, it is difficult to determine if the product can withstand on the

market for a long time. Furthermore, the products need improvement to have a more balance flavor.

Beside the focus group, part of the questionnaire also reveals some customer desires that have not been considered in the concept of café Hanoi. Entertainment such as TV screen, board games and magazine are not important with customers. Instead, a good atmosphere, terrace, an extensive menu and being dog friendly are more important.

Product demand

In order to evaluate product demand from a general point of view, the author conducts an online questionnaire. In the questionnaire, respondents are provided a description for each drink. Then, they are asked for opinions about the products. 90,2% respondents would like to try at least one type of drink. It is no surprise that “brown” is the top choice, given that it is the most similar drink to “café con leche”. On the other hand, “egg coffee” receives support from respondents, just behind brown. The reduction in respondents’ buying intention shows that customers are skeptical about new drinks and they may not choose to buy them when going to café. But overall, respondents are very open to try out new drinks. Additionally, 90,9% of respondents, who have tried Vietnamese coffee, say they would buy the beverages again. The result suggests a promising market for Vietnamese coffee as long as the products are gradually introduced to consumers.

The questionnaire also discovers customers’ perception on the value of Vietnamese coffee. 70,4% would pay the same price to their usual beverages, while 26,2% would pay a higher price for the product. These insights will help café Hanoi decide where to position its product on the market.

Despite a high interest in the products, the data shows that customers would not purchase Vietnamese coffee beverage regularly. Question on buying frequency has a mean of 2,11 out of 5. Thus, café Hanoi needs to work on other important aspects of a café for a successful operation.

5.2 Industry and market feasibility

This chapter presents a big picture of the café industry in Spain and in Barcelona. First, the author provides general information of the business environment through PESTLE analysis. Second, the author analyzes the five forces that shape the café industry through Porter's Five Forces model.

5.2.1 Industry attractiveness

This chapter provides a general look at different factors that can affect café Hanoi. First, PESTLE analysis draws an overall picture of Spain, Catalonia and Barcelona. PESTLE analysis covers politics, economy, socio-culture, technology, law and environment in different levels. These factors can affect café Hanoi directly and indirectly. Second, Porter's Five Forces looks at the industry scene with competitors, buyers, suppliers, new entrants and substitutions. These participants of the industry can directly affect café Hanoi.

PESTLE Analysis

As mentioned in chapter 2, PESTLE analysis covers political, economic, socio-cultural, technological, legal and environmental issues that affect the industry. In this chapter, the author presents PESTLE analysis by key issues in Spain, Catalonia and Barcelona. These current issues may indirect or directly affect businesses in general and café Hanoi in particular.

Political factors

Low transparency. In 2015, Spain's score on Corruption Perception Index decreased by 10,77%, the second highest in Europe. Spain's score on the corruption index dropped from 65 points in 2012 to 58 points in 2015. (Harris 2016.)

Catalonian independence: Barcelona belongs to Catalonia, an autonomous region of Spain since 2005. Hence, it is important to understand the separatist movement of Catalonia, which pursues an independent Catalonia. On cultural aspect, the separatist movement of Catalonia has been going on for decades. On financial aspect, the underlying conflict comes to a heated situation after the financial crash in 2007-8. In 2015, Catalonia President declares a referendum, in which a majority for the pro-independence coalition will spark an 18-month process towards secession. However, central government and the Catalan branch of ruling Popular Party refuse to recognize the vote as referendum. The movement is temporarily slowed down but remains to be a big problem of Europe. The secession is predicted to be painful for both Europe, Spain and Catalonia. From the Catalonian perspective, it will face several critical economic issues such as debt, currency, European Union and North Atlantic Treaty Organisation membership. In the future, whether or not Catalonia can be a stronger nation on its own, its economy will downturn in the short term, at least until 2030. In addition to the economic crisis, law, regulation and culture will also affect businesses significantly. (Yeomans 2015.)

Economic factors

Economic statistics: In 2014, Spain marked the first year of positive economic growth since 2007. The growth continues in 2015, with GDP growth rate rises to 3,1%. As a result of economic growth, foreign direct investment also became positive again in 2014. Besides positive improvement in GDP and FDI, Spain has to face with budget deficit and high public debt. Central Intelligence Agency (2013) estimates Spain's budget deficits at 4,4% and public debt accounts for 101% GDP. These figures are alert numbers for Spain.

Socio-Cultural factors

A transitional population: 55,13% of Spain population are working age (Central Intelligence Agency 2013). If government can resolve

unemployment issue, this is a great opportunity for Spain. Otherwise, it can lead to unrest.

Unemployment rate is still high especially among young people. 55,5% of Spanish youth from 15-24 years old are unemployed. High unemployment rate together with a transitional population can lead to unrest. On the bright side, the unemployment rate declined steadily during the last year. At 20.9% by the end of 2015, this is the lowest level since mid-2011 (Eurostat 2016). On a regional level, Catalonia has a lower unemployment rate compares to Spain. It is reported at 19% compares to 22,2% of Spain in the second quarter of 2015. (Yeomans 2015.)

Multilingual country: Castilian Spanish is the official language of Spain. However, rooting from autonomous regions, there are many other regional languages. One of those is Catalan, with 17% of the population speaking the language. Furthermore, Catalan is the official language of Catalonia, the Balearic Islands and Valencian Community. While Spanish is widely spoken in Barcelona, knowledge of Catalan is essential when doing business in the city. (Central Intelligence Agency 2013.)

Changes in demographic structure: In 2011, Agriculture and Agri-food Canada (2011) stated three major changes in consumer profile of food service: smaller household size, aging and diverse population. First of all, there were more and more childless families in Spain. The number of single household also increased and more women entered the workforce. With smaller family and less time to cook, Spaniards resorted to eating out, delivery or ready to eat meal. Second of all, the aging population created opportunity for health and wellness products. Third of all, a diverse society brought cuisines from all over the World. Past trends showed an increasing number of outlets serving foreign food such as Asian, Middle-Eastern and Western, etc. A later report by USDA Foreign Agricultural Service (2014) also confirms the same changes in demographic and consumer habit.

Eating out culture: Going out and spending time in restaurants and cafés with friends and family is a popular activity within Spanish culture (Agriculture and Agri-food Canada 2011). Hence, budget spending on eating out of home rose from 31,6% to 32,2% in 2014 (Mercados Centrales de Abastecimiento de Las Palmas 2014, 2015). These statistics confirm the eating habit of Spaniards.

Technological factors

Mobile and connections: In 2011, mobile and broadband services continued to grow. Mobile services penetration rate reached 122,0 lines per 100 inhabitants. Fixed line broadband rose 5,51%. Moreover, mobile broadband subscriptions rose 60%, making Spain the leading country both in mobile internet quality and access capacity. (ICEX 2013.) In February 2016, Barcelona hosted Mobile World Congress, the world's biggest mobile industry event with participants from 204 countries (GSM Association 2016).

Innovation: According to Eurostat (2012), Spain is on top 5 leading countries in Europe in number of innovative enterprises. The data confirms the high level of technological innovation in Spain.

Environmental factors

Renewable power: Spain is one of the leading countries in renewable power, with 30% of total installed electric capacity are from renewable resources (Center Intelligence Agency 2013).

Challenges: OECD (2015) suggested Spain to look into environmental policy and tax in order to protect the country's biodiversity. Until 2015, Spain still suffers deforestation, desertification and pollution. Urban areas of Spain faces air pollution. Mediterranean Sea is polluted from raw sewage and effluents from the offshore production of oil and gas. Water quality and quantity remains a problem in a national level. (Central Intelligence Agency 2013.)

Legal

Ease of doing business: According to World Bank (2015), Spain ranks 33th in the World in term of doing business. Several indicators are used for the evaluation include starting a business, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Spain is the best country in the world for trading across borders. Furthermore, Spanish government has implemented doing business reform which results in significant improvement in protecting minority investors and taxpayers. Nevertheless, it is challenging to deal with construction permits, starting a business and getting electricity. Other topics such as registering property and getting credit also show decline through the year. Within Spain 19 cities measured by World Bank (2015), Barcelona ranks 6th in ease of doing business. In the subnational level, only four indicators are used: starting a business, dealing with construction permit, getting electricity and registering property. Barcelona ranks relatively low in dealing with construction permit and registering property. The amount of paperwork involves in the process is still high. On starting a business in Barcelona, there are 10 procedures that entrepreneur has to follow, which remains higher than Spain's general process of 6 procedures. The differences in regulation are the result of an autonomous region of Catalonia. Regulations remain the biggest obstacle for entrepreneurs.

Starting a business in Barcelona: Regarding new business laws and regulations, the author takes into account her status as a non-European citizen. The first required documents are residence permit and work permit. The resident permit for entrepreneur can be granted if the entrepreneur can prove the impact of the business to the society. After that, the author can decide on the legal identity of the company. Different procedures are required for different legal identities. According to Ramonet (2016), the best legal identity for café Hanoi is sole trader or "autonomo" in Spanish. This legal identity allows the entrepreneur to simplify many procedures. Moreover, it cuts the cost of starting a business. Then, the

next step is to apply for an opening scheme, which cost €800 + 3,5% of renovation cost (Ramonet 2016). The required licenses for café Hanoi are A5.1 and A5.3 (Terrisse 2016).

Porter’s Five Forces

In chapter 2, Porter’s Five Forces is confirmed to be an effective tool in evaluating the industry. Porter (2008) asserts that the tool can help define an industry. From there, companies can choose a position that is more profitable and less vulnerable to attack. In order to evaluate these five forces throughout, the author applies Dobb’s framework (2014). The results are presented below.

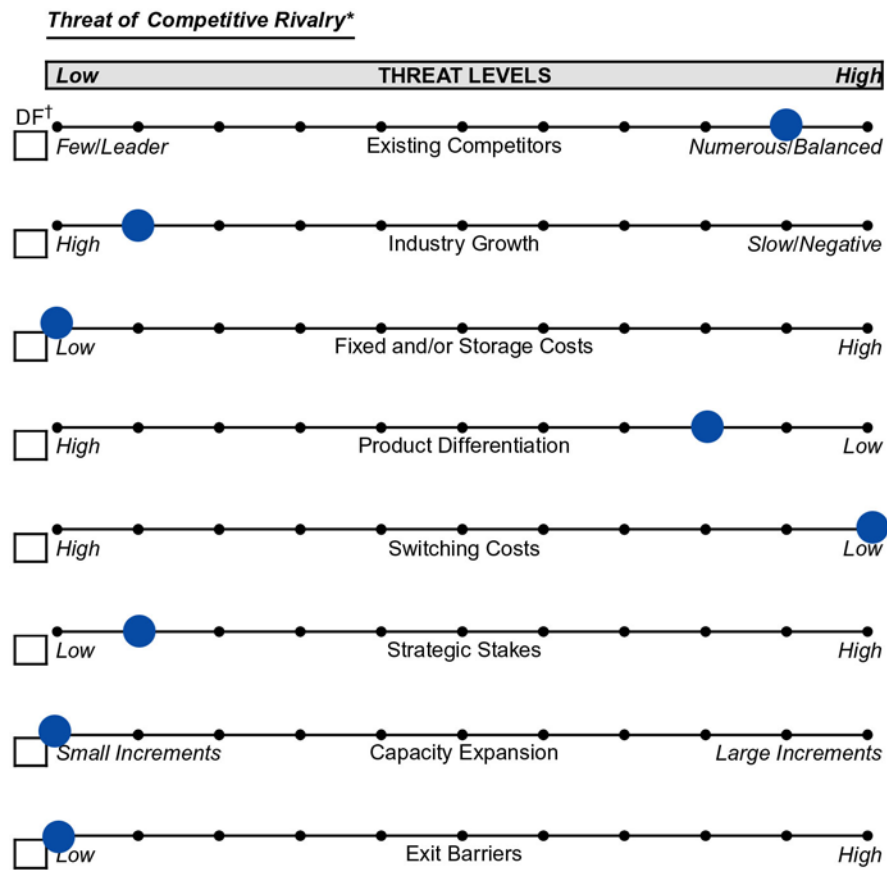


FIGURE 16. Threat of competitive rivalry (modified from Dobb's 2014)

Figure 16 summarizes the threat of competitive rivalry. The main threats lay in the number of existing competitors, product differentiation, and switching cost. First, there are 7404 bars and restaurants in Barcelona

(Castán 2016). Furthermore, Gràcia is one of the areas with the highest density of bars 267 people/bar (El periódico 2016). Another source of data from Departament d'Estadística of Ajuntament de Barcelona (2015a) confirms 9529 establishments under food and drink service. While statistic is varied, it is certain that food and drink service is a competitive industry in Barcelona. Second, the main products, which mentioned in chapter 3, are highly standardized. From the author's observation, apart from some bars and café with some distinct menu items, Spanish staple coffee drinks present in every corner. Third, the switching cost is very low for consumers. Except for specialty café, the price for a cup of coffee is not much different. On other aspects of competitive rivalry such as industry growth, fixed costs, strategic stakes, capacity expansion and exit barriers, the risk is low. First, while there is not precise statistics on the growth of the café industry, café is categorized under tourism and hospitality sector. In 2011, this sector grew almost four times more than the in the rest of Spanish economy (Ajuntament de Barcelona 2013). Second, fixed costs for a café only include location lease and staff salary. In chapter 5.4, café Hanoi's monthly cost is presented to demonstrate the low fixed cost. Third, most cafés operate without going further than economic performance. Therefore, strategic stakes are low. Fourth, café expansion can be done in small increments. It does not require huge investment to expand the service and business. Last of all, the café does not demand special and specific equipment. Hence, the exit barriers are low. Based on the evaluation of competitive rivalry, café Hanoi faces the threat of numerous competitors, slow industry growth, standard products and price. On the other hand, café Hanoi can utilize several opportunities. First, café Hanoi can improve on products and choose a higher price point. This strategy aims to position café Hanoi into specialty coffee category, which lower the threat of standard products and price. Second, café Hanoi can gain advantages by implementing social performance beside economic performance. While there are not many risk factors in rivalry, these risks are vital to a café business. Overall, the threat of competitive rivalry is high.

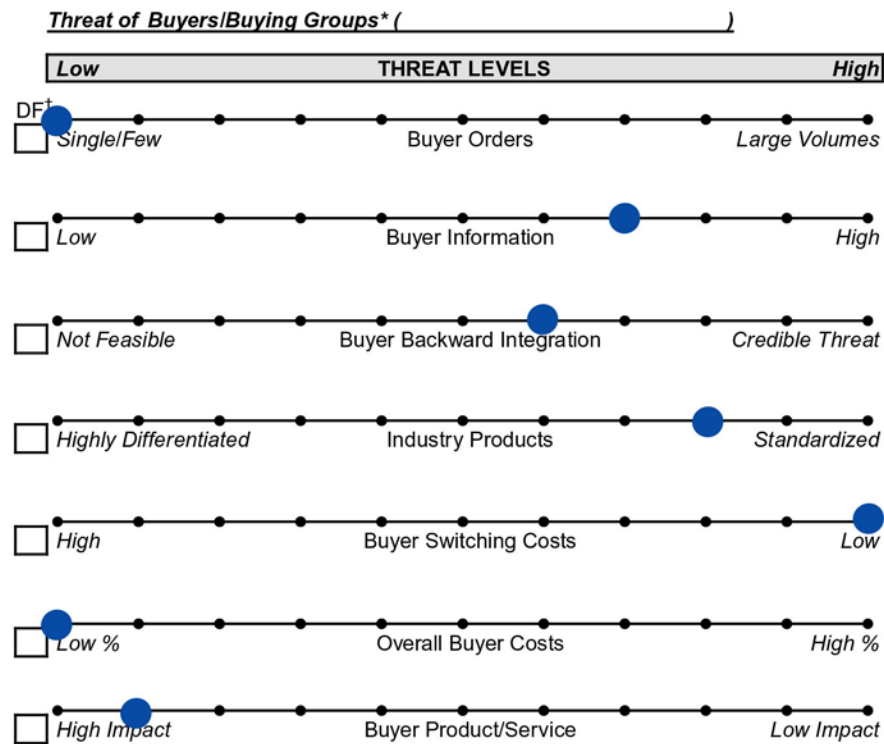


FIGURE 17. Threat of buyers (modified from Dobbs 2014)

Figure 17 summarizes the threat of buyers. The main threats lie in buyer information, buyer backward integration and low switching cost with a highly standardized product like coffee. The first threat is the knowledge of consumer about coffee. The appearances of third-wave coffee shops in Barcelona is an evidence. Third-wave coffee shop treats coffee like wine and many of them aim to educate consumers about coffee as well. (Trandafir 2014, Kiewiet 2016.) As mentioned above in the threats of rivalry, the products of café Hanoi are highly standardized. Moreover, they require very low switching cost for consumers. Combining with a richer knowledge of products, buyers can pose threat of backward integration, namely making their own coffee. However, the eating out culture of Spaniards and the low percentage of overall buyer costs reduce this threat. On other aspects such as buyers orders and the quality of the product, they are confirmed during the empirical research that quality of the product is very important with consumer even though they purchase in small quantity and fairly often. In short, the buyers' profile poses a high

negotiate leverage in the coffee industry. Café Hanoi's opportunity can be offering value menu of food and drink, excellent service and relax atmosphere with many amenities. Briefly, the threat of buyers in the café industry is high.

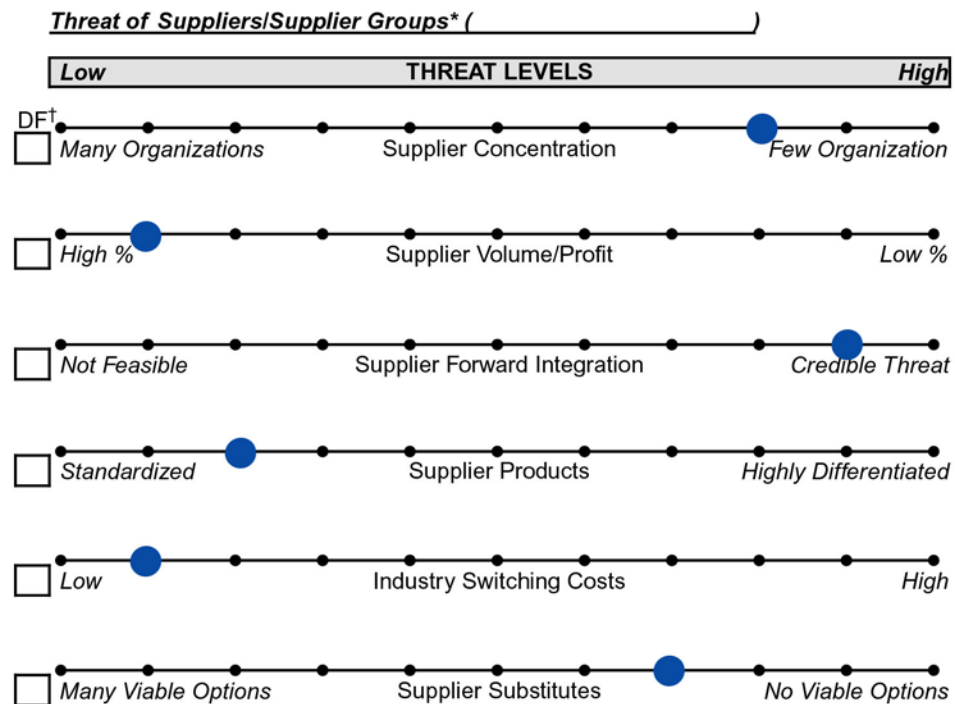


FIGURE 18. Threat of suppliers (modified from Dobbs 2014)

A café has many different supplier groups. Since café Hanoi serves Vietnamese coffee exclusively, the author focuses on the supplier of Vietnamese coffee. Figure 18 describes the threat of suppliers. The main threats lie in the few number of suppliers, no viable substitute option, and supplier forward integration. The foreign reputation of Vietnamese coffee is not very good. Mainly because Vietnamese coffee bean is exported to use in instant coffee rather than advertised as gourmet coffee. Consumers are drinking Vietnamese coffee without knowing it. (Schearf 2012.) In Europe, there are few suppliers of Vietnamese coffee. A quick Google search returns about three suppliers with five brands. The most popular supplier is Trung Nguyen, one of the biggest coffee producer in Vietnam. Trung Nguyen has exported to 60 countries and stayed as a strong brand in

Vietnam. However, the brand heavily markets its instant coffee instead of gourmet coffee beans. (Trung Nguyen 2016.) Regardless, Trung Nguyen poses credible threat when it comes to forward integration due to its existing café franchise business in Vietnam and its reputation on international market. On the other hand, the product is standardized with slight differences in additional ingredients and roasting process. Moreover, the switching cost for supplier of coffee is low since the product does not require different machinery or technique. Despite relatively high threat from supplier, there is a niche opportunity for café Hanoi. Café Hanoi can collaborate with smaller roaster and coffee producers from Vietnam to export their products.

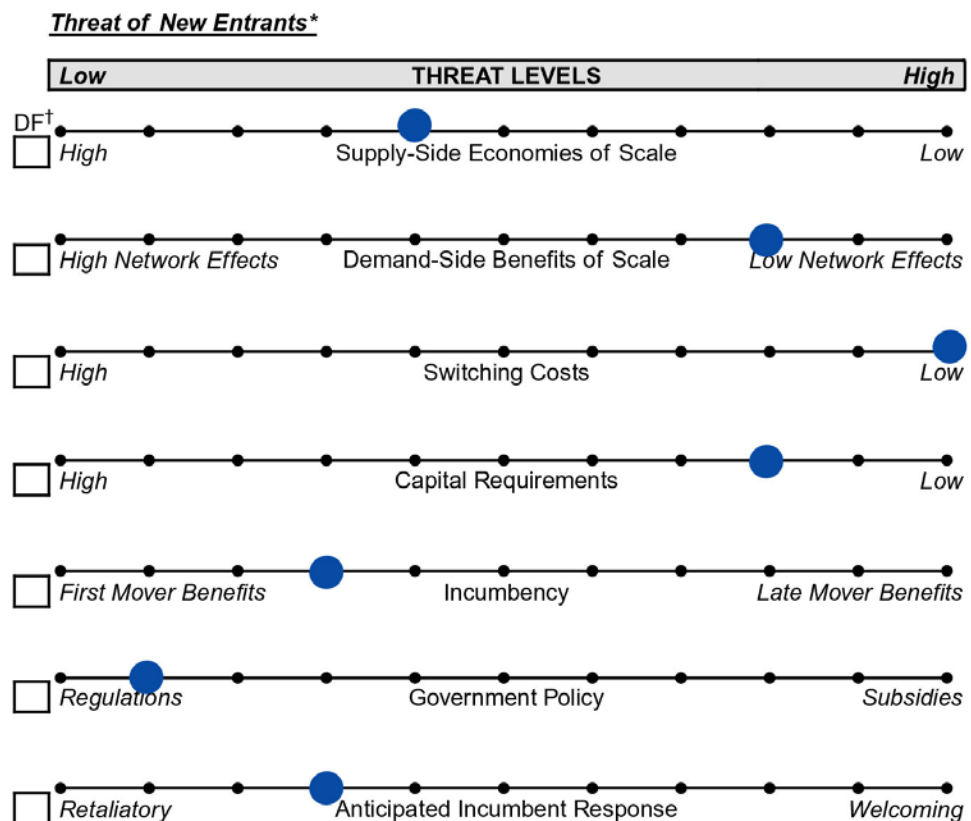


FIGURE 19. Threat of new entrants (modified from Dobbs 2014)

The threat of new entrants defines how profit is the industry. It depends on the height of the entry barriers. (Porter 2008.) Three out of seven factors that define barriers to entry create a high threat of new entrants. These

factors are demand-side benefits of scale, switching cost and capital requirement. Figure 19 depicts the threat of new entrants. The demand-side benefits of scale has fairly low network effect since coffee is a frequent product. Besides, as mentioned above, the switching cost is very low for consumers. Finally, a café requires an average capital investment. More detail of café Hanoi's capital investment is described in chapter 5.4. The others factors are supply-side economies of scale, incumbency, government policy and anticipated incumbent response. The first three connect together tightly, surrounding by government policy. As discovered in the interview with Terrisse (2016), it is not possible to open a café in Gràcia area due to the limit of license for café premises in the area. With this policy, it is certain that first comers and established businesses have advantages over new entrants in location and regulation. In conclusion, the threat of new entrants is average.

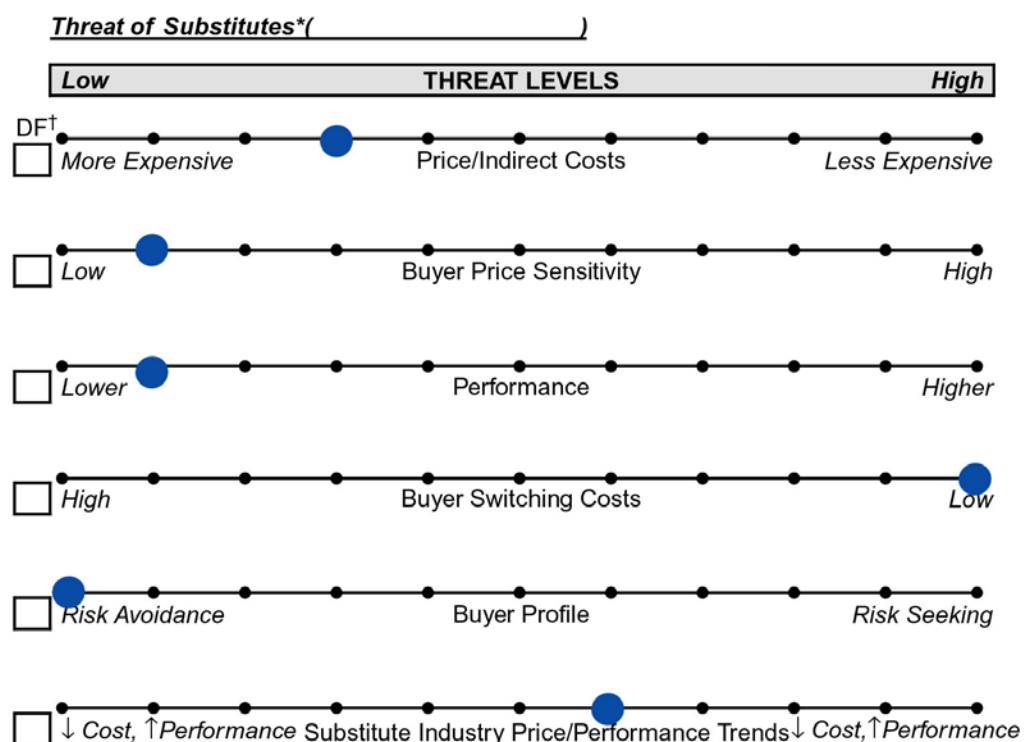


FIGURE 20. Threat of substitutes (modified from Dobbs 2014)

Figure 20 summarizes the threat of substitutes. The only threat is low buyer switching cost, which is reasoned above. There is also an average threat from price-performance competence. Some types of tea provide higher caffeine intake than coffee (United States Department of Agriculture 2016). At the same time, it takes only 2 grams to brew a cup of tea compare to 10 grams for a cup of coffee. The risk is reduced due to the preference of the Spanish market (Desilver 2013). From the focus group results, coffee is a convenience with all participants. Coffee satisfies two main needs: thirst and caffeine. From these needs, coffee direct substitutes can be tea, energy drinks, soft drinks, which satisfy the same needs. Indirect substitutes can be decaffeinated and non-caffeinated drinks, food and other beverages. From the author's observations, all substitutes are either equal or more expensive than coffee. Furthermore, since coffee accounts for a small fraction in consumer's total buying cost, buyers are less price sensitive. Most coffee caffeinated substitutes such as tea, energy drink have lower amount of caffeine in 100 grams of product (United States Department of Agriculture 2016). Finally, buyers of coffee tend to be risk avoidance because many of them depend on coffee for daily caffeine intake (Contreras 2016). Overall, the threat of substitutes is low.

5.2.2 Target market attractiveness

In this chapter, the target market is defined through market segment. Then, secondary data and primary data are presented to evaluate market demand.

Market segment

As mentioned in chapter 2, choosing a target market is vital to the success of a business. For café Hanoi, the author choose target group through geographical and demographical segmentation. As presented in chapter 1 under thesis background, Barcelona is chosen as the target market of café Hanoi. As a country, Spain has an eating-out culture. Furthermore, coffee is one essential part of that culture. On a city level, Barcelona is a vibrant

and international city. In the thesis background, statistic confirms the author's observations about the country and the city. Through observation and market segmenting, the author chooses to target young adults, within the age of 18 to 34. The population of this group in Barcelona is roughly 214.648, of which 18,6% is immigrant (Departament d'Estadística. Ajuntament de Barcelona 2014, 2015c).

Market demand

In the questionnaire, 78,7% respondents belong to the target group. When running a crosstab between age and attitude toward café Hanoi's product, only 6,25% respondents in the target group do not want to try any product. Comparing this number to 23,08% respondents in the older group of the same category, the result demonstrates the openness of the target group toward new products. Despite the rise of respondents that do not want to buy the product (10,42%), the result proves there is demand for the products of café Hanoi.

Regardless of an open-minded market, it is worth noting that consumers will not replace their usual options with Vietnamese coffee beverages. In other word, the buying frequency is low (mean=2,11).

5.3 Organizational feasibility

As mentioned in chapter 2, organizational feasibility is analyzed through resource audit and management prowess. First, management prowess is defined by the passion for the business idea and the knowledge of the market. The author determines these aspects through self-assessment. Second, resource audit describes required resources, method and possibility to acquire these resources. First, a table is used to summarize the required resources. Then, each resource is explained in detail.

Management prowess

Management prowess is measured by self-assessment. First and foremost, this study is conducted out of passion. Although the author has just started learning about coffee in less than a year, her passion traces

back to her native land. Further research unveils the low reputation of Vietnamese coffee due to general perception toward Robusta beans. Vietnam is the second biggest exporter of coffee in the World. Yet, its reputation is extremely low, none of the focus group participants knows about Vietnamese coffee and neither do 68,9% of questionnaire respondents. The fact that hardly anyone knows about it encourages the author to pursue the idea of opening a café to introduce the Vietnamese coffee culture to Europe. Regardless of a passionate attitude, the knowledge of the author about Spain is limited. Having been in Spain for about 8 months, the author acknowledges the living style and culture through keen observation of an international business student. On the other hand, the constantly changing law environment remains a challenge for the author.

Resource audit

Table 7 summarizes café Hanoi's resource audit. There are four types of resources in the table. With each resource, a shortened list of requirements is provided, along with method of acquisition and possibility of acquisition. For some resources, method and possibility are not applicable, of which is marked "not applicable".

TABLE 7. Resource audit of café Hanoi

Type of resource	List of required resources	Method(s) of acquisition	Possibility of acquisition
Physical resources	Building/store	Rented	Hard
	Equipment	Rented and owned	Easy
	Furniture	Owned. Second-hand and new	Easy
Human resources	Waiter/Server/Barista	Hired	Moderate-
	Cook		Hard
Reputation resources	Vietnamese coffee and cuisine reputation	Not applicable	Not applicable
Know-how resources	Knowledge about coffee and techniques used to make drinks	Hired a trained barista, constant learning.	Moderate
	Spanish law and regulation	Hired a gestor	Moderate

Physical resource: A café requires a commercial space with suitable equipment and design. First, the facility provides kitchen, lavatory and serving floor. It is important that the facility is permitted to perform commercial activities. Several permits are required to start a café business, such as A5.1 and A5.3 (Terrisse 2016). The facility is rented with 3 to 5 year term. Café Hanoi requires a space of 60m², in Gràcia area. The average monthly rent is €749,2 (Departament d'Estadística. Ajuntament de Barcelona 2015b). Although the cost for facility is low, the hardship lays in obtaining suitable licenses. From the empirical research, it is not possible to open a café in Gràcia right now. The future is unclear as

the rules and regulations are being rewritten. (Terrisse 2016.) The entrepreneur should consider other options such as a different area or transferred business. Second, equipment for a café is easy to obtain. The list of required equipment is simple, except for the “phin” filter. Third, the furniture is acquired through second-hand trades. If it is not feasible to access to good second-hand furniture, the author has another option of buying new furniture.

Human resource: Human resource is the core of the business. Without the people, café Hanoi cannot satisfy customer demand in drinks, food and service, the most important characteristics of a café. It is a challenge to hire good staffs that fit in the atmosphere, have skills and commit to their work. It is vital to provide proper training to all staff to maintain a service standard.

Reputation resource: As being confirmed in the empirical research, the reputation of Vietnamese café in Barcelona is very weak, 68,9% respondents have not heard of Vietnamese coffee. It is up to café Hanoi’s strategy to introduce this product to the market.

Know-how resource: Nothing can replace the knowledge of the industry that the business is in (Barringer et al 2010, 114). As a foreigner, the author has difficulties in understanding laws and regulations in Barcelona. Especially when the situation is complicated as described in PESTLE analysis. Hence, the entrepreneurs can get help from Barcelona Activa or hire a gestor to take care of the paper work and bureaucratic process. Moreover, the author needs to constantly learning and exchange information of the coffee industry to keep up with the latest innovations.

5.4 Financial feasibility

First, the author estimates the required capital investment, using secondary data and data from the interview. Second, the author describe the monthly estimated earning of café Hanoi. Finally, the return on investment is calculated to find out the profitability of café Hanoi.

Capital investment

The result from the empirical research reveals the the difficulty in opening a café in Gràcia area. Furthermore, there are several restrictions for a café premise from the city council. Based on the empirical research, café Hanoi serving area is limited to 7 sets of table and chair. However, the author keeps the location within Gràcia. Within the scope of this thesis, this section acts as a guide for café Hanoi. Table 8 assorts the capital investment for café Hanoi.

TABLE 8. Capital Investment (modified from Java Culture 2016)

	Capital Investment			Source
	Cost per un	Quantity	Sum	
Start-up expense				
Legal expense and permit	€1.150,00	1	€1.150,00	Ramonet 2016
Rental Deposit (2 month rent)	€1.498,40	1	€1.498,40	Departament d'Estadística. Ajuntament de Barcelona 2015b
Renovation	€10.000,00	1	€10.000,00	Ramonet 2016
Assets				
Inventory				
Coffee (Trung Nguyen Sang Tao 5)	€7,98	70	€558,60	Dragon e-business 2016
Other raw ingedients	€1.000,00	1	€1.000,00	Dia 2016
Retail supplies (Napkin, cleaning)	€150,00	1	€150,00	Dia 2016
Kitchen equipment				
Coffee machine	€3.699,00	1	€3.699,00	La Marzocco España 2016a
Coffee grinder	€800,00	1	€800,00	La Marzocco España 2016b
Phin filter	€3,77	30	€113,10	Dragon e-business 2016
Toaster	€13,99	1	€13,99	Fnac 2016c
Stove/Oven	€471,00	1	€471,00	Fnac 2016d
Mixer	€104,99	1	€104,99	Fnac 2016b
Refrigerator	€794,00	1	€794,00	Milanuncios 2016d
Storage and counter	€450,00	1	€450,00	Milanuncios 2016b
Cup	€2,50	50	€125,00	IKEA 2016b
Glass	€1,99	30	€59,70	IKEA 2016a
Plate	€1,99	20	€39,80	IKEA 2016c
Cutlery	€39,99	3	€119,97	IKEA 2016d
Other kitchen utensils (budget)	€500,00	1	€500,00	
Serving area				
Table	€59,00	2	€118,00	IKEA 2016e
Stools	€19,99	8	€159,92	IKEA 2016h
Tall table	€79,00	4	€316,00	IKEA 2016j
Pillow seat	€9,99	8	€79,92	IKEA 2016i
Big table	€229,00	1	€229,00	IKEA 2016g
Sofa	€279,00	1	€279,00	IKEA 2016f
Cash register	€40,00	1	€40,00	Milanuncios 2016c
Wifi system	€0,00	0	€0,00	Adamo 2016
TV screen	€189,00	1	€189,00	Fnac 2016
Other expenses (budget)	€1.000,00	1	€1.000,00	
Total Investment			€24.058,39	

In the beginning of operations, café Hanoi may not be profitable immediately. To prevent the business from running out of money, it is important to take into account a sum of cash to cover the negative cash flow until the café start making profit (Barringer et al 2010). Shelton (2015) suggest being conservative when predicting operating expense and total capital investment needed. Hence, the author reserves an extra sum of 3 months operating expense. The monthly operating expense include facility rent, salary and utilities. In order to calculate the monthly salary payout, the opening hour of café Hanoi is defined with table 9.

TABLE 9: Café Hanoi's opening hours

	Opening hour
Monday-Friday	8-19
Saturday	10-19
Sunday	10-15

The opening hours of café Hanoi complies with Barcelona's regulation for café premises (Barcelona Activa 2014b). From there, the author calculates the total opening hours in a month. With the serving space of 20m², café Hanoi maintains at least three employees on duty. The total work hour is calculated and include in the monthly operating expenses. The monthly operating expense without any sale of café Hanoi is presented in table 10.

TABLE 10. Monthly operating expense of café Hanoi

Monthly Operating Cost				
Expense	Cost	Amount	Total	Source
Facility rent	€749,20	1	€749	Departament d'Estadística. Ajuntament de Barcelona 2015b
Employee salary (hourly wage)	€7,00	828	€5.796	Truini 2010
Electricity	€185,75	1	€185,75	Comparatarifaenergia.es 2016
Water	€343,70	1	€343,70	Fundación ecología y desarrollo 2016, Aigües de Barcelona 2016
Gas	€73,60	1	€73,60	Comparatarifaenergia.es 2016
Total operating expense			€7.148	

At last, the total capital investment for café Hanoi is calculated as follows:

Total capital investment = Investment + 3*Operating expense

$$=€24.058,39 + 3*€7.184$$

$$=€45.610,39$$

The total capital investment required to get café Hanoi up and running is €45.610,39. The capital will be funded 50% with microcredit from La Caixa, a bank loan for people who want to open a new business but cannot provide a bank guarantee. In order to apply for the loan, the author needs to prepare a business plan, which is approved by Barcelona Activa. The bank loan is €25.000 with a fixed interest of 8,5% per year and repayment term of 5 years. (Barcelona Activa 2014c.) The author funds the rest of the investment

Estimated Earning

Despite the signature products, within the scope of this thesis, café Hanoi operates similar to other businesses of the same type. Therefore, the author calculates the estimated earnings from personal observation of El

petit princep café in Barcelona. El petit princep is a good benchmark because it shares the similarity in products, size and location with café Hanoi. The place is a café selling drinks, breakfast, pastry, cake and ice cream. According to Terrisse (2016), El petit princep needs license A 5.1, 5.2 and 5.3. Furthermore, the place has a serving floor for about 25 people, a kitchen and a lavatory on a 50m² space in Eixample. Eixample is also a high concentrated area of café, bar and restaurant, next to Gràcia. Price of products at El petit princep ranges from €1,5 to €4, breakfast's price ranges from €6 to €8. From there, the revenue of café Hanoi is calculated based on these criteria. First, 90,2% of respondents buy food product along with their drinks, of which 16,4% buy meal. Second, 78,7% respondents pay €1 to €2 for their drink. Third, from author's observation of café El petit prince, on average, the café has 20 guests in an hour. Combining these criteria with total opening hours of café Hanoi, the monthly revenue is calculated in table 11.

TABLE 11. Café Hanoi's monthly revenue.

Monthly revenue				
Product name	Average unit sale price	Guest per hour	Hourly sale	Monthly sale
Drinks	€2,00	20	€40,00	€33 120,00
Food	€2,00	15	€30,00	€24 840,00
Meal	€7,00	3	€21,00	€17 388,00
Monthly revenue				€75 348,00

Beside monthly operating cost and revenue, the income statement includes cost of goods sold, Value Added Tax (VAT) for goods sold, loan payment, income tax and depreciation of assets. First, the cost of goods sold is estimated using the cost for a cup of coffee, which accounts for 67,5% of sale price. Second, the goods sold is subjected to Spanish VAT of 21% (United States Council for International Business 2014). Third, the monthly payment for bank loan is calculated using the following formula.

$$\text{Monthly payment} = \frac{\text{Loan} \times \text{Interest}}{1 - \frac{1}{(1 + \text{Interest})^{\text{Number of payment}}}}$$

(BYU Marriott School of Management 2016, 154).

Fourth, the best legal identity for café Hanoi is self-employed. In this case, everyone works at café Hanoi is subjected to personal income tax. However, the regulations in Barcelona are very complicated. Moreover, they change regularly. Therefore, it is not yet possible to determine a precise annual tax. Within the scope of this thesis, the estimated tax for café Hanoi's income statement is set at 20%, the annual rate of personal income tax (Barcelona Activa 2014a). Last, but not least, the depreciation is applied to fixed assets and renovation cost, using the straight-line method. Table 12 describes café Hanoi's income statement for the first year in business.

TABLE 12. Café Hanoi's income statement

Income statement	
Revenue*12	€904 176,00
Cost of good sold	€610 318,80
Operating expense*12	€86 198,88
VAT	€189 876,96
<i>Gross income</i>	€17 781,36
Tax (20%)	€3 556,27
Depreciation	€2 758,19
Loan payment*12	€6 154,92
Net income	€5 311,97

Table 12 suggests estimated earnings of café Hanoi in the first year. The loan payment and depreciation will be the same in the next five years. After this period, café Hanoi can have higher net earnings.

Return on investment

Finally, the return on investment formula is applied to determine café Hanoi's profitability.

$$\begin{aligned}\text{Return on Investment} &= \frac{\text{Estimated Earnings} * 100\%}{\text{Capital Investment}} \\ &= \frac{€5.311,97 * 100\%}{€24.058,39} = \mathbf{27,08\%}\end{aligned}$$

With the ROI of 27,08%, café Hanoi is a profitable business, right from the first year. In the next five year, the ROI will be higher when the café is free of debt.

6 CONCLUSION

As the name suggested, this chapter concludes this thesis. First, findings from the study are presented. Next, the author evaluates the reliability and validity of the research results. Finally, the author suggest recommendations for further research.

6.1 Findings

Throughout the study, a great amount of information is introduced. Thus, it is sensible for the author to summarize the findings at the end. First, sub questions are answered. From there, the main research question is revealed.

- What is customer perception of Vietnamese coffee beverages?

Generally, Vietnamese coffee is less known in Barcelona. However, the customers are open to new and unique products. The research also presents a high return rates with customers who have tried the product. Briefly, there is a niche market for Vietnamese coffee beverages.

- How attractive is the industry and the market in Barcelona, Spain?

The market is viable and leaning toward supporting new business. However, the laws and regulations are unstable. Moreover, the bar, café, restaurant is a competitive industry. Currently, it may not be the best time to enter the market with café Hanoi's concept. The original idea needs modification to adapt with the situation.

- What are the requirements for opening a café in Spain?

From the stand point as a foreigner, the minimum requirements to open a café involve getting an entrepreneur residence permit, registering as a self-employed individual and obtaining two opening licenses for the location.

- How much capital is needed and how profitable is the business?

As presented in chapter 5.4, the capital investment for café Hanoi is reasonable. Moreover, it is possible to apply for microcredit bank loan without any guarantee. The calculation of return on investment shows that café Hanoi is a profitable business idea.

- **How feasible is a Vietnamese café in Barcelona, Spain?**

The idea its self is feasible. There is a niche market for the products and service. It is feasible to obtain the financial support and resources. However, the rule of law prohibits the establishment of café Hanoi with the current concept. It is compulsory to make modifications to the original concept. Moreover, it is also recommended that the entrepreneur should closely monitor the change in regulations. If the legal issue is resolved, a Vietnamese café is a feasible idea.

6.2 Reliability and validity

This chapter presents the reliability and validity of the research. First, reliability is the consistency of the findings, whether they are repeated when the research is conducted on another occasion or by another researcher (Saunders 2012). As introduced in chapter one, the study utilizes both primary and secondary resources. While secondary data is more concrete and solid, the primary data is affected by participants and the author. The empirical research includes focus group, interviews and questionnaire. The participant error is minimalized during focus group and interviews since the author is physically presented to conduct the research. On the other hand, the questionnaire is only distributed through the Internet. Therefore, it is essential to take into account participant error and bias. The author maximizes the reliability by carefully screening the questionnaire, discussion guide and interview questions with many people before launching.

Second, validity is defined by construct validity, internal validity and external validity. Construct validity relates to research design. Is the research designed to measure what it aims to measure? Then, internal validity is determined by the evidence of a relationship between data and conclusion. Finally, external validity considers the ability to generalize the findings. (Saunders 2012.) Despite geographical obstacle, the author manages to conduct the research using the suitable possible methods. The research design also evolves along the data collection. Hence, interview is added half way through the research. Therefore, the construct validity is strictly maintained. Next, the internal validity is proved through carefully analysis of data. All research data is recorded under audial, visual or written form. Finally, the external validity is decided by the sample. Due to external factors, the sample size in the empirical research is small and not representative. Only four participants in the focus group, 61 respondents in the questionnaire, of which only 20% are Spaniards. Thus, the external validity of the research is threatened.

In conclusion, the reliability and validity of the research is maintained thoroughly. The only minor drawback is the research is not sufficient to be generalized.

6.3 Recommendation for further research

The research proves that a Vietnamese café is a feasible business idea. However, the environment surround the idea is full of uncertainties. In pursuance of a stable and successful business, the author suggests two topics for further research.

The fundamental products of a café are the food and beverages. Thus, it is essential to study product development, and carry out more product testing. Furthermore, the research can drill into the trends and innovation of the coffee industry. With a constantly changing environment, the café has to be able to keep up with these changes to strengthen its position.

The industry of food service is a highly competitive field. It is complicated to measure what product would withstand the competition without real data from consumers. Hence, the author recommends building a business plan for a minimal viable product with the lowest capital investment possible. Then, the product is launched in line with the product development. This way, real data can be collected through feedback. This suggestion fulfills the lack of external validity in the feasibility study.

7 SUMMARY

This final chapter summarizes the feasibility study. The study's objective is to evaluate the viability of a Vietnamese café in Barcelona, Spain. This is an important step before create a business plan.

First, the author provides a clear structure of the study. Research objectives and research questions are defined. Then, research methodology, scopes, limitations and data collection are covered. Briefly, the readers have a clear idea on how the study is organized

Second, the study explains related theories, including business idea, business concept, product feasibility, industry and market feasibility, organizational feasibility and financial feasibility. Furthermore, the author also includes the concept of the café to give readers a clear picture of the business.

Third, the theories are applied effectively into empirical research. Secondary data is utilized to provide in depth analysis of industry and market, organization as well and financial requirements. Then, primary data is collected through focus group, questionnaire and interviews. The primary data discovers product feasibility and relevant laws and regulations with the café.

Finally, all research questions are clearly answered. Despite positive results from product, organizational and financial aspects, the business idea is not feasible. Due to the limitations in laws and regulations, the café cannot be opened at the moment.

Nevertheless, the study opens new opportunities for the business idea. Further research is suggested with the focus on product feasibility. Close monitor on the changes in laws and regulations is also vital to build a successful café in the future.

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APPENDICES

Appendix 1: Focus group screening questionnaire

“Hello. My name is My Nguyen. At the moment, I am doing my Bachelor thesis with a topic related to coffee.

This is a screening questionnaire for the focus group as a part of my research.

I will invite people with suitable profile to the focus group, which will be held on 02/04/2016 at 15:00. As a token of appreciation, I will serve coffee and donuts at the meeting. More details about the meeting will be in the confirmation email.

Any information collected in this form is solely used for my thesis. Your personal information will not be used nor published for any other purpose. By pressing "Enter", you agree to provide honest answers to my questions and follow the timetable of the meeting.

If you have any question, please contact me at:
tramyinguyen.vn11@gmail.com “

1. On average, how many cups of coffee you consume in a day?
 - 1 cup
 - 2 cups
 - 3 cups
 - More than three cups
2. Where do you usually enjoy your coffee?
 - At home
 - At my office
 - At café
 - Other
3. Do you work in a café or own a café?
 - I work in a café
 - I own a café

- Neither

4. Have you ever participated in a focus group before?

“A focus group is a type of group interview that is used in research. The aim of focus group is to collect opinions around a topic.”

- Yes
- No

“The next following questions ask for your personal information.”

5. How old are you?

6. What is your biological sex?

- Male
- Female

7. Do you have any allergy? Please specify.

8. What is your profession?

9. What is your nationality?

10. How long have you lived in Barcelona?

11. Please write down your email so I can contact you about the meeting.

“You made it! Thank you for your time. I will contact you through email in the next few days. Press "Enter" and submit your answers.”

Appendix 2: Focus group discussion guide

I. Introduction

1. Greetings

Hello. My name is... I will be the moderator for our focus group today. The purpose of this focus group is to collect your opinion on new coffee drinks. We expect to hear your honest opinions.

First please write down your name, email and signature

I would like to go through some rules of discussion. As I mentioned above, you can give your honest opinion. There is no right or wrong

answer. The discussion is being video-taped for evaluation. The video will not be published. All your comments are solely used for the purpose of this research. Please speak one at a time and as clearly as possible. Do you have any question before we start?

2. Introduction

Let's start with some introduction. Please introduce yourself with name, nationality, occupation and how much coffee do you drink in a day. Let me start...

II. General info

1. What type of coffee drink do you normally take (name a few)?
2. How often do you buy speciality coffee (non-traditional coffee drinks such as frappe)?
3. How do you like the flavor of your coffee (bitter, sour, full, mild...)?
4. Where do you usually buy your coffee drinks?
5. How often do you buy your coffee from those places?
6. How much do you usually pay for a cup of coffee?
7. Beside coffee, what are other products you usually buy at those places?
8. For which purposes do you go to cafés?
9. What are important features of a café?
10. What type of chair and table you would like to use?

III. Product demo

1. Do you know about Vietnamese coffee?

Vietnam is the second largest exporter of coffee in the World. In Vietnam, coffee is prepared using a metal filter called "phin". (Demonstration) Grounded coffee is put into this chamber with hot water and let it drip. Today we are going to introduce to you 3 variations of Vietnamese coffee: Black, Brown and Egg coffee. You

can find detail description of each type in the hand out. If you have got any question about Vietnamese coffee, please ask.

IV. Initial Evaluation

1. Base on the demo, what do you like/dislike about the drinks?
2. Base on the description, how do you feel about buying these drinks?

V and VI are repeated for each product.

V. Product trial

Black- Brown- Egg coffee

VI. Product Evaluation

1. Which words would you use to describe the drink?
2. How likely would you purchase this drink?
3. How much would you pay for it?

VII. Suggestion

1. Do you have any suggestion for the drink?
2. Do you have any suggestion for the café?

We have reached the end of our discussion today. Thank you for your participation.

Appendix 3: Semi structured Interview questions

1. What are the rules and regulations related to opening a café business in Barcelona?
2. What is the average cost of capital investment for a café business in Barcelona? What is the cost for renovation?

Appendix 4: Questionnaire targeting general public

1. What is your preferred drink at a café?
 - a. Café con leche
 - b. Cortado
 - c. Café Solo/Doble

- d. Latte
 - e. Tea
 - f. Other (please specify)
2. On average, how much do you usually pay for one drink?
- a. Less than €1
 - b. €1 to €2
 - c. €2,1 to €3
 - d. €3,1 to €4
 - e. More than €4
3. How often do you purchase products from café, coffee house, coffee shop
- a. Less than 5 times a week
 - b. 5-7 times a week
 - c. More than 7 times a week
4. Beside beverages. What are other products do you often purchase?
- a. Pastry
 - b. Cake
 - c. Sandwich
 - d. Meal
 - e. None
 - f. Other (please specify)
5. Why do you go to a café?
- a. Drinks and food
 - b. Relax
 - c. Work
 - d. Meeting friends
 - e. Other (please specify)
6. Please rank the following features of a café from 1(not important at all) to 5 (very important)
- a. Wi-Fi
 - b. Electrical socket
 - c. Comfortable seats
 - d. Terrace
 - e. Location

- f. Drinks and food's selection and quality
 - g. Service
 - h. Price
 - i. Entertainment (TV, books, board games, etc)
7. Apart from all the features above, what other feature do you want at a café?
8. Have you heard of Vietnamese coffee?
- a. Yes, and I have tried it
 - b. Yes, but I haven't tried it
 - c. No

A description of three Vietnamese coffee drinks is provided

9. From the description of the drinks, which drink would you like to try?
- a. Black
 - b. Brown
 - c. Egg Coffee
 - d. None
10. From the description of the drinks, which drink would you purchase?
- a. Black
 - b. Brown
 - c. Egg Coffee
 - d. None
11. How often would you purchase Vietnamese coffee beverages?
(Linkert scale with 1 is never and 5 as always)
12. How much would you pay for a cup of Vietnamese coffee?
- a. Less than €1
 - b. €1 to €2
 - c. €2,1 to €3
 - d. €3,1 to €4
 - e. More than €4

Personal information

13. What is your biological sex?
- a. Male
 - b. Female
14. What is your age?
- a. Younger than 18 years old.
 - b. 18-25 years old.
 - c. 26-35 years old.
 - d. 36-45 years old.
 - e. Older than 45 years old.
15. What is your nationality?
16. How long have you lived in Barcelona?
- a. Less than 1 year.
 - b. 1-5 years.
 - c. 6-10 years.
 - d. Over 10 years.