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**BUSINESS MODEL FOR EMPLOYEE-OWNED BOOKSTORE AND
TEAROOM**

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ABSTRACT

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Name of thesis BUSINESS MODEL FOR EMPLOYEE-OWNED BOOKSTORE AND TEAROOM		
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<p>The goal of this thesis was to develop a sustainable business model for an employee-owned bookstore-tearoom that combined contemporary Asian literature, sci-fi/fantasy, and Oriental tea culture with ethical entrepreneurship. The reason for this research was to address the rising demand for community-oriented third spaces where commerce and social values coexisted in harmony.</p> <p>The theoretical framework explored and examined different socially sustainable business models, Employee Stock Ownership Plans, as well as the convergence of bookselling and tea culture. The research also employed case studies of businesses like Beau’s Brewing Co. and Dobrá Čajovna. This thesis used a mixed-methods approach and included market analysis, PESTEL/SWOT frameworks, as well as business design principles.</p> <p>The proposed business model placed special emphasis on digital-physical integration, gradual development, partnerships with educational institutions, and diversification of revenue streams. The research literature used in this thesis demonstrated that employee ownership nurtured and enhanced resilience, and was therefore beneficial for business.</p>		
Key words Asian pop culture, bookstore-tearoom hybrid, bookstore, employee ownership, ESOP, Portugal, sustainable business model, tea culture, tearoom, third spaces.		

ABSTRACT
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1 INTRODUCTION

The purpose of this thesis is to develop a conceptual business model that combines a tearoom and a bookstore in the form of an employee-owned enterprise. Despite being personal, this thesis can give a good insight into alternative business structures, niche entrepreneurship, and an approach that balances commerce and profitability with ethical values, employee ownership, social justice and community engagement. The research aims to: (1) explore how to balance ethical ideals, niche orientation, and financial viability, and to identify the practical steps needed to achieve this; (2) gain a deeper understanding of alternative business models that prioritize employee ownership, value creation, sustainability, and community over pure profit maximization; (3) examine how digital and physical experiences can be integrated in the sale of books and tea; and (4) conceptualize and develop a hybrid employee-owned tearoom-bookstore as both an illustration of entrepreneurial possibilities and an attempt to address the previous questions.

The following questions should be addressed to achieve the research goals: (1) How can one balance ethics, niche orientation, and financial viability? (2) Which alternative ownership models align with social entrepreneurship? (3) How can niche retail integrate digital and physical experiences? (4) What is the best operational framework to support an employee-owned bookstore-tearoom? As for the studies used in this thesis, many ideas and concepts are grounded in Steven Freeman's (2007, 4–8) research on Employee Stock Ownership Plan (ESOP) efficacy, Kimberley Kinder's (2021, 10–20) "retail-nonprofit hybrid" model, and Zbuceha's (2021, 599–607) and Caine's (2023, 15–273) works on social and technological innovation in the bookselling business. This thesis also frequently refers to Hannah Smith's (2019, 37–38) works on community bookstores, sustainability in business, and the false dichotomy between profitability, viability, and value-driven purposes. In her works, she demonstrates a mutual connection between being value- and community-oriented and seeking revenue.

Another important topic discussed in this thesis is adopting the correct approach from the beginning. Since the proposed business model is significantly niche and is expected to start with a limited budget the proposed resolution is the implementation of a user experience design (UX design) approach in business development. This approach requires initial research and multiple iterative steps before launching the final product, thereby reducing potential risks at the final stage. This aspect is discussed by Heidi Schaaf, who wrote about how design thinking was applied to cultural organizations (Schaaf

2023, 100–102), and by Maja Kuhar, who addressed applying user research and design principles to the online bookselling business (Kuhar 2023, 3–9).

The research methods are mixed and generally include a literature review and case studies of employee-owned businesses (for example, Beau’s Brewing), cultural retail spaces (like Dobrá Čajovna), and user-centred design principles applied by businesses (like Spotify). The final chapter is dedicated to ideation, conceptualization, and the development of an original business model based on the framework created through research literature and real-life case studies. The model’s viability is evaluated through PESTEL and SWOT analyses. The practical outcome of this work is a business model canvas and a business partnership proposal provided in the appendices.

The idea of combining a bookstore with a teahouse is a new interpretation of businesses that combine bookstores with coffee houses. On the other hand, the goal is not just to remake an existing concept but rather develop something unique. Here a teahouse is more than just a place where customers can buy or drink tea; it is also a cultural, social, and psychological phenomenon. In the same way that coffee houses across the Western world are a part of a busy metropolis, a tearoom is a refuge where a person can contemplate and connect with themselves. The combination of a teahouse with a bookstore would be a further development of the concept of the teahouse as a cultural hub. Among the sources of inspiration is the teahouse in Riga, ILLUSEUM (2024), and the Czech teahouse U Džoudyho (2025).

The bookstore would offer a diverse selection of literature, including manga, sci-fi, contemporary Asian pop culture such as anime, J-pop, and J-rock, and non-fiction on topics like fashion, design, social sciences, and humanities. This diverse selection aims to attract a broader audience, including younger customers. The goal is also to explore business models, such as ESOPs and B Corporations, which emphasise product quality and community engagement over pure profit maximization.

In this thesis the first step will be analysing different business formats, including physical, online, and hybrid models with special attention to possible decision-making and funding challenges. All this will be complemented by case studies of employee-owned businesses like Beau’s Brewing Co., independent Co-Op bookstores like Red Emma’s, and teahouses like Dobra Čajovna. Based on this research, this thesis develops a flexible, value-driven niche business model. Instead of a traditional business plan, which focuses on operational details, this thesis will centre around a flexible business model that can adapt to changing market conditions, consumer preferences, and ethical business principles. This

model will outline the key components necessary for building a sustainable and socially responsible enterprise, considering factors such as ownership structure, revenue streams, and value proposition.

The theoretical part examines sustainable business models, ethical entrepreneurship, “retail-nonprofit hybrid” concept (Kinder 2021), and community-driven approaches. The topics will include alternative ownership structures, branding, marketing strategies, opening business, and the role of cultural and social spaces in modern business. Additionally, this section will provide an overview of tea and bookselling industries, examining emerging trends, consumer preferences, and innovative business practices that align with the concept of a tearoom-bookstore hybrid.

2 BUSINESS MODEL AND MARKET VALUE

The tea industry stands at the crossroads of tradition and innovation, blending ancient practices and customs with modern consumer demands. Tea has been a staple beverage worldwide for a long time, and its market dynamics continue to evolve alongside shifting consumer tastes, technological innovations, and global megatrends. It is important to understand what drives this market evolution—whether it is purely a matter of supply and demand, or if deeper factors such as sustainability, wellness trends, and digital transformation play a significant role. (Maciejewski 2024, 48-50.)

In order to understand the business model of a tea enterprise, it is necessary to examine the market landscape itself, brand positioning, the innovation strategies involved, and the structural elements that define a successful business. In recent years, the global tea market has witnessed noticeable growth, driven not just by rising consumption but also by a shift in consumer mindset. The new generation places greater emphasis on health, wellness, and sustainable practices. This shift presents unique challenges. Today's consumers want both convenience and ethical sourcing, affordability and high quality, something familiar and something new—contradictions that businesses must navigate wisely to remain competitive (Maciejewski 2024, 48-50).

Beyond consumer behavior, the tea industry intersects with broader economic and cultural shifts. The rise of specialty teas, the integration of digital sales channels, and the adoption of eco-friendly packaging all reflect a market in flux. Moreover, as the concept of brand loyalty evolves, companies must engage their audiences through immersive experiences—whether in physical teahouses or through personalized online interactions. (Dyi-Cheng, 2021.) This chapter aims to explore the intricate relationship between business models and market value in the tea industry. It discusses the tea market landscape on a global scale, the importance of brand identity, the role of innovation in shaping consumer trends, and the fundamental principles of business model development.

2.1 Global tea market

Recent research on tea consumption reveals some key dynamics. In 2021, global tea production reached 6.5 million tonnes. Globally, tea plantations cover about 4.5 million hectares, with an average annual yield of less than 1.5 tonnes of dry leaves per hectare. To provide a clearer picture: if the total

tea-growing area were a country, it would rank as the 130th largest, situated between Denmark and Estonia in size. This area is significantly larger than countries like Switzerland, Albania, and Moldova. According to projections, by 2025, global tea production will rise to 7.4 million tonnes. In terms of market value, the tea industry was worth 220.7 billion dollars in 2022 and is expected to grow to 268.5 billion dollars by 2025. (Maciejewski 2024, 48-50.)

The same research suggests that when it comes to tea consumption, consumers prefer a wide variety of tea flavours. However, they are not unanimous regarding tea's health benefits and the convenience of its preparation and consumption. Tea producers and sellers often have to address contradictory demands simultaneously. For instance, many consumers expect high convenience while also emphasizing sustainability. Others look for tea that promotes wellness and immune support but also want an extensive range of new flavours and colours. (Maciejewski 2024, 48-50.)

Among global megatrends, one of the main expectations from tea drinks is health and well-being. Tea is seen as a way to reduce negative emotions and stress, strengthen the digestive and immune systems, and provide antioxidants. The wellness trend is particularly prominent among U.S. consumers. As a result, many flavour innovations focus on incorporating health-promoting or medicinal ingredients like ginger, vitamins, echinacea, turmeric, and liquorice. (Maciejewski 2024, 48-50.)

The expectation for well-being extends beyond physical health to mental wellness. Tea is expected to help reduce anxiety and support proper brain function. Such expectations are especially high in South America, with examples including immunity teas in Brazil, calming teas in Costa Rica, and cognitive teas fortified with Omega-3 in Colombia. (Maciejewski 2024, 48-50.)

Another global megatrend is sustainability. Comfort and functionality should not come at the expense of ethics and ecology. The demand for environmentally friendly and ethically produced goods is especially strong among younger consumers. In today's interconnected world, often referred to as a global village, it is easier for people to advocate for their values. (Maciejewski 2024, 48-50.)

A significant challenge for the tea industry is producing and packaging products using biodegradable materials to reduce plastic waste. Recent research indicates that around 75% of adults in Germany believe biodegradable tea bags effectively reduce plastic waste, a view shared by 67% of people in the United Kingdom. (Maciejewski 2024, 48-50.)

Focusing on sustainability and ecological practices benefits tea sellers in two ways: it helps retain existing customers while attracting new ones who are passionate about climate change and ecological activism. For instance, products can be carbon footprint certified, and labelling them as carbon neutral demonstrates transparency and trustworthiness. (Maciejewski 2024, 48-50.)

Additionally, adherence to social sustainability principles, such as adopting ESOPs, can make tea businesses more appealing to millennials and Generation Z. These generations are known for supporting employee rights and distrusting corporations with strict hierarchical structures. (Maciejewski 2024, 48-50.)

2.2 Brand image

Opening a teahouse and bookstore faces the same challenges as any regular bookstore or coffee shop: the industry is crowded. In Europe, coffee shops may be even more saturated than the tea industry (unlike in East Asia), but there is still significant competition. With the expansion of bubble tea chains from Taiwan to the European market and the growing popularity of East Asian pop culture in Europe and the U.S., for example, K-pop, Korean dramas, Japanese anime, and manga, standing out from the crowd is more crucial than ever. Even in Portugal, traditionally a “coffee country,” there are numerous bubble tea shops, ranging from small tea corners in shopping centres to conceptual, modern teahouses in the capital’s centre. (Dyi-Cheng 2021.)

The importance of brand image and a well-thought-out marketing campaign has been highlighted by researchers in similar fields. For instance, Dyi-Cheng (2021) emphasizes that brand management is the top critical success factor for teahouses. Brand image can be considered the “spirit” of the project. Various elements of the project can contribute to the brand, and with the right marketing approach, success is achievable. (Dyi-Cheng 2021.)

This “spirit” can be formed by different aspects, such as the types of tea and tea drinks offered, serving styles, packaging (especially for sales and delivery), environment, and overall customer experience and values. Customer experience is not limited to the “offline” presence inside the establishment but also includes “online” services, such as delivery, takeaway, or even subscription options. Values that are both explicitly stated and implemented in practice can also become a core part of the brand iden-

tity. For example, employee ownership can be appealing not only internally (for the business and employees) but also externally for customers, particularly in light of increasing sustainability awareness among millennials and Generation Z. (Dyi-Cheng 2021.)

Svend Hollensen argues that building stable customer relationships is far more important than relying heavily on one-time successful transactions. This principle is likely even more critical for businesses operating in niche markets. (Hollensen 2019, 121.)

2.3 Innovation and market trends

Innovation is one of the most valuable attributes in the market, as a company's ability to innovate determines its strength and capability to survive during crises. Innovation can include a new product, technology, market, or a new organization of sales and production. It provides the company with a competitive advantage. (Maciejewski 2024, 48-50.)

According to research conducted in February 2024, several megatrends shape consumer behaviour in the tea market. These include wellness, climate change, the outlook for a better life, decarbonization, and environmentalism. Considering these customer expectations, tea products should be environmentally friendly, comfortable to use, and enhance the overall experience. (Maciejewski 2024, 48-50.)

Like the coffee industry, the tea industry is constantly evolving. While tea has been enjoyed for centuries, producers and companies continue to make their products appealing to new generations of consumers. A Pinterest trends report from 2022 revealed that the most popular tea-related searches included terms such as "tea party aesthetics," "vintage tea party," "butterfly pea tea," and "tea ideas." Platforms like TikTok, Facebook, and Instagram featured videos showcasing unique tea drinks from around the world. For instance, bubble tea from Taiwan, matcha from Japan, and the blue-violet Butterfly Pea Tea from Kenya were particularly popular. (Maciejewski 2024, 48-50.)

The bookselling industry is also far from conservative. With the rise of automation, self-ordering kiosks have emerged, allowing customers to obtain all the necessary information and complete their purchase without human involvement. Moreover, digitalization helps collect customer data, which in turn builds recommendation systems and enhances customer satisfaction. This approach can be applied to both tangible books like Amazon and intangible ones such as Kobo Store or Amazon Kindle. Active

data collection allows for a flexible business model that can be resistant to external changes, for example pandemics. (Naidu 2023, 247-254.)

The same approach to data can be used in the tea business, both in online sales and offline physical teahouses. For instance, e-commerce stores could sell conceptual packages that include both tea mixes and books related to a particular theme. For example, an "autumn" package could feature a fruity or spicy tea blend paired with a book like *The Secret History* by Donna Tartt, which was popular in Tumblr's "dark academia" aesthetic groups. Purchase history data could be collected using algorithms and AI to build recommendations or even develop new product ideas. (Naidu 2023, 247-254.)

2.4 Business model and business plan

While terms like business ideas, business model, and business plan are often used interchangeably, it is important to differentiate them in an academic context. Everything starts with a business idea—a raw entrepreneurial intent that is soon followed by a business model. A business model is a much more detailed and formal conceptualization, as well as proof of why the business idea is viable. The business plan is the expected outcome of the business model and consists of more detailed elements, such as capital structure, managerial costs, strategic plans for short-, mid-, and long-term goals, cash flow, etc. (Turko 2016, 55-61.)

The most popular business model canvas was developed by Osterwalder in 2005. In this canvas, a business model can be broken down into the following elements: the value proposition; the group of customers it serves; communication channels to reach and deliver products or services to customers; relationships with customers; crucial resources and skills needed to run the business; the main activities needed to make the business work; motivated partners involved; streams of revenue; and, finally, the costs of running the business. (Zbucnea 2021, 599–607.)

A business model is like a guide for a company that helps to explain how to operate. It is very helpful for all parties involved as it provides a clear starting point for decisions and improvements. As time goes on, businesses change. No matter how successful the company is, if it does not adapt to its environment, its future is quite unclear. The rise of e-business has made the creation and understanding of business models especially important. Business models can't be static; they should be as flexible as the world around them. They can evolve in several ways, such as through creation, where entirely new

processes are developed; extension, which involves adding more processes to those already in place; revision, which means altering or adjusting existing processes; and termination, where outdated or rudimentary processes are brought to an end. (Zbucha 2021, 599–607.)

The digital transformation of our world has radically shifted the old ways in which companies operate. Instead of closed-off approaches, there are open business models that focus on collaboration and innovation. These models use external knowledge, user input, tools, and platforms. This innovation significantly improves the performance of small- and medium-sized businesses (SMEs) by giving them a competitive advantage. (Zbucha 2021, 599–607.)

Challenging times like pandemics or economic crises can be moments for businesses to adopt a new, more sustainable approach. New business models should focus more on building partnerships and encouraging fresh ways of thinking. For example, there can be closer collaboration with suppliers and customers. Of course, innovation during volatile and difficult times is never risk-free. Quite the opposite—it requires a certain level of courage and willingness to take risks. To reduce these risks, it is essential to adopt a forward-thinking approach, taking into consideration the realities of a globalized and digitalized world, the rise of data-driven businesses, the growing influence of the sharing economy, and the importance of sustainability. Such challenges impact both large companies and SMEs. (Zbucha 2021, 599–607.)

3 EMPLOYEE-OWNERSHIP

The question of ownership in a company matters way more than it seems like at the first glance. It is something more than just a legal or financial arrangement—it is a fundamental mechanism that drives corporate culture, productivity, and it has a long-term impact on the social sustainability. The ownership determines not just the financial, social and mental well-being of its employees but also the overall resilience of the business itself. Moreover, there is direct positive connection between the employee well-being, sustainability and the business development and its resilience. Top-down corporate models often separate ownership from labour, since decision-making power concentrated in the hands of a few. If employees were also the owners, it could change the situation drastically and lead to increased engagement, commitment, and productivity. (Freeman 2007, 7.)

Employee ownership shows that there is an alternative to conventional corporate structures. An alternative that offers a model where workers have a direct stake in their company's success. While such an idea is not something new, nowadays it is more relevant than ever with the current economic landscape, where job security, income equality, and sustainable business practices are at the forefront of public debate. According to research employee-owned businesses tend to outperform their top-down-structured counterparts in terms of profitability, stability, and overall workplace satisfaction. Nevertheless, despite these apparent benefits, the concept is quite underexplored, especially from a business management perspective. This chapter goes deeper and explores employee ownership with a particular focus on Employee Stock Ownership Plans (ESOPs). (Freeman 2007, 7.)

This part discusses the ESOP's impact on business performance, employee motivation, and decision-making, using academic research and real-world case studies. Additionally, this part explores the European adaptation of ESOPs, analysing how different regulatory and economic environments shape the implementation of this ownership model. Finally, there will be more detailed breakdown of the mechanics of ESOP transactions. It will demonstrate how ownership is gradually transferred to employees in a structured and sustainable manner. This chapter aims to highlight both opportunities and challenges of employee ownership. There is an immense potential to democratize the workplace, yet there might be new complexities that can limit their scalability. (Ellerman 2022, 5.)

3.1 ESOP

According to Freeman (2007, 7), ESOP benefits each individual employee-owner, bringing more employment stability. The direct outcome is higher employee involvement, participation, organizational commitment, identification, and productivity. Research confirms that companies with employee ownership earn more, perform better, and last longer. Increased employee participation leads to higher returns on investment. (Freeman 2007, 7.)

Unfortunately, there are not enough academic studies on ESOP from the business management perspective. There is a common consensus that such a model is immensely beneficial for employees. The research conducted by Steven F. Freeman is designed to fill this gap. He mentions that there were 12 studies that investigate relationships between employee ownership and organizational commitment, 6 studies about employee motivation, 11 studies about participation in decision-making, and 7 studies about behavioural patterns like absenteeism and turnover. (Freeman 2007, 4.)

Additionally, according to Steven F. Freeman, employee ownership in the ESOP model does not hinder the decision-making process as sometimes happens in full-scale cooperatives where the decision-making process can be slow. Quite the opposite, in most cases, company growth and increased productivity were linked to higher employee voting rights and participation in business decisions. (Freeman 2007, 7.)

It is worth noting that ESOP models are not one-size-fits-all. There are multiple adaptations that can differ in form depending on the business, economy, or even country. For example, while Steven F. Freeman focused more on how ESOP worked in the US, research by authors David Ellerman, Tej Gonza, and Gregor Berkopec covers Europe in general and Slovenia in particular. In their article "European ESOP: The Main Structural Features and Pilot Implementation in Slovenia," they emphasize the existence of a "European ESOP" or "Cooperative ESOP" as a specific model for EU economies. (Freeman 2007, 8.)

3.2 European ESOP

As the business model in this thesis is considered within the European context, it is worth delving into it a bit more. The collective of authors David Ellerman, Tej Gonza, and Gregor Berkopec in their article "European ESOP: The Main Structural Features and Pilot Implementation in Slovenia," used two interchangeable terms, "European ESOP" and "Employee Ownership Cooperative" (or EOC). (Ellerman 2022, 3-14.)

EOC shares profits with its members and distributes them. Each employee owns a capital account in the EOC to hold their individual company shares. Such accounts are called ICAs (Individual Capital Accounts). Employees receive, over a period of time, some percentage of the company ownership. Such ownership is indirect: employees can enjoy both the income and share rights, but it doesn't mean they can sell them, mortgage them, or pass them on to their heirs. According to the authors, such ownership (indirect and individualized) is beneficial for the following reasons: it encourages individual incentives for investment and therefore addresses the common problem in other types of employee ownership — underinvestment. (Ellerman 2022, 3-14.)

Since shares are not held directly by the employees, it solves the problem of succession (which often leads to degeneration). Shares are not to be sold to outsiders. Degeneration is a common problem resulting from the sale of shares to outside bidders. Such a risk is unavoidable when employees are direct owners, because they may look for a better price on the market. This form of indirect ownership not only rewards the employees and preserves the company's integrity but also contributes to the local community. ESOP companies can actually grow quite well; a good example is the supermarket chain Publix Supermarkets. (Ellerman 2022, 3-14.)

3.3 ESOP transaction

Here is a simple illustration of how the entire transaction works. First, the sellers of shares receive a guarantee from the company. The company makes payments to the EOC over time to cover the cost of the shares, while in return, the EOC receives a certain percentage of the shares. The share's value is determined, and the EOC owes the seller the value of the shares. The shares are transferred to the EOC and kept in a general account for the unassigned shares. (Ellerman 2022, 3-14.)

The company gives money to the EOC on a regular basis. This money will probably be taxed as corporate income and then passed to the EOC in the form of dividends. Next, the EOC uses that money to pay off the debt to the seller bit by bit. Shares have a value equal to each debt payment that is taken from the Suspense Account. These shares, after being paid off, are distributed to Individual Capital Accounts (ICAs) based on each person's salary. They (shares) are distributed in bundles each year. (Ellerman 2022, 3-14.)

Things don't end with paying the seller; the company keeps contributing regularly to the ESOP. Now all shares are assigned to employees' individual accounts, and the Suspense Account is empty. To keep the cash flow steady, the EOC keeps buying back the oldest shares from employees on a first-in, first-out basis. Here's how it can look: in 2025, the EOC buys back shares from employees 1 and 2, who received their shares in 2022. It doesn't mean that the shares disappear — they temporarily go back into the Suspense Account. (Ellerman 2022, 3-14.)

After being bought back from employees (current or not), the shares are redistributed to current employees. The employees who have left the company do not receive any new shares. Instead, they are gradually paid out, while the new employees receive shares from the redistributed pool. This continuous cycle is called the rollover system. It keeps the ownership within the company dynamic and evolving. (Ellerman 2022, 3-14.)

4 BUSINESS MODELS FOR BOOKSTORES AND TEAROOMS

The bookselling industry stands at a crossroads, where innovation and transformation reshape the market and challenge traditional norms. While conventional bookstores have long served as a vital connecting link between readers and literature, the landscape is shifting. New business models seek to align with ever-changing consumer behaviors and impermanent market dynamics. Multiple factors, such as the advent of digital platforms, the trend toward self-publishing, and the rise of e-commerce, have fundamentally altered the mechanisms of book buying and selling. Yet, this does not mean that brick-and-mortar bookstores are obsolete in the world of bookselling. However, to survive, these enterprises should embrace innovation and focus on diversifying their offerings. They ought to cultivate environments that transcend simple retail transactions.

A good example of evolution within bookstores is the integration of new services and experiences that transform them into something beyond the notion of a traditional retail space. For example, this may include the fusion of bookstores with tearooms—a unity that blends commerce, literature, and cultural and social engagement. Such an amalgamation can broaden the audience, promote extended visits, and nurture a community ethos. Here, the bookstore becomes a venue where individuals can purchase books and simultaneously convene, work, and unwind. Simple brick-and-mortar bookstores can offer a unique value proposition that sets them apart from online giants and sprawling chain stores. Zbucea has shown multiple examples of such bookstores in Romania. (Zbucea 2021, 599–607.)

Caine, on the other hand, has provided multiple examples of how bookstores can become platforms for social innovation and sustainable development for entire communities, offering numerous case studies that will be discussed in this chapter. This section will delve into the world of diverse business models that harmonize bookselling with cafés and analogous services. Through the lens of successful case studies, this chapter will explore how bookstores can serve as a source of innovation and social connectivity in an increasingly digitized era. (Caine 2023, 15-22.)

4.1 Bookselling and innovation

Bookselling is part of a large economic chain made up of numerous elements, including editors, authors, publishers, distributors, stores, readers, and buyers. Working together, they determine the success of book sales. Bookstores are an essential part of this chain, as they act as both distributors and the link that connects the people who create books with the people who read them. Nowadays, there are many new types of bookselling opportunities, such as self-publishing, small independent publishers, and online stores. The COVID-19 pandemic in 2020–2021 popularized click-and-collect services. (Zbucea 2021, 599-607.)

While e-books are becoming more popular, bookstores remain essential in the book economic industry. Large bookstore chains still have some advantages over independent stores. They are easier for customers to find due to their larger size, more space, and multiple locations. They have both an online and offline presence and were among the most enthusiastic about adopting e-commerce in bookselling. However, since books stopped being purely tangible objects and became digitized, being a large bookselling chain is not enough to guarantee success. Physical bookstores need to become community hubs to stay relevant. Otherwise, their future is uncertain. There are, however, some examples of how innovations can completely transform the bookselling business—both in physical spaces and online shops. (Zbucea 2021, 599-607.)

The Romanian book market can serve as a point of reference here. Cărturești Bookstore is an example of how to stand out from the crowd. Offline, it offers cozy stores with unique designs, office supplies, and a wide selection of tea. Online, it provides a high-quality user experience, effective communication, and a loyalty app. For Cărturești, the lockdown was more of an opportunity than a threat. The company opened pop-up stores and partnered with a retail chain to sell books. They also launched the "Hai, România!" campaign to support local startups. Later, they introduced Verso Cărturești—a space where people can work or relax. While this may seem like a lot of initiatives at once, the combination of a good book selection, collaboration with Romanian designers, and partnerships with small businesses was a key success factor. Opening co-working spaces demonstrates that there are no limits to innovation. (Zbucea 2021, 599-607.)

Librarium Group, like Cărturești, focuses strongly on building relationships with customers by turning their bookstores into community hubs. However, unlike Cărturești, they prefer to sell under different

unique names (for example, Book Corner in Cluj-Napoca and Sand Book in Timișoara). Online, Librarium Group has its own personalized Facebook communities tailored to local needs. They also have a separate brand—Cartepedia—designed specifically for their online presence. A community-focused approach is key to their success. However, it is unclear whether operating under different names has a positive or negative impact on the business. (Zbucea 2021, 599-607.)

4.2 Bookselling and social innovation

Social sustainability was already briefly mentioned in the previous chapter, but it is better to discuss it in more detail here. The previous chapter mentioned the communal aspect of bookselling, i.e., in order to survive and grow, e-commerce and technological innovation are not enough to move forward. At the end of the day, if bookselling is just about selling books, then e-commerce would be the only thing needed. However, if that were the case, bookstores would have become obsolete a long time ago, which is not the case. (Caine 2023, 15-22.)

Kinder (2021, 10-20) wrote that it is uncommon for infoshops and bookstores to operate in a narrow way. Instead, owners treat the space as a platform that can sustain multiple functions through continual repurposing. In other words, selling books is one of the functions of bookstores, but not the only function. As Danny Caine wrote, in this context, the bookstore is not just a cozy space to buy literature, but rather an incubator of ideas, changemakers, and activists. Serving a communal function is not just limited to creating space for buyers, but also involves offering new business models that will make the bookselling business more attractive to stakeholders. Bookselling has the potential to become a career choice and aspiration, instead of just seasonal work, and some examples will be discussed further to prove it. The communal value that bookstores bring to society is not enough. Bookselling must shed its reputation as a low-paying job because the lack of career prospects in bookselling can threaten bookstores' ability to do their work. (Caine 2023, 15-22.)

The bookselling job is often associated with long hours on one's feet, impossible customer demands, constant contact with unruly public, and physically grueling duties. All this comes with very few benefits, such as health insurance, bank holidays, and occasionally meeting authors or accessing advance book copies. Additionally, many workers struggle with gender or racial inequalities as well as unsafe working conditions. Unfortunately, there are external reasons why such injustices exist. As bookselling

is an industry of scarcity, many owners and managers have to deal with tight margins. Corporate consolidation fuels this crisis, as behemoth publishers are capable of attracting immense profits while bookstores struggle to generate enough revenue to pay their employees. (Caine 2023, 15-22.)

Scarcity and cuts are not sustainable solutions for the bookselling crisis. On the other hand, advocating for alternative business models, higher minimum wages, labor unions, and other employee-centered measures is what is needed to bring about actual social innovation. This approach requires looking past short-term instant profit-generation to see a bigger picture. There are, in fact, examples that show the possibility of change. Among them is the so-called "indie bookstore renaissance" that took place during the pandemic. The bookselling business became much more diverse, and many new stores were opened by groups of people who traditionally did not have much access to capital or generational wealth, which allows for opening a bookstore. (Caine 2023, 15-22.)

In a January 2023 email, Allison Hill, the CEO of the American Booksellers Association, reported that since January 2020, around 96 new bookstores had been opened by those who identified as people of color. Opening a bookstore is expensive. Staffing, initial inventory, and buildout can cost a lot, and all this comes before even a single book is sold. Such diversification of booksellers is definitely positive news as it shows that even without access to capital, opportunities exist. What is crucial here is persistence and creativity to work around the issue. However, this does not mean that the issue ceases to exist. (Caine 2023, 15-22.)

Opening a bookstore is only the first challenge—keeping it open is the second. According to Gary Rivlin (2022, 19), one in three small businesses in the US closes before celebrating its second anniversary. Knowing this, it seems especially important to protect those bookselling enterprises that serve people and communities. One example is Birchbark Books. Located in Minneapolis, Minnesota, this bookstore is owned by author Louise Erdrich. Birchbark is a very small, independent bookstore focused on Indigenous culture. It is known for supporting Indigenous artists, selling handmade jewelry and arts, as well as supporting schools and libraries in its neighborhood. This bookstore especially emphasizes its independent spirit (i.e., it rejects corporate ownership) and communal orientation. Louise Erdrich strongly dislikes associating her business model with the word "capitalism," preferring the term "commerce." In an interview with Danny Caine, she explained that her vision is based more on humans than capital. (Caine 2023, 71-89.)

Louise believes that coffee shops and bookstores are public commons, and this is what makes them different from corporations like Amazon. However, despite the positive impact on the community, Birchbark faces the same problem common to the entire bookselling industry. Birchbark struggles with revenue to the extent that sometimes it is difficult to make payroll. The owner remains optimistic despite the crisis and tries her best to gain more presence in the local community. Birchbark contributes to different school prizes and enterprises, bringing books to the local library or local Indigenous coffee shop. Danny Caine writes about multiple strategies that can directly or indirectly support such businesses. (Caine 2023, 71-89.)

First and foremost, it is essential to promote a reading culture. This can be done individually and collectively. The logic is simple: a society of readers provides fertile ground for the development of the book business and bookstore culture. A lifelong reader is someone who will soon become a lifelong member of the bookstore's community. Each individual, family, or community that invests in bookstores helps them fulfill their mission. It is not even necessary to buy directly from the bookstore, either physically or through its website. There is a startup alternative to Amazon called Bookshop.org. They are a certified B Corp founded to sell books online in a way that helps bookstores. Here is how they can support Birchbark and many other community bookselling businesses: every bookstore has the option to set up an online shop on the platform. The bookstore earns 30% of every sale made through its online shop. Even without having an online storefront, bookstores can still benefit from profit-pool payouts from Bookshop. (Caine 2023, 71-89.)

However, every silver lining has its cloud. Bookshop faces some criticism as well. For example, some people worry about the relatively low margins on Bookshop sales. Others are concerned about taking away sales from bookstores directly. Still, for the most part, people celebrate the advance of Bookshop since it can actually give people a start in the book industry without the massive investment normally needed for a storefront. A Bookshop storefront does not require a physical space, and it helped many new bookstores appear on the market during the COVID pandemic. Bookshop helped them raise the funds necessary to evolve further. In the United States, it helped many people of color start and join the bookselling industry. (Caine 2023, 71-89.)

Another example of social innovation is Red Emma's Bookstore Coffeehouse, located in Baltimore, MD. The founders of the co-op met in the early 2000s at meetings organized by the anarchist bookstore Black Planet. After the bookstore closed in 2003, members of the collective started to consider their next steps. The bookselling business was far from ideal at that time. Still, they wanted to

continue their bookselling activities and decided to create a social space—a coffee shop. At that time, there were not many coffee shops in Baltimore, and hence there was a need for both a radical bookstore and a good coffee shop. That initial idea soon turned into Red Emma's. (Caine 2023, 249-273.)

4.3 Importance of space

As Kinder (2021, 10-20) writes, print-based businesses were widely used by activists to create platforms for promoting ideas, sharing knowledge, and forming communities around them. She called this phenomenon a "retail-nonprofit hybrid." The independent bookselling industry experienced its second renaissance in 2009 due to a shift in consumer demand. People became tired of screen fatigue, creating a demand for tactile spaces. The emotional and social components of retail were in high demand, giving birth to new business formats. (Kinder 2021, 10-20.)

The term "retail-nonprofit," used by Kinder (2021, 10-20), might not perfectly describe such business models. On the surface, it may seem that some independent bookstores fully neglect profit-seeking and focus solely on community service. However, bookstores like People Like Us show that this is not the case. People Like Us was founded with the intent to connect queer people, give them access to literature, and create space for them. However, just like any other business, there is a necessity to sell commodities to sustain operations. As the owners themselves explained, after a long discussion, they decided that profit should be the first goal, because only by being profitable could their business truly serve the community. This is one of the reasons for the strategic placement of certain types of literature. For example, expensive art books are located on the right, and pornography is in the back. Selling pornography and weekly magazines was a purely commercial decision. Key chains, bumper stickers, and buttons were stacked by the register, as these items had higher margins. Boosting sales and focusing on increasing revenue actually gave them more control over the space and more confidence to build a community around it. Kimberley Kinder used the word "triangulation" to describe the process of building connections in a retail area. It is something that naturally happens in environments like art installations, food vendors, or cultural events, because these spaces give strangers an excuse to strike up conversations, share information, or introduce themselves. (Kinder 2021, 51-87.)

This was the entire point of Red Emma's, as mentioned in the previous chapter. The books, the coffee, and the entire infoshop atmosphere created an environment that stimulated this triangulation. This is

also why the owner of Red Emma's insisted so strongly on owning their property instead of relying on renting a space. This is the way employee-owners can actually have full control over the business, without being dependent on the whims of landlords. (Caine 2023, 249-273.)

Kimberley Kinder already mentioned this in her book about radical bookstores, giving examples of queer-owned or feminist libraries and bookstores that struggled with finding space, as landlords often tried to police business operations. For example, at People Like Us, landlords tried to enforce a clause in their lease agreement stating that the owners could only sell books that were "in good taste". (Kinder 2021, 51-87.)

Kimberley Kinder (2021, 51-87) provides historical parallels, mentioning the counterculture movement of the 1960s and nonconformist booksellers who created countercultural public spaces where like-minded people could gather in safe spaces. Marcin Poprawski used the term "ecosystem" to describe different cultural spaces. He defines the cultural ecosystem as a reality composed of the following groups: cultural institutions that receive funding, commercial projects and businesses, and creative individuals who produce art, volunteer in art organizations, preserve traditions, and create cultural items. (Poprawski 2017, 70-76.)

If we see it as an organism or ecosystem, then we can see the big picture, where space, transactions (cultural, monetary, social), and both tangible and intangible elements are interconnected. While digitalization has transformed the way the bookselling industry operates, it does not diminish the value of space. Innovation and resilience can help generate ideas for new business models that make independent bookstores succeed. It is very possible that uniting technology and space can actually help form something new and competitive. (Caine 2023, 249-273.)

4.4 E-commerce opportunities and UX design

The previous chapters primarily focused on the importance of space and the community experience that a tearoom and bookstore can offer to users. However, this does not mean that the digital aspect should be neglected. On the contrary, technological innovation can complement the physical space or even enhance it. Heidi Schaaf attempted to apply a UX approach to German and Finnish museums. (Schaaf 2023, 100-102.)

Knowing the user is a fundamental of User Experience (UX) design that is heavily used in many spheres, but primarily in IT-industry. In the context of museums and other cultural non-profit organizations authors prefer to change the motto "know your user" to "know your visitor". For them the necessity to know users can be grounded on ethical reasons related to human rights. UX in cultural management promotes inclusion and better understanding of audience perspectives. With the knowledge of the visitor it is possible to create effective and inclusive experience by considering diverse audience needs. The proper visitor research and evaluating their expectations it is possible to develop a meaningful audience engagement. The authors especially stress the importance of collaborative strategies and avoiding top-down decisions. (Schaaf 2023, 100-102.)

UX approach helps institutions to develop self-criticism and enables meaningful change. With user-centered approach it is possible to bridge gaps between visitors and staff. When diverse perspectives are shrugged off and the museum or any other cultural institution relays on "loving, knowing ignorance" there is a high risk to succumb in elitism that is harmful for any type of enterprise. On the contrary, by admitting limitations in understanding diverse perspective the organization releases its transformative potential. (Schaaf 2023, 100-102.)

It is fair to say that UX design is a digital continuation of the approach that existed long before the age of computers. Visitor research has existed since the 19th century and was quite common in Germany. The good contemporary example is Finland's Museokortti (Museum Card) - a large service that allowed the card holder to visit all Finnish museums without limits for an annual fee. Museum Card played significant role in increasing interest in museums and visitor motivations across the country. (Schaaf 2023, 100-102.)

Schaaf (2023, 100-102) mentioned a study conducted by professor John Falk about the impact of museums and science centers on well-being. In his studies he emphasized the growth of visitors and public value. Despite its long history and relative success, visitor research has its limitations. For instance, existing research often just reinforces the status quo of museum systems, and the quantitative methods (like visitor profiles) may not be that efficient in fully capturing subjective visitor experiences. Simple satisfaction surveys can even give misleading impressions, hence it's crucial to understand visitor needs on deeper level. (Schaaf 2023, 100-102.)

Schaaf (2023, 100-102) called methods that combine UX Design approach and visitor research User-Centered Design (UCD) and Human-Centered Design (HCD). Using, for examples, ethnographic studies can be example of implementation UCD/HCD methods as such studies help understand users' needs and contexts. This is the way how user-focused services can be implemented. (Schaaf 2023, 100-102.)

Service Design offers complex approaches like exploration, creation, reflection, and implementation. Methods include shadowing, interviews, and different participatory techniques. In order to create meaningful product and services it is essential to approach with empathy, consider the user feedback. Only the real data can help the organization understand the visitor, not the idea of visitor. With that it is possible to deliver meaningful user-centered outcomes. It is essential to combine it with inclusive participation models. Institutions should regularly conduct comprehensive UX research, use the results to create inclusive and engaging cultural experiences. There should always be emphasis on collaboration, audience ownership, and continuous evaluation for sustainable impact. (Schaaf 2023, 100-102.)

The research elements include discovery, which aims to understand the target groups, and co-design, which emphasizes the equal involvement of all stakeholders in the design process. Sustainability is crucial, ensuring long-term organizational commitment and mutual respect among all parties involved. Relevancy plays an important role in ensuring that the outcomes have a real influence and visibility. Additionally, learning is a key element, as it turns obstacles into sources of transformation and growth, and it should be promoted across all participants. The entire UX research model here is seen as endless iteration that starts from discovery and leads to endless continuous improvement. This approach is centered around empathy, continuous learning, and sustainability. Thanks to that forms the inclusive user-centered experience in cultural organizations. (Schaaf 2023, 100-102.)

Kuhar (2023, 3-9) shows well how UX approach is not limited just by mobile applications or websites, and can be widely applied in both public and private sectors. Bookstore, as it is clear from the previous chapters, has a lot in common with museums, libraries and other cultural enterprises. There are, however, separate studies in the realm of book search behavior by users. Researchers studied what search tactics users employed in libraries, how book cover influences the user's choice and which metadata has been used. (Kuhar 2023, 3-9.)

Maja Kuhar and Tanja Merčun wrote about their study that explored the connection between emotions, user perceptions, and interface design in online bookstores. Using eye-tracking and think-aloud methods they investigated how users navigate online bookstores and select books, and how different interface elements impact user experience. (Kuhar 2023, 3-9.)

When people search for fiction books, there are a lot of diverse criteria such as genre, literary style, mood, or plot instead of just focusing on author. While standard metadata is useful when people search for known items, enhanced metadata and new access points (like mood-based filters) can drastically improve discovery and entire user experience. (Kuhar 2023, 3-9.) User experience in online bookstores goes beyond usability, as it includes emotions, enjoyment, as well as interface design. The authors mentioned that previous studies have shown that the content organization, navigation systems, and visual layout significantly influence user preferences. In this new research authors used the following methodology: 33 participants of average 29 years old completed two open-ended search tasks in a Slovenian online bookstore. Tasks involved exploratory book discovery and searching for similar books as gifts. The eye-tracking and think-aloud data was analyzed to understand interface interaction and navigation patterns. Findings were categorized into four key areas: interface features (recommendations, navigation, list of results), metadata (target audience, book description, ratings), user tasks (searching, book selection), and user experience (expectations, emotions, perceiving the system). The study showed that improved metadata, engaging UI elements and intuitive navigation significantly enhance the user experience. In the study revealed that participants relied less on browsing and more on search queries, because the way how things were categorized on the navigation bar (inconsistently and confusingly). Many users tended to refine their searches multiple times. (Kuhar 2023, 3-9.)

The Eye-tracking data showed that participants spent more time looking at cover images than reading titles and prices, which indicates the importance of the visual appeal. On the other hand, faceted navigations were viewed frequently, but not very often used because the filtering options were not seen adequate. Users also ignored star ratings because they did not trust their reliability. Another aspect that impacted negatively the user experience was an unintuitive information architecture that led to confusion and frustration. (Kuhar 2023, 3-9.)

4.5 Starting a bookstore

Another example that is both inspiring and shows the flaws of the current system is Avid Bookshop in Athens, Georgia. The bookstore's owner, Janet Geddis, did not have an easy path to enter the industry. Quite the opposite, she came to bookselling in a roundabout way. After obtaining a Master's degree in educational psychology, she hoped to work in Georgia's governor schools program, but by the time of her graduation, it was no longer an option. Janet was just like many of her peers: a millennial, under-employed, over-degreed humanities graduate. Due to the lack of stable employment options, Janet started collecting gigs like tutoring, nannying, and other things she was good at. In the middle of this, Janet kept exchanging letters with an old friend, and at some point, she noticed that they were both always ideating about opening a bookstore. Something that seemed more like dreaming turned into an actual project. (Caine 2023, 100-120.)

It is worth noting that there was a significant advantage in terms of location, as Athens is a perfect place for a bookstore. Being a college town gives it that artistic energy that is ideal for bookselling businesses. Besides, Athens didn't have a bookstore yet. Yes, there was an old used shop downtown and a Barnes & Noble somewhere on the highway far away from town, but there was no bookstore as a community space. There was no such place that sells books, conducts author events, and many other things. Janet's idea was a place where people could form non-judgmental relationships with books, explore, and feel the joy that surrounds them. A place where everyone feels welcomed. (Caine 2023, 100-120.)

The bookstore opening was announced in 2008, right before the economy crashed. As a result, Avid didn't open until 2011. Janet conducted extensive research about the book industry, won scholarships to attend conferences, and volunteered at other stores near the Atlanta area. She didn't have any debt, but her income was far from high. Despite all the knowledge and preparation, it was extremely hard to get loans. Janet got rejected, and the bank justified it by the fact that she had never had a loan of this amount. Janet tried to shrink her budget from \$300,000 to \$50,000, but the person who offered such a loan backed away because of the fear of committing any agreement to paper. She applied for a small business grant from Pepsi and did some research about the usage of Kickstarter (a relatively young platform at that time). In the end, Janet got an offer from a banker on the buy-local board. (Caine 2023, 100-120.)

Janet's parents owned the house she was living in, and the banker offered the following idea: if her parents would agree, they could get a home equity line of credit and, after a year, transition that into a business line of credit. Janet already had some modest funds raised from Indiegogo (they offered it for the right to use the future store as a backdrop for commercials). She was also supported by a county-sponsored gap financing program. All of this allowed Janet to move forward, and it is shown and rightly noted by Caine that there are different fundraising strategies that can work even if there is no big starting capital. This was especially true in the post-pandemic period in the US, when many small businesses were opened by minorities despite historically being financially disadvantaged (Caine 2023, 100-120.)

5 CASE STUDIES

This chapter serves more as a bridge between theory and practice. On the one hand, it focuses less on the thesis project itself and is more based on existing studies. On the other hand, it discusses fewer abstract ideas and instead examines real-world examples of businesses that can be used as points of reference, as well as examples of good and bad strategies when it comes to implementing an independent business model. That is why this chapter is presented separately—it deals more with qualitative information and less with conceptual and abstract ideas. The goal here is to show that the world of employee ownership is not just an abstract set of ideas—that there are real strategies companies are trying out. These companies are active participants in the market. They demonstrate that when businesses face the challenges of shifting to employee stock ownership, weaving tradition with new ideas, or bringing design thinking into their strategies, a lot of things happen. (Szaflarska 2021, 12.)

First, this chapter will explore Beau's All Natural Brewing Co., a Canadian craft brewery that decided to adopt the ESOP model as a natural continuation of its community-centered mindset. But, like any innovation, it was not without its risks. They ran into financial and organizational roadblocks. Their story shows good examples of both what should and shouldn't be done when implementing a new business model or innovating. It also helps to see how other businesses can steer clear of the same issues (Szaflarska, 12, 2021). Then there's the global tea scene, offering two different stories of success. On the one hand, there is Chun Shui Tang, the father of bubble tea, who chose quality and craftsmanship over quick growth. (Chang 2017.)

On the other hand, Dobra Čajovna disrupted the Czech tea market by creating a unique cultural phenomenon. They are an example of how entrepreneurship can actually transform an entire culture. These businesses remain genuine and passionate while balancing growth and financial health. (Fraňková 2007.) Finally, this chapter will explore digital innovation and examine Spotify. This case study will show how, by using AI, service design, and really getting to know its users, Spotify has transformed the way we experience music. This chapter will use these examples to learn more about employee ownership in action, the role of cultural roots in shaping business models, and how design is changing the way we experience things as consumers. (Koch 2019.)

5.1 The Case of Beau's Brewing Co.

Beau's was founded in July 2006. In the beginning, it was a family-owned business started by father and son, Steve and Tim Beauchesne. The company is an organic beer brewery that, in just 10 years, became a leader in the craft beer sector. With its extensive growth, Beau's beer became known across Ottawa and the Greater Toronto Area, and in 2014, it expanded into New York State. By 2017, the brewery's beers were available across Canada. The success and rapid growth did not lead to a compromise in the company's standards—they continued using 100% organic malt, hops, and local spring water. (Szaflarska 2021, 12.)

The brewery grew to 150 full-time employees, and ownership initially remained with the Beauchesne family. From the beginning, the company adhered to the principles of social entrepreneurship and has donated over 1 million dollars to charities, community organizations, and the arts. Their goal is to donate 5 million dollars over 10 years. Beau's was not only one of the most successful craft breweries in Canada, but it was also the first Canadian brewery to achieve B-Corporation status. (Szaflarska 2021, 12.)

Taking into account the community-oriented nature of the company, it's not surprising that Beau's eventually began shifting to an employee stock ownership model. Once Steve Beauchesne heard about ESOP, he saw it as the perfect way to both give well-deserved returns to the employees who contributed to the company's success and instill a stronger sense of ownership and responsibility among those who work there. (Szaflarska 2021, 12.)

Tim and his father conducted their own research, consulted their legal and accounting partners, and then developed a plan to transition internally. In May 2016, the company officially announced its ESOP program. I wouldn't be talking about this company if it were just another success story. The transition was not without its challenges, and it's actually very important to note them—to understand both the issues that arose and Beau's strategy to overcome them. (Szaflarska 2021, 12.)

The main threat was rising competition combined with a sector-wide slowdown. Beau's long-term growth had not prepared it for market disruptions, so many challenges were unforeseen. Employees who quit the company requested share buybacks, which consequently put pressure on Beau's budget. What had been overlooked was the need to educate the staff about the responsibilities and limitations associated with share ownership. Employees did not expect to lose anything from their investments,

and the Beauchesne family had not noticed that level of commitment and sense of ownership from their employees. (Szaflarska 2021, 12.)

All of this caused a mismatch of expectations. The financial transaction lacked a decision-making or educational component, leading to a lost opportunity. Beau's is still financially healthy, though its growth has slowed. It remains a family-operated company, but employees now own shares. As a certified B-Corp, Beau's can be seen as both an inspirational example and a case study of the mistakes that can be made when transitioning to an employee-owned model. (Szaflarska 2021, 12.)

The obvious question is: Should Beau's keep the ESOP model? Since ESOP aligns with the company's values, it most probably should. Besides, it can still be a strong motivator for employees. However, serious financial restructuring is necessary (for example, funds can be set aside for share buybacks). Employee education and engagement must also be addressed so that they truly understand their role as shareholders. The core problem here is not the idea but the execution. The owner must admit mistakes, fix them, and push for better financial planning to avoid future liquidity issues. Employees must also fully understand and engage with their ownership. From an employee perspective, stability and clarity are crucial. There must be a stronger employee voice in decision-making, more education, and a safety net for share buybacks so that exiting doesn't create financial strain. (Szaflarska 2021, 12.)

From an investor's perspective, the company must provide a clear view of its performance and risks. The owner might consider temporarily scaling down charitable donations to prioritize financial stability. It's noble to stay dedicated to one's values and ethics, but it's impossible to be "all-around-good." Some things should be reassessed and prioritized. Some possible solutions to ease the financial strain include things such as a dedicated buyback fund (for example, seeking external investment or reinvesting a portion of profits), gradual share purchase limits to prevent a surge of buyback requests at once, and hiring external financial advisors to help structure a sustainable ESOP model. (Szaflarska 2021, 12.)

5.2 Chun Shui Tang bubble tea brand

If Dobra Cajovna is an example of a "neo-traditionalist" teahouse, the emerging market of bubble tea-houses can be considered both its polar opposite and another angle of a similar business. If Czech tea-rooms can be seen as a "European" adaptation of Eastern tea culture (in a broad sense, as businesses like Dobra Cajovna tend to mix different spiritual traditions and aesthetics), Bubble Tea is a "recycling" of contemporary Western coffee shops in the Chinese (more specifically, Taiwanese) market. (Chang 2017.)

Bubble tea has its origins in Taiwan, and it is widely believed that Chun Shui Tang teahouse in Taichung was the pioneer of the first bubble teas. The founder, Liu Han-Chieh, came up with the idea of serving cold Chinese tea in the 1980s after a trip to Japan, where he saw iced coffee. In 1988, Lin Hsiu Hui, a product manager, added tapioca balls to iced Assam tea during a business meeting, and everyone loved it. Within just a few months, bubble tea became the teahouse's top seller, making up 80%-90% of their sales. (Chang 2017.)

Soon the new drink spread across Taiwan, Japan, South Korea, and China before expanding beyond East Asia to the rest of the world. Lin didn't trademark the drink, choosing instead to focus on innovation, quality, and Taiwanese tea culture. This approach has its pros and cons, depending on the perspective and business priorities. It certainly limited the potential for overseas expansion (despite high demand), but Chun Shui Tang actively resists large-scale growth, prioritizing craft over mass expansion. Instead, they focus on high-quality ingredients (such as premium Taiwanese milk and fresh tapioca). It takes months of training to ensure precision and consistency. Drinks are never blended but shaken, and a refractometer is used to adjust sweetness to customer preference. However, this hesitation to expand should not be mistaken for conservatism. (Chang 2017.)

The teahouse is committed to constant innovation, creating at least five new drinks per year. The owners treat tea like fine wine, pairing drinks with carefully selected meals and snacks. They promote their space as family-friendly, and it is worth noting that even small children love their milk tea, suggesting the brand's lasting appeal. Chun Shui Tang has had a significant impact on modern Taiwanese culture. The teahouse is a must-visit for overseas Taiwanese when returning home. The company currently has around 30 locations in Taiwan. While expansion has been slow, the focus has always been on craftsmanship. With dedication and an innovative approach, bubble tea's popularity is well-grounded and ensured for future generations. (Chang 2017.)

5.3 Dobra Čajovna

Dobra Čajovna can truly be called a pioneer of the Czech tea business. They were the ones who made Czech teahouses into what they are today. The special atmosphere and “energy” of all Czech teahouses are rooted in the late eighties. Before the Velvet Revolution, Czechia didn’t have many options when it came to tea consumption. The most common brands were Pigi and Klub. (Fraňková 2007.)

They were all highly standardized and didn’t have much taste. Ales Jurina was the one who wanted to change the status quo. The first tearoom was not actually a business but rather a half-secret association of tea lovers back in 1987. Things got much more interesting after the Velvet Revolution when Ales and his friends established their first tea-importing company. Soon afterward, they finally opened Dobra Čajovna. (Fraňková 2007.)

From the very beginning, Dobra Čajovna was different. Unlike the typical cafés and restaurants that dominated the Czech market, they didn’t just serve tea—they created an experience. The concept was simple yet revolutionary: an intimate space where customers could sit on cushions, take their time, and enjoy high-quality loose-leaf tea brewed with care. Inspired by Eastern traditions, the teahouse introduced a menu filled with carefully selected teas from China, Japan, India, and beyond, each prepared using authentic brewing methods. (Fraňková 2007.)

But the real game-changer was their business model. Instead of a standard commercial approach, Dobra Čajovna operated on a philosophy of cultural exchange. Employees weren’t just servers; they were tea enthusiasts, trained in the art of brewing and storytelling. This approach turned the teahouse into more than just a place to drink tea—it became a community hub, a sanctuary for students, intellectuals, and artists looking for a quiet escape from the city’s rush. (Fraňková 2007.)

As the popularity of Dobra Čajovna grew, so did its ambitions. They didn’t want to be just a single location in Prague; they envisioned a network of teahouses across the country. By the mid-1990s, new locations began appearing in cities like Brno, Olomouc, and České Budějovice, all maintaining the same distinctive atmosphere and dedication to quality. (Fraňková 2007.)

Their success wasn’t just about good tea—it was about authenticity. Unlike mainstream cafés that started adding tea to their menus as an afterthought, Dobra Čajovna stayed true to its roots. They continued sourcing directly from tea plantations, building relationships with growers, and ensuring their

selection remained top-notch. Customers weren't just buying a drink; they were buying into a philosophy—a lifestyle centred around mindfulness and an appreciation of tradition. (Fraňková 2007.)

Even today, Dobra Čajovna remains a cornerstone of Czech tea culture. While modern coffee chains have taken over much of the urban landscape, their tearooms still attract those who seek something different—a slower, richer, and more meaningful way to enjoy a cup of tea. And that, perhaps, is their greatest success. (Fraňková 2007.)

5.4 Business design case study: Spotify

Companies like Netflix and Spotify actively use design thinking. For Netflix, it is a way to grow and innovate; the company applies business design for UI, content, and new features. Its main focus is customer needs and aligning this focus with increasing business value. On the other hand, Spotify actively uses service design. (Koch 2019.)

Service design helps the company understand global users and their needs. Business design helps improve product experience and develop innovative new revenue models. A design approach helps stakeholders see the value of UX and encourages a different mindset, where the user is placed at the centre. Spotify actively uses AI and machine learning to provide users with the most personalized experience possible. For the company's designers, it's essential to create engaging, simple, and fun content interactions. Design must not only be visually appealing but also trigger positive emotional experiences for users. This approach helps establish a connection between creators and listeners. (Koch 2019.)

To ensure that personalization feels seamless and intuitive, Spotify integrates AI in a way that enhances the user experience without overwhelming it. The company understands that users engage with the app in fleeting moments—glancing at their phones while commuting, exercising, or working. This means that interactions must be smooth, requiring minimal effort while delivering maximum value. By considering how users actually experience Spotify in their daily lives, designers create interfaces that feel natural, responsive, and effortless. (Koch 2019.)

Spotify's personalization strategy is deeply rooted in human-centric design. While AI powers recommendations, the focus remains on delivering experiences that feel personal and relevant. This is evident in features like Discover Weekly, which adapts to listening habits over time, or Blend, which

merges musical preferences between friends. Rather than presenting personalization as a purely algorithmic function, Spotify ensures it feels human—like a trusted friend curating playlists. The company achieves this by combining machine learning with editorial expertise, crafting recommendations that are both data-driven and emotionally resonant. (Koch 2019.)

The emotional impact of design is a key consideration for Spotify's team. People don't just listen to music—they seek emotions, memories, and moods. Spotify's UX design fosters these emotional connections by making interactions intuitive, playful, and immersive. The introduction of AI-powered features like DJ, which offers spoken commentary and personalized song choices, further enhances this emotional engagement. Unlike traditional recommendation systems, DJ provides a sense of companionship, making the experience feel more dynamic and interactive. The technology behind it is complex, but for the user, it remains simple: press play and enjoy a curated experience tailored to their mood and taste. (Koch 2019.)

Spotify also recognizes the importance of user control in personalization. While AI suggests, users decide. Features like the ability to hide songs, provide feedback on recommendations, and switch between listening modes empower users to shape their own experience. This balance between automation and control ensures that personalization remains a tool for enhancing enjoyment rather than dictating choices. The design team continuously refines these mechanisms, ensuring they remain subtle yet effective in improving the listening journey. (Koch 2019.)

By keeping design principles aligned with human behaviour, Spotify transforms personalization from a purely technical function into a delightful, intuitive experience. The goal isn't just to recommend music but to create an ecosystem where users feel understood, engaged, and emotionally connected. With each innovation, Spotify reinforces its commitment to making music discovery as seamless and enjoyable as possible, proving that great design is as much about feeling as it is about function. (Koch 2019.)

6 PROPOSED BUSINESS MODEL FOR AN EMPLOYEE-OWNED BOOKSTORE-TEA-ROOM HYBRID

The primary purpose of this thesis was to develop a conceptual business model that would combine a tearoom and a bookstore in the form of an employee-owned enterprise. There are multiple reasons why this particular model was chosen. On the one hand, it is related to my own personal preferences and values. On the other hand, I was also trying to answer the question of how to combine viability with values, and pragmatism with idealism. This thesis also seeks to explore the possibility of starting a business with a relatively low budget and a strong niche focus. The model serves as a practical example of how alternative business structures (employee-owned, niche, independent, hybrid) can function and even thrive in the current economy.

Despite being very personal, this thesis offers valuable insights into alternative business structures, niche entrepreneurship, and approaches that balance commerce and profitability with ethical values, employee ownership, social justice, and community engagement. The first chapter provided a theoretical framework for the tea business, bookselling business, employee ownership, fundraising, marketing, customer engagement, and the importance of sustainability and innovation. The goal of this discussion was to build a supportive foundation for developing my own business model. This was followed by case studies of different businesses with similar structures. On the one hand, these case studies served as inspiration for the proposed business model. On the other hand, they were used as examples of how theory has already been implemented in real-world practice. That is why all enterprises presented in the case studies were independent ventures, B corporations, cooperatives, and ESOPs. These case studies provided examples of how theory can be realized in practice—and even flourish—while also highlighting potential challenges and revealing mistakes to avoid (Beau’s case study).

Now, having established the theoretical foundation, supported by real-life case studies, it is time to develop the business model. This chapter aims to conceptualize all aspects of the proposed business: bookselling, tea selling, the employee-ownership structure, the e-commerce aspect, and the physical space. Once the business is conceptualized, the chapter will discuss the first steps: initial fundraising, how to launch online, how to promote the brand, how to increase customer engagement, and how UX design and data economy can support these efforts. It will also explore how to gradually transition to physical operations. Assuming the initial budget is relatively low, this chapter will demonstrate how it is possible to gradually develop and expand business operations and will discuss potential strategies.

The chapter will then address operational aspects: financial planning, inventory management, and strategic location selection. Since the business will grow gradually and employ diverse revenue streams (e-commerce, on-site sales, partnerships, and profit-sharing), special attention will be given to partnership strategies. Collaborations with educational institutions, publishing houses, and libraries are strategies that would both enhance revenue growth and strengthen the company's identity. The final outcome will be the creation of a partnership proposal (APPENDIX 2) to illustrate how this could work in practice. As a final step, a brief PESTEL and SWOT analysis will be conducted to provide a clear vision for navigating this business model in the real world. While PESTEL will offer a broader perspective to understand how and whether such a business could operate in the current global context, SWOT will naturally follow to identify internal strengths and weaknesses, as well as external opportunities and threats. Another practical outcome of this discussion will be a business model canvas, which can be found in the appendix of this thesis (APPENDIX 1). This business model canvas will summarize and outline all the results, objectives, and goals of this business. It can be used in the future as both a strategic management tool and a foundation for a business plan.

As has been discussed and shown in previous chapters, a business model, in essence, is more than a financial scheme; it has a function of the comprehensive blueprint that outlines how a business can generate, deliver, and maintains value. In this thesis and in the context of a teahouse-bookstore concept, the model goes beyond the commerce and transcends the simple act of vending books and tea. It aims to develop, cultivate and nurture a distinctive cultural and intellectual milieu. This chapter is dedicated the practical and creative aspect, since here the aimed business model is about to developed.

This part will detail its foundational concepts, structural framework, and operational tactics. All previous chapters were written as a background, framework and foundation based on theory and real world case studies. This chapter is where everything is started from the scratch. It will take cues from the teahouse traditions evident in Latvia and the Czech Republic, as well as from the independent bookstores and community-centric enterprises like Red Emma's. However, these are sources of inspiration, not the actual model that is about to develop.

The new business model confronts existing paradigms by focusing on employee-owned structures that ensure both economical and ethical prosperity. Also, this chapter will contemplate on essential strategic choices, including finding the balance between physical and digital presence, the curation of products, and the methods of customer engagement. Finally, this chapter will discuss how business design, iterative experimentation, and market analysis can forge a model that is not solely lucrative but also

resonant with experience, which is capable of creating and nurturing a devoted community centered around books, tea, and intellectual exchange.

6.1 Bookstore-tearoom hybrid and foundational vision

The teahouse-bookstore model synthesizes two concepts: the contemplative tea culture and the community-focused indie bookstore. Teahouses are places for meditation, studying, creativity, or simply hanging out with friends in a relaxed atmosphere. There are many teahouses in Latvia. Some of them serve as both a meeting spot and a tourist attraction—for example, the large wooden teahouse Apsara (2025). Others are small conceptual teahouses like ILLUSEUM (2025) or Nirvana (2025), which function both as teahouses and platforms for creativity and self-expression.

Another source of inspiration is the peculiar phenomenon of teahouse culture in the Czech Republic—for example, places like Dobra Cajovna (2025) or Samanka (2025) in Prague. Teahouses in the Czech Republic are more than just public catering establishments; they are countercultural phenomena rooted in 1989, the time after the Velvet Revolution. With the new opportunities, many people travelled abroad and brought back new ideas, literature, and lifestyle patterns. This was also a period of growing interest in Buddhist philosophy and Eastern mysticism. Many people sought new meanings and inspirations; some of them became the owners of teahouses or wholesale tea companies. (Trousil 2017, 2-6.)

The first teahouses emerged shortly after the Velvet Revolution. These companies didn't just offer high-quality tea but were also hubs of an alternative lifestyle, embracing Eastern culture and philosophy, as well as vegetarian or vegan food. Dobrá čajovna was a pioneer; it was established in 1993 and has since expanded into a franchise with branches domestically and internationally. By 2016, the number of teahouses had grown to 424, and the number of tea shops reached 209. (Trousil 2017, 2-6.)

What makes these places special is that they were driven by an idea from the beginning. Czech teahouses have become hubs for alternative culture, featuring meditative music, oriental aesthetics, tea ceremonies, and cultural events such as lectures, concerts, and meditation classes. Moreover, these teahouses actively participate in various cultural events by setting up movable kiosks for open-air festivals or summer concerts. There are even festivals solely dedicated to tea-drinking culture. (Trousil 2017, 2-6.)

Trousil writes that teahouses became a countercultural phenomenon as they represented a revolt against the "McDonaldization" of society—i.e., the standardization and unification of products and services. In contrast, Czech teahouses promoted cultural diversity, as well as quality and experience over speed and standardization. Most of these teahouses have bookshelves and are spaces where you can read or even buy books. Some, however, have become known for combining bookselling with the tea experience. Among them is the Czech teahouse "U Džoudyho," which offers a wide range of literature, mainly dedicated to spirituality, esotericism, and philosophy. (Trousil 2017, 2-6.)

The most important "product" is the emotional and intellectual experience, rather than tea alone. Tea serves as a medium that facilitates this experience and is an integral part of it. A teahouse is a hub for cultural experiences, creative self-expression, and intellectual or spiritual activities. As mentioned earlier, the idea is to combine a teahouse with a bookstore. On the one hand, it is a new interpretation of the more common and traditional "bookstore and coffee shop." On the other hand, it would be a further development of the concept of the "teahouse as a cultural hub." Some other teahouses can also be mentioned as sources of inspiration: Latvian teahouses like ILLUSEUM (2025) always had books available to buy in addition to tea; Czech teahouses like U Džoudyho (2025); and bookstore coffee shops like Red Emma (2024), which embraced the cooperative model.

The teahouse/bookstore will offer a diverse selection of literature, including manga, sci-fi, contemporary Asian pop culture, and non-fiction books on fashion, design, social sciences, and humanities. This selection aims to attract a broad audience, including younger customers and people interested in Asian pop culture. The goal is to develop the concept of a brand for tea and bookselling, which can serve as a symbol of a hub that values contemplation, education, and culture. While it's important to have a physical location, establishing an online business and e-commerce model is also considered a highly viable option. Every successful business starts with the spark of an idea, but turning that idea into a functional business is a long journey that requires planning and strategic foresight.

There is no way forward without understanding who one wants to reach, knowing what the customer needs, and figuring out how to stand out and thrive in a crowded market. This is where market research becomes useful, as it sheds light on consumer desires, potential bottlenecks, and competitors. It is not enough to offer a great product or service to succeed—first and foremost, it is essential to set clear goals that align with the bigger picture. The first crossroads in building a business is deciding between a physical presence or an online one. On the one hand, the internet offers lower startup costs and an

opportunity to reach a global audience. On the other hand, a physical store provides something tangible and immersive.

Perhaps it is a good idea to test the waters online first, using digital platforms to build recognition before taking the plunge into a brick-and-mortar location. This approach aligns well with Business Design principles, where the product goes through multiple user-centred iterations before the final market launch. Starting online presents logistical and financial benefits. Lower costs combined with a broader reach lay a solid foundation for growth. Digital marketing tools help reveal what to offer and how customer engagement is going; they help gain a foothold before moving to a physical space. Once a loyal following and confirmed demand are built, shifting to a permanent location becomes a well-informed step backed by real-world data. That being said, there is still a significant challenge: the need to bridge the gap between the digital and physical worlds. E-commerce is a great start that helps test the waters and introduce the brand to a wide audience—but at its heart, this concept is about experience. Creating a space where people can lose themselves in books, sip tea, and engage in conversation is central to building the kind of community this business hopes to grow. That is why, in the long run, a physical location is unavoidable, since it will embody the brand's philosophy and serve as a hub for intellectual and cultural exchange. Moving from an online shop to a brick-and-mortar space isn't a simple jump; it's a careful, step-by-step process.

Data from digital sales and customer interactions will help shape decisions about location, design, and inventory. Pop-up teahouses or partnerships with cafés and bookstores offer a way to test the concept in real-world settings without requiring a huge upfront investment. This is the stage where Business Design moves from digital to offline. Temporary spaces provide important data for further ideation—what customers gravitate toward, how operations flow, and what adjustments need to be made before committing to a permanent storefront. Another important aspect that cannot be ignored is financial planning. Even with a Business Design approach and starting online first, there is no way to begin without initial capital.

This aspect was already illustrated in the theoretical chapter about starting the bookstore. While the case study was more specific to the United States, it is still possible to access essential financial aid. Funding might come from personal savings, loans, or investors. Besides, crowdfunding shouldn't be neglected either, since an attractive project may certainly receive solid funding from those who are interested in it. Even if at first it takes the form of a mobile application that combines an e-bookstore, reader, community hub, and educational platform, it will still require essential initial investment. At

this early stage, it is more viable to focus resources on software development, user interface design, initial content creation, and e-commerce for digital products only (ebooks, comic books, manga, etc.). The first iteration can be compared to Kobo or Amazon Audible but with a more communal focus. Selling physical products like tea or printed literature could be delayed to a later stage, as it would introduce new complexities such as supply chain management, warehousing, shipping logistics, and regulatory compliance for food products—all of which require more substantial upfront investment.

Then, once such a platform kicks off and obtains its first return on investment, as well as solid marginal income, the obtained profit can be reinvested into further development and the creation of an online teashop. The business can then slowly grow and go through constant iterations, starting first in cyberspace and then moving into the physical world. First sell the idea, then bring it into a product, then recycle the profit to make an even better product.

Of course, starting capital is just the beginning of the journey. A successful business requires strategic financial planning, as it not only ensures short-term stability but also paves the way for long-term growth, helping the business navigate unexpected challenges and seize new opportunities. Beyond finances, legal and regulatory requirements also need to be met. Compliance with registration, licensing, and tax obligations lays the groundwork for a legally sound business. The choice of business structure—be it sole proprietorship, partnership, or LLC—affects aspects such as financial liability and taxation. It is also wise to allocate some investment into legal assistance to avoid any future issues.

6.2 Business models and organisational structures

The focus of this thesis is directed toward more sustainable and democratic forms of enterprise, such as ESOPs, cooperatives, or B Corporations. This aligns with an emphasis on product quality and community engagement over pure profit maximization. A more sustainable model can transform the nature of the bookselling business. Rather than viewing work in book sales as merely a “seasonal” or temporary job for young graduates before they find something more “serious,” it should be seen as a career path where employees participate in decision-making, are actively engaged in the business, and are part of the community.

The original idea for this thesis was creating a cooperative model. However, given the specific context and deeply personal nature of the business idea, insisting on a co-op may not be the wisest approach.

Co-ops typically start with collectives, while this particular project may initially involve just myself or a very small team. ESOPs allow employees to own stakes in the company, promoting higher engagement with the business. This model ensures that employees are not just workers but stakeholders. This approach can also help protect bookselling businesses from monopolies and the trend of “Amazonisation,” (Smith 2019, 37-38.) while shifting the focus to employee engagement. Smith (2019) discusses the rise of community bookshops that address unmet needs in local communities and the publishing industry. Over the past decade, six new shops have opened, and the number of such bookshops continues to grow. They aim to resist corporate monopolies, which appeals to many customers who value the community aspect. Community bookstores embody collective action, as people come together to put their values into practice. (Smith 2019, 37-38.)

Smith (2019) offers a model demonstrating that both the social and economic functions of a business can work together simultaneously, without being divided into levels of priority. She envisions it as a triangle, with each function—economic, social awareness, and social innovation—occupying one angle. Together, they form the “body” of the enterprise. (Smith 2019, 37-38.) With community bookstores, social innovation and awareness are not merely added benefits—they are the very reasons that draw customers in and thus fuel the shop’s budget. With the profits and growth generated, our bookstore will have more funds to allocate toward meaningful community projects.

The traditional division of enterprises into “for-profit” and “not-for-profit” is essentially misleading. Financial success is what sustains the enterprise, enabling it to make a social and cultural impact. The project developed for this thesis is a creative one and therefore requires both rational and design thinking. Design thinking applied to business models enables the combination of a focus on human needs with profitability. It helps reduce risk by testing ideas before investing significant resources. Design thinking in business follows three principles: Desirability (do people want it?), Viability (is it profitable?), and Feasibility (can we build it?). Business design helps navigate the market, remaining aware of potential risks while encouraging innovative thinking. It shares many similarities with UX design, as both rely heavily on testing and iterations to minimize risk. (UXPin 2024.)

Constant iteration ensures that the product is ready before the actual launch. During this stage, the product is tested for all possible weaknesses to ensure it is prepared to enter the market. The iterative process includes testing, receiving feedback, improving, and repeating. Just like in UX design, business design relies heavily on prototyping (UXPin, 2024). In practice, a good approach is to build an MVP (Minimum Viable Product)—a basic version of the idea—and test it in the real world. A real-

world example is Jeff Bezos' Amazon, which began as an online bookstore. This is very similar to prototyping in UX design, where the initial product appears as a rough “sketch”. (UXPin 2024.)

For digital testing, the easiest method is to create a simple landing page with a description of the product, collect emails, and run ads to gather real user insights. While this still requires some initial investment, it is a relatively low-risk way to test the waters. Another more direct method involves going to events, malls, or campuses to ask people questions and gather real-life reactions. The most important questions to ask potential users are: “Would you buy this?”, “How much would you pay?”, and “How would you use it?”. (UXPin 2024.)

Another essential aspect of business design is storytelling. A well-crafted narrative helps communicate the value of an idea to potential investors, customers, and stakeholders. Just as UX designers create user personas and journey maps, business designers develop compelling stories that connect with their audience on an emotional level. A strong narrative can make an abstract concept more tangible, increasing the likelihood of adoption. It is worth noting that business design is not a replacement for traditional business analysis, but rather a means of enhancing it. It is used to test desirability before usability, making it a valuable tool for companies and entrepreneurs seeking to launch stronger, data-backed businesses. (UXPin 2024.)

6.3 E-commerce, physical space, and community growth

While the meditative and communal experience is an essential attribute of the business—just like reading books or drinking tea—in this particular model, I do not intend to overlook the power of e-commerce. Furthermore, as seen in the examples from the previous chapters (Cărturești Bookstore and Librarium Group), the online experience can hold just as much value as the offline one. E-commerce can include creating online communities around the bookstore and tearoom, loyalty cards, special tea and book gift packages, and learning services. A relevant example is Idlewild Books, which originally operated as both a bookstore and a language school before transitioning into just a language school. (Idlewind 2025.) Moreover, e-commerce can be a far more realistic starting point with a small budget. Developing an app and a responsive website is actually a much better initial step than launching a physical business, as it allows for testing the waters, a deeper understanding of customer preferences, and insights into what will and will not work. At the same time, it would also help accumulate enough budget to eventually establish a physical teahouse and bookstore.

However, a key challenge of an e-commerce-first approach is recreating the sensory and social aspects that define the experience of a physical space. A well-designed website and app must go beyond mere transactions. They should provide a sense of atmosphere—perhaps through curated content, interactive elements, and immersive storytelling. A strong visual identity, high-quality photography, and even ASMR-style videos capturing the sound of tea being poured or pages being turned could help bridge the gap between physical and virtual. Online book clubs, virtual tea tastings, and live-streamed readings or discussions could also cultivate a sense of community, making the brand feel more tangible even before a physical space comes into existence. On the other hand, while e-commerce provides a scalable, low-risk entry point, it is not a replacement for the physical dimension. Instead of choosing between one or the other, the challenge is to ensure that the digital complements and enhances the physical—making the transition from online to offline feel seamless and natural. It can be compared with mixed reality or an ARG (Alternate Reality Game), without being a game.

A business's lifeblood is its ability to attract and retain customers. Effective marketing is a bridge that connects brands with their audience and nurtures loyalty. Social media, SEO, and personalized emails help make the product and service more visible and create direct communication channels. However, trust-building goes beyond digital efforts—excellent customer service shapes reputation. For a tea-house-bookstore to truly flourish, it must not only attract followers or subscribers but also cultivate a loyal community. Social media and an interactive website can offer immense engagement opportunities.

Content like book reviews, tea guides, and author interviews may look very narrow at first glance, but it is actually something that positions the business as a thought leader in its niche. An email newsletter with offers and curated picks can encourage repeat visits. When someone thinks about Audible, they always think about the platform for buying (or subscribing to) and listening to audiobooks. When someone thinks about Kobo, they always think about the mobile app and platform for e-readers for buying e-books. In this case, there is an intellectually engaging community platform, as well as a virtual space for reading and buying books and teas. These efforts can be combined with events such as book launches, author meet-and-greets, and thematic discussion clubs focused on literature and culture. Tea-tasting workshops are a splendid tool to connect with customers, educate them, and deepen their appreciation for the offerings.

Consistently delivering engaging experiences will nurture a loyal and dedicated community, transforming the business into something more than just a commercial outlet. With steady growth, new opportunities arise—whether through product diversification, exploring new markets, or opening additional locations. Since consumer preferences and industry trends constantly shift, conducting regular market research is essential to staying competitive. Changes should be anticipated, and old strategies ought to be adjusted proactively. Such an approach will help the business stay relevant. Now that growth and customer loyalty have been explored, it's time to turn to the operational strategies that make it all work behind the scenes.

6.4 Operational framework

The idea of a teahouse-bookstore hybrid is still just an idea, and its pros and cons can be discussed infinitely. However, bringing the idea to life involves many practical challenges and requires taking into consideration many aspects, such as choosing the right location, managing supply chains, ensuring financial sustainability, and engaging customers. When it comes to physical space, choosing the right spot is an important strategic decision that can set up the enterprise either for success or failure. A teahouse-bookstore serves as both a retail space and a destination for experiences; therefore, it is crucial that it is atmospheric, accessible, and suitable for creating community ties. The ideal location would draw a diverse crowd, from students to young professionals and culturally-minded individuals. Promising settings could include university areas, creative hubs, and places known for indie bookstores and specialty cafés.

The space itself should blend bookstore shelves with a tea-serving area, maintaining a welcoming ambiance for reading and discussion. Independent bookstores and cafés often face financial hurdles, which is why a phased approach to securing a location can help minimize risks. It is good to start with temporary setups like pop-ups in cultural institutions and libraries. These can be used to test customer interest before committing to a permanent space. Gradual expansion through flexible leases can offer a balanced and cost-effective path to establishing a presence and building a loyal following. It is impossible to operate in the same way as large chains do when the business is a niche one. Therefore, inventory management should be especially strict and efficient to balance books and teas while keeping finances in check.

The bookstore should focus on literature that resonates with its audience. The customers are students, young professionals, and culturally-minded individuals. It can offer something both for those who are interested in contemporary Asian culture and literature, as well as those who are interested in Oriental tea traditions, philosophy, or education. Therefore, the selection should include manga, sci-fi, contemporary Asian pop culture, philosophy, and design. Collaborations with indie publishers, wholesalers, and self-published authors can ensure a unique inventory that sets the business apart from mainstream competitors.

Direct imports of Asian literature, especially from Japanese, Korean, and Chinese publishers, can further enhance the bookstore's thematic identity. Similarly, the tea selection should reflect the business's commitment to quality and authenticity. Building direct trade ties with small tea farms is an excellent strategy to support ethical sourcing, which in turn will strengthen the company's identity as a sustainable venture. It also offers a diverse, high-quality selection. Seasonal teas will add variety and encourage repeat visits, while signature blends fortify brand identity and offer additional revenue through packaged sales.

For this venture, the main income streams would include book and tea sales, both in-store and online. All this would be supplemented by revenue from events and workshops. Hosting book readings, tea-tasting sessions, and cultural talks is important to add value, fortify identity, and generate income at the same time. Another good way to engage customers and boost revenue is through membership programs that offer exclusive book picks and curated tea samples. Here, the business can borrow a lot from Romanian independent bookstores discussed in previous chapters. For efficient cost management, careful budgeting is crucial, especially when the new enterprise is taking its first steps in the market.

One must consider large, fixed expenses like rent and utilities—choosing the right location is also vital for financial feasibility. As for inventory management, it is important to forecast demand, as this will help avoid excess stock while maintaining a dynamic selection. In the beginning, staffing costs can be minimized through a lean model, with gradual expansion as the business grows. Another important expense is digital marketing and community outreach. While it requires a budget, it is essential for enhancing visibility and customer retention. What truly matters in the long run is the customer experience.

It matters even more than a well-run business with solid planning, since the final goal is to create a space that feels welcoming, intellectually stimulating, and aesthetically pleasing. Every detail—the scent of fresh tea, the way books are arranged, the presence of cozy reading corners—should invite people in and make them want to stay longer. Another defining feature is personalization, and staff won't just be employees; they will be curators, capable of recommending books, guiding tea selections, and engaging in meaningful conversations. This is where employee ownership plays a positive role, as it ensures commitment from those involved in the business. It will also require training and lifelong learning from those who work in the enterprise.

Regular customers could receive personalized recommendations, invitations to exclusive events, or loyalty rewards. This experience can be further enhanced through technology via a smart recommendation system that matches books with teas, seamlessly blending the digital and physical aspects of the business. Now that a comprehensive customer experience is in place, it's time to explore how the hybrid business model and strategic collaborations could shape future developments. The teahouse-bookstore cannot just be a place of transactions; instead, it needs to be a space of involvement. This means that digital engagement is combined with in-person experiences.

Things that can anticipate real-world events include online book discussions, live-streamed tea tastings, and virtual workshops. On the other hand, in-person activities like author meet-and-greets, themed tea ceremonies, and book clubs—all of these are building blocks for a bridge that brings the digital audience into the physical space. Subscriptions are an essential part of contemporary businesses and are sometimes even more important than single transactions. For this business model, for example, monthly or quarterly book-and-tea boxes could work well. These would offer a curated experience that pairs sensory pleasure with intellectually engaging literature. Subscribers wouldn't just receive products; they would also gain access to exclusive content like interviews with authors or insights from tea growers.

This would not only create a steady revenue stream but also strengthen customer loyalty by making them feel like part of a unique cultural circle. Nowadays, aggressive competition is not the most favorable or efficient strategy for growth, and partnerships and collaboration can offer much more. There are many ways to reinforce the brand's identity through the right partnerships. For instance, working with independent publishers, tea importers, and cultural organizations are promising strategies to help reach a broader audience. Such collaborations can take various forms: limited-edition book-and-tea pairings, co-hosted cultural events, or joint marketing efforts with businesses that share similar values.

Another option is partnerships with the public sector: educational institutions, libraries, schools, and universities.

As the bookstore continues to grow, it can open a second revenue channel by becoming a supplier of literature for schools and universities. Conversely, such partnerships could also benefit the company's digital line by creating an educational platform that offers courses issued by recognized institutions, sharing revenue from course purchases (like a blended MOOC—massive open online course). Another promising development path involves engaging with local artisans. For example, the bookstore and teahouse could feature handmade ceramics, artwork, or crafted bookmarks to support independent creators and add authenticity to the space. This would not only enhance the atmosphere but also strengthen the company's commitment to sustainability and community engagement.

6.5 PESTEL analysis

The bookstore-tearoom does not operate in a vacuum; various external forces affect how it will function—or whether it will function at all. For example, political factors are highly influential, particularly the EU's evolving labour laws. Employee ownership models like ESOPs require compliance with local regulations, and food safety laws dictate how tea must be stored and served. Brexit, for instance, has disrupted the previously smooth supply chains for British booksellers. This is especially important to keep in mind once the business begins operating on an international scale.

Economically, the situation is not ideal for business development. Inflation squeezes disposable income, posing a serious threat to the sale (or acquisition) of “premium” products such as artisanal teas and niche books. Yet, the rise of conscious consumerism may provide some balance—millennials willingly pay a premium for fair-trade Darjeeling or carbon-neutral shipping. The real challenge lies in cost management: a single kilogram of high-grade matcha may cost €50 wholesale, while unsold inventory (e.g., an overstocked manga series) can significantly erode margins.

Socially, the situation is more favourable. The proposed model taps into two trends. First is the revival of “third spaces”—places that are neither home nor work, where community can form. Czech teahouses like Dobrá Čajovna became havens for artists and intellectuals and thrived; this hybrid could

similarly attract students and creative individuals. Another trend is the aestheticization of consumption: photogenic matcha lattes and vintage book displays can be serious revenue drivers, especially when targeting young users on TikTok or Instagram.

Technologically, e-commerce offers even more reasons for optimism. Platforms like Shopify democratize online sales, but the greatest advantage lies in the emerging data economy. For example, an algorithm recommending *The Midnight Library* alongside a smoked oolong tea—based on purchase history—blurs the line between utility and serendipity. However, reliance on technology comes with unique risks: a website crash during a holiday sale could easily wipe out a month's profits.

Environmental pressures are also a double-edged sword. Biodegradable tea bags and recycled paper books appeal to eco-conscious consumers, but sustainable packaging can raise costs by up to 20%. Climate change disrupts tea harvests as well; for example, Assam's 2023 drought increased black tea prices and affected sales. Legally, copyright laws govern book resales, while food licensing laws may require separate kitchens for tea preparation. GDPR compliance for online sales also requires careful data handling, as one misstep could lead to fines exceeding €10,000. The labyrinth of regulations necessitates legal counsel, which may seem like an extra cost, but in the long run, it is better to invest in legal and financial advice than suffer larger losses due to penalties.

6.6 SWOT analysis

Strengths naturally emerge from the model's DNA. Unlike corporate chains, this hybrid's employee-owned structure fosters authentic engagement. Workers who curate bookshelves or brew tea aren't just staff—they're stakeholders. This distinction translates into passionate and committed service. Another strength is the dual revenue stream—physical and digital—which adds resilience. When COVID-19 forced cafés to close, those with robust e-commerce platforms (like Cărturești) survived thanks to subscription boxes and virtual book clubs.

Weaknesses mirror these strengths. The business relies on skilled labour, which is a double-edged sword: a barista who understands the terroir of Taiwanese oolongs is hard to replace, and training reduces profit margins. The niche appeal serves as a differentiator and helps the business stand out, but it also limits scalability. For instance, a store that stocks avant-garde Japanese literature might struggle in a suburb dominated by commuters seeking bestsellers.

Opportunities can bloom through collaboration. Partnering with universities and other educational institutions could transform the space into a lecture venue. Subscription models are another opportunity in our highly digital age. For example, monthly parcels pairing feminist sci-fi with herbal infusions could open a recurring stream of revenue. Even failures hold potential: a poorly attended poetry reading might reveal unmet demand for quiet reading hours. A small tweak like this can build loyalty at no additional cost.

Threats can hide in the shadows of success. While Amazon's algorithm-driven recommendations are a formidable challenge, the greater danger is more subtle: the homogenization of taste. When consumers expect pumpkin-spice chai and celebrity memoirs, a store that champions obscure Japanese novels risks alienating the mainstream. Economic downturns further contribute to this tension. This SWOT matrix is not a static checklist but rather a dynamic dialogue. A strength today (artisanal teas) could become a weakness if supply chains fracture; a threat (competition) might actually drive innovation (e.g., exclusive author partnerships). To survive, it is essential to treat these factors not as obstacles, but as parameters for creativity.

7 DISCUSSION AND CONCLUSIONS

This journey of conceptualizing an employee-owned bookstore-tearoom hybrid has been an exercise in reconciling pragmatism and idealism. This thesis began as a personal passion project, seeking a response to the alienation of consumerism and a longing for spaces that prioritize contemplation, community, and ethics over profit maximization. However, over time it evolved into something different and, hopefully, can offer inspiration and insights to those who read it. This evolution was shaped by engaging with research literature that explored various aspects of employee ownership, the bookselling market, the tea industry, culture, and sustainability. Another important influence on the thesis's progression was the examination of real-world case studies, as seeing how strategies are implemented in practice is fundamentally different from theoretical contemplation. Combining these two research methods—literature review and case study analysis—enabled an exploration of both the practical and ideological dimensions of the concept.

The initial research goals were: (1) to explore how to balance ethical ideals, niche orientation, and financial viability, and to identify the practical steps needed to achieve this; (2) to gain a deeper understanding of alternative business models that prioritize employee ownership, value creation, sustainability, and community over pure profit maximization; (3) to examine how digital and physical experiences can be integrated in the sale of books and tea; and (4) to conceptualize and develop a hybrid employee-owned tearoom-bookstore as both an illustration of entrepreneurial possibilities and an attempt to address the previous questions. While it is impossible to claim that the research provided definitive answers to all of these aims, it offered valuable insights and laid a foundation for future exploration, testing, and iteration.

Still, through the findings of this thesis, it is clear that a balance between ethics and viability—through ESOP and niche positioning—is possible. The same can be said about the possibility of integrating physical and digital experiences. With the application of human-centred design principles proposed by Schaaf and multiple iterative tests, everything can be done with minimal risk. With all the theoretical foundations, fortified by secondary case studies, this thesis has achieved its ultimate goal: the development of a business model that offers a replicable template for future entrepreneurs who identify with the principles of social sustainability and ethics. Even if the future venture is not exactly the same—even if it is neither a bookstore nor a tearoom—it does not matter. In the end, the proposed model is

highly flexible and can change significantly once applied in practice. The proposed model not only answers the initial research questions but also demonstrates the potential of hybrid spaces that merge commerce, community, and sustainability.

Through research and analysis, this project has developed into a viable blueprint for an enterprise that refuses to separate values from viability. The global tea market's projected growth to €268 billion by 2025 and the rise of indie bookstores show that there is strong demand for alternatives to corporate homogeneity. But numbers and increased demand alone are not enough to sustain a business. All the case studies examined here—from Beau's Brewing's ESOP struggles to Dobrá Čajovna's cultural impact—reveal a deeper truth: longevity must be balanced with adaptability.

Employee ownership is not a panacea, despite its transformative potential. To truly realize its promise, it requires financial safeguards—such as buyback funds—and a commitment to lifelong education to ensure that worker-owners understand their role as stakeholders. The same can be said about the hybrid model's physical-digital duality. It should not be merely an emergency plan for the future, but a deliberate strategy embedded in the business's DNA, as it ensures resilience. This hybrid model rejects false binaries. It is neither a cooperative in the traditional sense nor a concession to the unsustainable practices of capitalism. Like Red Emma's, it acknowledges that profit does not contradict purpose—it enables it.

Profit provides the means to pay living wages, host community events, and curate meaningful inventory. The approach to customer engagement inspired by UX design principles—whether through algorithmic book-tea pairings or the allure of a carefully designed tearoom—demonstrates that technology can serve the humanization of the economy, rather than contribute to its alienation. The real strength of this model lies in quiet moments: a student scribbling notes under the glow of a dim light, a retiree discovering a forgotten novel while sipping smoky Lapsang, an employee-owner rearranging shelves with the care of a curator.

These are the metrics that speak louder than numbers. In an era of algorithmic consumption, the hunger for authentic connection—to place, to product, to people—is a potent asset of this business model. Looking into the future, there are different paths that could strengthen this hybrid model's real-world implementation. Crowdfunding and community capital can validate demand for the value proposition even before launch. Platforms like Kickstarter offer the ability to gauge interest without requiring full

financial commitment. Iterative pilot activity—through pop-up tearooms or bookstore partnerships—could also help test the concept. This approach worked well in Cărturești’s retail collaborations.

This thesis does not provide all the answers—nor does it try to. Instead, it offers food for thought, stimulates contemplation, and hopefully helps generate new ideas and insights. There were clear limitations in the research, such as reliance on secondary sources and conceptual modelling. While this approach can offer valuable insights, it also limits empirical validation. Any future research—should there be interest in continuing what has been started—would benefit greatly from implementing user testing, market surveys, or stakeholder interviews. Despite these limitations, the thesis still creates a framework for asking better questions. For example, it could spark further discussion about how commerce can nurture rather than extract, or how a business can be both a sanctuary and a sustainable enterprise. This bookstore-tearoom hybrid is one of many possible responses. It does not claim to be the only option, but rather a proof that another way is possible. The proposed model looks with hope toward a future where commerce and culture enrich one another, creating spaces that are both financially viable and socially meaningful.

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Business model canvas

Component	Details (Asian-Themed Bookstore-Tearoom Hybrid)
Value Proposition	<ul style="list-style-type: none"> • Unique blend of contemporary Asian literature (manga, sci-fi, philosophy) and traditional tea culture • Employee-owned (ESOP) model promoting social sustainability • Curated "book + tea" pairings and immersive cultural events
Customer Segments	<ul style="list-style-type: none"> • Young adults (18–35) interested in Asian pop culture • University students and academics • Tourists seeking cultural experiences in Portugal • Local communities valuing ethical businesses
Channels	<ul style="list-style-type: none"> • Physical tearoom-bookstore (Lisbon/Porto) • E-commerce platform (subscription boxes, digital manga) • Social media (Instagram, TikTok for aesthetic/viral content) • Partnerships with anime cons/universities
Customer Relationships	<ul style="list-style-type: none"> • Community-building: Book clubs, tea ceremonies, author talks • Loyalty programs • Personalized recommendations via AI (books + teas)
Revenue Streams	<ul style="list-style-type: none"> • Sales of books/tea (physical + online) • Event tickets (cultural workshops, tastings) • Subscription boxes ("Monthly Matcha & Manga") • B2B revenue (supplying schools/universities)
Key Resources	<ul style="list-style-type: none"> • Ethical tea suppliers (Japan/Taiwan) • Partnerships with indie publishers • Skilled barista-bibliophiles (employee-owners) • Digital platform (app/website)

Component	Details (Asian-Themed Bookstore-Tearoom Hybrid)
Key Activities	<ul style="list-style-type: none">• Curating niche inventory• Hosting hybrid (online/offline) events• Employee training in tea culture/literature• Data-driven personalization
Key Partnerships	<ul style="list-style-type: none">• Asian publishers (e.g., Kadokawa, VIZ Media)• Local universities (Coimbra, NOVA Lisbon)• Ethical tea importers (e.g., Yunomi.life)• Cultural orgs (Japan Foundation, Comic Con Portugal)
Cost Structure	<ul style="list-style-type: none">• Inventory (books/tea imports)• Rent (physical location)• Employee ownership shares• Digital platform maintenance

Partnership proposal

Partner Type	Example (Portugal/EU)	Collaboration Idea	Revenue Model
Independent Publishers	<i>Tinta-da-china</i> (Lisbon), <i>Orfeu Negro</i>	<ul style="list-style-type: none"> - Limited-edition book+tea pairings (e.g., <i>Pessoa's poems</i> + Azores black tea) - Co-hosted book launches in your tearoom 	- Revenue split: 60% (my company) / 40% (publisher)
Tea Importers	<i>Mariage Frères</i> (FR), <i>Portugal Tea</i> (Azores)	<ul style="list-style-type: none"> - Exclusive tea blends branded with your bookstore (e.g., “Livro Verde” matcha) - Tea-tasting workshops 	- Wholesale discount + 10% royalty on sales
Cultural Orgs	<i>Casa Fernando Pessoa</i> (Lisbon), <i>Serralves Foundation</i> (Porto)	<ul style="list-style-type: none"> - Themed literary nights (e.g., “Pessoa & Tea”) - Pop-up tearooms at their events 	- Ticket revenue split 50/50
Universities	<i>University of Coimbra</i> , <i>NOVA Lisbon</i>	<ul style="list-style-type: none"> - Supply course books + host student reading clubs - Blended MOOCs 	<ul style="list-style-type: none"> - Bulk book sales - 30% revenue share from MOOC enrollments
Local Artisans	<i>Olaria de Barcelos</i> (ceramics), <i>A Vida Portuguesa</i>	<ul style="list-style-type: none"> - Custom teaware for your store - “Craft & Tea” weekend markets 	- Consignment (20% commission)