

Formulating a Strategy for an E-commerce of specialty coffee

Case: Start-Up Company the Netherlands

Marisol Pulido

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Author Marisol Pulido	
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<p>This thesis describes the process of formulating a strategy for an E-commerce Startup of specialty coffee to compete in the Netherlands. The organization is considered to be an SME (small and medium-sized enterprise)</p> <p>The idea for the Startup company came up with my visit to a Colombian small coffee farm where I could observe the social and environmental challenges this sector is facing. It occurred to me that it would be interesting to turn a problem into an opportunity that would try to enable the sustainability of the coffee farming as well.</p> <p>The Startup intends to sell online, specialty coffee imported from Colombia. There will be initially three partners: one ex-Heineken retailer expert in consumer beverages in the Netherlands, one ex-Nokia sales and logistics expert and I.</p> <p>In the theoretical study, I refer to fundamental theories about business strategy and creating shared value (CSV) which seeks to include social and environmental aspects in a business model. Also the concepts of branding and marketing, brand community, experiential branding and storytelling are considered relevant.</p> <p>For the empirical part, I profited from the assistance of the other two partners of the Startup, plus one expert in the coffee farming, one expert in the NGO's field and one small coffee entrepreneur. The research I have done is qualitative based on multiple methods of data gathering and data analysis.</p> <p>This research formulates in ample lines a strategy for the Startup. It provides the significant steps to follow to compete in the Dutch market. The conclusion is a novelty model that uses Porter's focus strategy with creating shared value (CSV) in a win-win negotiation with the coffee farmers. It shortens the supply chain by using direct trade improving customer proximity to adapt to his/her needs in a better way. It also has an added value of a brand community through experiential branding and storytelling.</p> <p>The Startup plans to start functioning in 2018.</p>	
Keywords Coffee E-commerce, direct trade, sustainable specialty coffee, brand community, creating shared value, strategy formulation.	

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1 Introduction

There is so much information about coffee that it would be impossible for a single person to know all about it. Besides, this industry has many facets that contribute to the complexity of the matter (Thurston, Morris & Steiman, 2013, xi).

This thesis idea originated from a trip to visit my friend who is an owner of a small coffee farm in the San Jose region, Colombia. There I could get first-hand experience about the pressing social and environmental issues surrounding the coffee cultivation. I also found a thorough diagnosis of the world coffee market from the grower's perspective and the consumer's perspective as well. The study was done by Thurston et al. (2013) and has become a useful and updated guide for the coffee scholars.

The guide studies different factors in the coffee world trade that are problematic and finding solutions for them could bring business opportunities for a startup company.

In my opinion, the main aspects of the guide mentioned above that look interesting are:

1. the apparent scarcity of high-quality coffee in the world market and
2. the need to re-design the supply chain to make possible the production of sustainable top quality coffee

The report "Adapting for a Green Economy," from the World Resources Institute, contends that the adverse social effects of climate change should be of direct concern to businesses because firms go down in deteriorating societies. Business reaction to climate change should be included in the evolution to a "green" society, understood as one with low emissions, which provides for all the social layers and makes efficient use of the resources. The authors believe that this passage offers business opportunities to companies that are willing to adapt their strategies to address those challenges (Allen & Cloud, 2012, 14).

This conclusion is in line with Porter's concept of creating shared value, which argues that firms should add a social and environmental layer to their value proposition to increase the sustainability factor. Taking into account sustainability will give them an advantage when compared to rivals, and it will be more appealing to consumers, employees, investors and the community in general (Porter, 2013, 6-8).

Personally, I feel attracted to this idea because often opportunities arise from problems. Then it seems interesting to me that it would be possible to make money by providing the consumer with excellent coffee and have at the same time an impact on the coffee

farmers' situation. I decided to research the possibility to create a novel model to market the region's excellent coffee taking into account Porter's creating shared value.

My first idea was that a win-win approach could be a good foundation for a partnership between a Startup and the coffee growers' association. Then it became apparent that an additional stakeholder would be useful, namely an NGO from the Netherlands interested in promoting sustainability in the coffee sector.

1.1 The Startup case

I will utilize the case study, related to a Startup company to be located in the Netherlands. Initially, there will be three partners. I who was born in Colombia and with extensive management experience in Colombia. I also worked some years in the Netherlands in the NGO sector.

The second partner is an ex-Heineken executive with many years of experience in the retail field of beverages in the Netherlands. He has strategic, relevant connections in what is called in Dutch "de Randstad" meaning the most significant cities, mainly The Hague, Amsterdam, and Rotterdam. He is also very knowledgeable about food and drinks events and fairs in the national and international realm.

The third partner, an ex-Nokia executive who has many years of experience in management, sales, and logistics. He is also a coffee aficionado in cupping and roasting. Besides, there would be a fourth person on a consultancy basis, who is an expert in the NGOs field with emphasis on sustainability. This person also has strategic connections among the Dutch institutional side that provides support for environmental and social issues in the developing countries.

This location offers various advantages. The Netherlands is known for its altruism. Also, the fair trade initiatives started there in the coffee sector in the eighties. It has about 17 million people in a small territory with one of the world highest coffee consumption per capita (ICO, 2016).

The Netherlands is at the center of sustainability innovations in the coffee industry, offering an attractive market for coffee businesses which champion sustainability and social and environmental inclusive models. (CBI Report, 2016a, 2).

The Startup intends to start operating in the first quarter of 2018

1.2 Objectives and research questions

This thesis describes the process of formulating a strategy for an E-commerce of specialty coffee. It will be used by a Startup Company that intends to compete in the Netherlands.

Sub-questions:

1. How can the Startup make use of the opportunities presented by the coffee industry?
2. How can the Startup avoid the threats present in the coffee industry?
3. How can the Startup make use of the CSV (Creating Shared Value) concept proposed by Porter to formulate the strategy
4. What are the critical activities that similar competitors are doing in the Netherlands?
5. What would be the key activities that the Startup should focus?

I would like to add that I consider that one of my career goals is to increase my expertise in the coffee sector and improve my knowledge about business strategy and branding and marketing.

1.3 Delimitation

This thesis intends to formulate a strategy for an E-commerce Startup to compete in the specialty coffee market in the Netherlands. The research expects to find the main factors of competition for a specific Startup company and give recommendations as to what would be the appropriate approach to design them. However, it does intend to describe the complete creation of the company.

1.4 Thesis arrangement

This research contains two sections: the theoretical framework and the formulation of the strategy for a Startup to compete in the specialty coffee market in the Netherlands. The conceptual framework provides a structure based on the literature review. The empirical section formulates the strategy for the case company.

I intend to do the following for formulating the strategy:

- (a) Analyze the macro and micro-environment where the Startup plans to compete based on secondary data of institutional studies and other publications and, interviews with experts;
- (b) Study the case company's strengths and weaknesses using group discussions with the Startup partners;
- (c) Benchmark similar competitors using companies' digital channels content analysis, relevant previous research on SMEs' branding (small and medium-sized enterprises) and one study on multichannel digital strategy;
- (d) Carry out in-depth interviews with experts/key persons in the NGO's field and coffee entrepreneur in the EU market;
- (e) Utilize iterative group discussions with the Startup partners to generate insights from the continuous data collection;
- (f) Exploit the ideas I obtained during my visit to the coffee farms, interaction with interviewees and discussions with my tutor and Startup partners,

2 The concept of strategy

The strategy is the orientation and the boundaries of an organization on the long-term, to get an advantage in a dynamic environment employing its competences and resources with the goal of satisfying stakeholder preferences (Johnson, Scholes, & Whittington. 2008, 3).

Grant (2010, 4) states that strategy is related to winning and it is essential to attain success. There are two main areas of strategy analysis; they are the external circumstances where the firm acts, primarily industry analysis, and the internal realm, mostly the enterprise's capabilities and resources.

There are four common factors which influence the success of a strategy, and they get explained by Grant (2010, 9-10):

1. Longstanding goals. There must be a focus and commitment to a definite purpose.
2. There must be a deep comprehension of the competitive conditions.
3. An even-handed assessment of resources is necessary to take advantage of internal strengths and safeguard areas of weaknesses.
4. A competent Implementation which refers to creating organizations that facilitate a practical use of capabilities and resources and fast reactions to an evolving competitive arena.

The success factors for a strategy are illustrated in the figure below.



Figure 1. Common elements in successful strategies (based on Grant 2010, 10)

These considerations about the impact of strategy in succeeding can relate to many human activities. In war, games, sports, politics or business, success cannot typically be

attributed to an arbitrary action. Neither is better resources or capabilities, generally, the deciding element. Strategies based on the four mentioned factors usually have a decisive influence on the results (Grant, 2010, 11).

The essential framework for strategy analysis divides those four factors into two groups: the enterprise and the industry. The objectives and values, capabilities and resources and the organizational structure compose the first category. The associations with rivals, clients, and suppliers comprise the second fraction. The strategy is thus, the bonding element between the enterprise and its environment. It will decide how the firm arranges its resources inside its environment to achieve its objectives and how to create an organization to carry it out. This bonding is also called “strategic fit” (Grant, 2010, 11-13).

A firm’s external circumstances can produce decisive opportunities and risks, and still, a company can perform better than the other enterprises in the same situation. As a conclusion, it is not the environment that differentiates the firms but their internal pivotal capabilities. Besides, it is not easy for one enterprise to reproduce the abilities of another. Finally, if a business aims to get a competitive advantage, it will have to be done based on capabilities that competitors do not possess or have trouble in gaining. This model has been labeled as the resource-based view (RBV) of strategy, and it contends that the competitive advantage and better performance of a firm emanate from the uniqueness of its competencies (Johnson et al. 2008, 94).

The RBV is defended by Prahalad & Hamel (1990, 81-82) also, who argue that diversification and market entry must be influenced by the firm’s core competencies as well, not just by the attractiveness of an industry.

Every company possesses a competitive strategy, even though it is not always disclosed. In other words, the firm could have created it deliberately or have developed it tacitly (Porter, 1980, 1998, xxi). The classic method of the strategy formulation consists of creating an ample equation that states the way a firm will strive, what its targets are going to be and how to achieve them (Porter, 1980, 1998, xxiv).

Porter (1980, 1998, xxv-xxvii) defines four fundamental factors that delineate what a firm can achieve through formulating strategy:

1. Firm’s strengths and weaknesses that relate to the know-how and assets available to the company compared to rivals
2. The personal values of the company’s personnel (interests and needs)
3. Industry threats and opportunities delineate the competitive arena.

4. Social expectations like government regulation, community issues, and trends among others.

After the mentioned analysis, a firm should generate feasible strategic alternatives and choose the one that best reflects the firm's location concerning external threats and opportunities (Porter, 1980, 1998, 34).

The figure below depicts the context in which competitive strategy is produced.



Figure 2. Situation in which competitive strategy is defined (Porter, 1980, 1998, xxvi)

Porter (1980, 1998, 35-44) contends that it is possible to define three generic strategies to be used independently or combined. A plan allows a firm to conquer a long-term maintainable spot, and perform better than rivals in the industry. The three strategies are:

1. Overall cost leadership

This strategy demands economies of scale and strict cost management. It frequently requires a sizeable proportionate market share or certain advantages like convenient access to resources (Porter, 1980, 1998, 35-37).

2. Differentiation

This type of strategy focuses on setting apart the service and product that the enterprise is producing and it usually is known as "rare" in the industry. It can be related to brand positioning, design, technology, individual product characteristics, customer service and many others. It allows a firm to gain higher profits due to the

privileged location in the industry where it can endure the five competitive forces. (Porter, 1980, 1998, 37-38).

3. Focus

This strategy is directed towards a specific customer fraction, category or product style, or geographic area. In essence, the firm aims to satisfy a small group of consumers better than other companies that are covering a more significant market area. It can be reached by robust branding or excellent internal skills to produce something complicated to replicate. (Ibid, 38-41).

It is important to clarify that the three strategies from Porter refer to the combination of two aspects (Porter, 1980):

1. Strategic scope concentrates on the consumer the firm is aiming to serve. It tries to estimate how many potential clients are available and their characteristics.
2. Strategic strength concentrates on the way the firm will utilize its competencies to serve the chosen clients.

Porter’s generic strategies are shown in the table below.

Table 1. Generic Strategies (Porter,1980, 1998, 39)

STRATEGIC ADVANTAGE => Strength			
STRATEGIC TARGET Or SCOPE		Uniqueness perceived by customer	Low-cost position
	Industry-wide	DIFFERENTIATION	OVERALL COST LEADERSHIP
	Particular segment only	FOCUS On differentiation	FOCUS On cost

To summarize, the theories about business strategy are classified into two general groups: the “Structure-Conduct-Performance” and the “Resource-Based approach.” Both created by famous academic institutions and have endured the trial of time with some minor adaptations. Structure-Conduct-Performance (SCP) originated in Harvard school and stated that the industry influences the organization’s strategy. The resource-based

view (RBV) originated in the Chicago School, said that crucial resources give form to the strategy (Horwath, 2006, 5).

Ovans in her essay, what is strategy, again? Concludes that luckily there are more options for companies than doing something that no one can imitate or go in a frontal battle with other firms to obtain a little portion of the market. Thanks to technological innovation and growing globalization there is a myriad of opportunities to generate profits and get ahead of the rivals (Ovans, 2015).

I consider relevant the research presented by Mintzberg (1987) about two primary DNA types of strategies: the deliberate strategy produced by formal thinking, as a rational and systematic analysis, seeking stability, and, the emerging strategy established through experience and created on the run by adapting to changing circumstances.

Strategy formulation

Usually, strategic management goes through three phases: *formulation*, implementation, and evaluation. The strategy formulation is the process of creating a “vision and mission” through examining internal weaknesses and strengths and, threats and opportunities, determine longstanding goals and set up different strategies to choose the appropriate ones. It decides which business to pursue or not and how to apply the available assets to this endeavour (David, 2011, 6).

Sull et al. (2015) present arguments that support Mintzberg’s concepts of deliberate strategy and emerging strategy in their article “why strategy execution unravels and what to do? They found out that the strategy formulation is a general guideline but that companies have to be adjustable and expeditious during the implementation so that they can counteract threats and be able to grasp opportunities that arise as a result of market transformations.

2.1 Scanning the wider environment

According to Jurevicius (2013), a firm should do a broader environmental screening or Macro-environment analysis, to identify opportunities and threats through the following factors:

1. Competition. It is essential to analyze the competitors since they can counter other enterprise’s actions and changes in the environment. Competitors can also adapt their strategies or innovate.
2. Market changes. The most accessible opportunities and threats to spot become visible when developments and innovations occur in the market.

3. PESTEL. This acronym refers to the dominant forces outside the enterprise like Political, Economic, Social, Technological, Environmental and Legal. There, it is possible to spot present and future opportunities and threats.

2.2 Analysis of the five forces

Porter draws attention to the competition and the role it plays concerning whether a company flourishes or collapses. Corporations use competitive strategy as a means to secure a spot that proves lucrative and lasting in their industry. The industry is the field where competition takes place, where there are forces that drive the game (Porter, 1985, 1).

A firm needs to relate to its environment to create a competitive strategy. However, the definition of “environment” is too ample including social and economic forces that affect all the companies. Therefore, the firm has to limit this field to the industry it aims to operate in or its micro-environment. The industry analysis is on the five critical competitive forces: suppliers, industry competitors, buyers, potential entrants, and substitutes. The combined intensity of those factors defines then the profitability of the industry, and it is called return on invested capital or ROIC. The five factors are shown in the illustration below. Three of the elements are organized vertically; they are the threat of new entrants, established rivals and substitutes. Then, two competition forces are presented horizontally, they are bargaining power of suppliers and bargaining power of buyers (Porter, 1980, 1998, 3-4)



Figure 3. Porter's Five Forces of Industry Competition (1980, 1998)

The threat of entry

It is a situation where prospective entrants to an industry convey increased production capacity and the goal to get a portion of the market, what in turn has an impact on costs, prices, and the degree of needed investment to remain competitive. This threat limits the growth possibilities of profits in the industry. If the prominence of the entry barriers and the anticipated retaliation from present competitors are high, then the threat is low. If entry barriers are small and the likely reaction is weak, the threat of entry can be evaluated as high (Porter, 2008, 26).

Barriers to entry are favorable positions that present competitors hold compared to prospective competitors. There are seven main barriers to entry: supply-side economies of scale, demand-side profit of significant scale, capital needs, incumbency advantages regardless of size, uneven access to distribution channels and confining government policy (Porter, 2008, 26-28).

Any firm considering to compete in a new industry must combine an appraisal of entry barriers and likely retaliation to be able to avoid the entry barriers without sacrificing the potential profits of entering this new industry (Porter, 2008, 29). The factors to evaluate the threat of entry are depicted in the figure below.

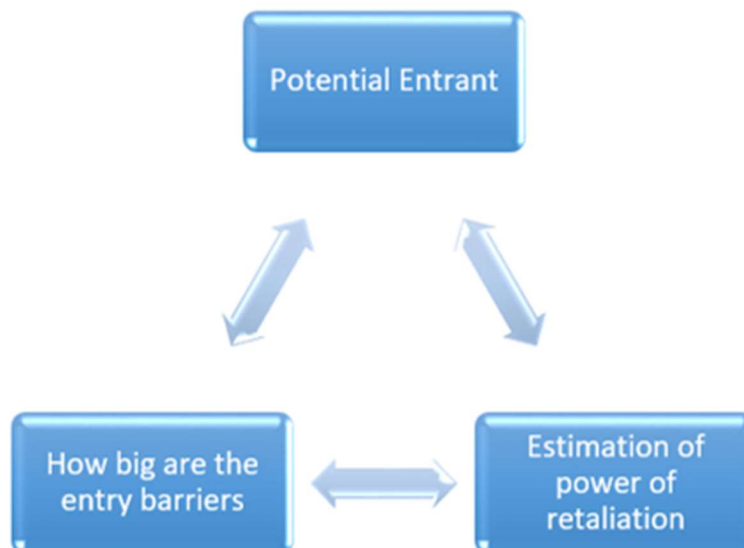


Figure 4. Appraisal for a prospective entrant to an industry (Porter, 2008)

The power of suppliers

Suppliers who hold most power are in the position of appropriating a more significant portion of the value for themselves. They use different mechanisms like demanding increased prices, offering fewer services or quality, or passing on costs to other players in the industry (Porter, 2008, 29).

The Power of buyers

Porter (2008, 30) argues that big buyers can bring down the industry profitability by demanding lower prices, higher services or quality, and are appropriating in this way more value.

The threat of substitutes

A substitute is defined as a product or service that provides an equivalent or resembling function as an industry's product or service in a different way. If the threat of substitutes is high, it restricts the possibility to increase profits in a trade. In this case, the industry has to try to differentiate itself from the potential replacements (Porter, 2008, 31)

Rivalry among existing competitors

Present competitors can contend on product innovation, lower prices, marketing activities and better service. The intensity of the competition moves in the opposite direction of the industry profitability, and it depends on the severity with which rivals interact and the basis with which firms contend. The competition based on different factors, not only on price, can be more favorable to profit growth in the industry. Each competitor could try to use a diverse mix of product specifications, brand positioning, shipment time, client segments, among others. In this way, it is more probable to deliver more value to the clients and obtain higher prices in the industry (Porter, 2008, 32).

2.3 Resource-based view (RBV)

Johnson, Scholes, & Whittington (2008, 101-107) argue that if a firm wants to achieve competitive advantage, it must find out which competencies can grant it. Then, four criteria must be considered to evaluate if a resource has this potential. Johnson et al. (2008, 101-107) explain them:

Value

It includes the capabilities that are distinctively critical in creating value for the firm's customers.

Rarity

It refers to uncommon competencies or resources like patents, talented individuals, robust brand, or skills developed in the long run. It must be analyzed how quickly or easily they can be transferred or not.

Imitability

Capabilities must be enduring and complicated to acquire or imitate by rivals. They also must facilitate performance that is much better than the opponents. The criteria to judge the inimitability are complexity, culture and history and causal ambiguity. Complexity includes internal connections in operations and procedures that add value to the customer and external linkages with clients and other stakeholders. Culture and history, include for example the arrangement of different activities that are developed in the long run. Causal ambiguity when competitors cannot identify what is the cause and what is the effect that builds competitive advantage because it is based on implicit expertise or in cultural tradition (Johnson et al. 2008, 101-107).

The criteria for inimitability of strategic capabilities is depicted in the figure below.



Figure 5. Criteria for inimitability of strategic capabilities (Johnson et al. 2008, 105)

Non-substitutability

Johnson et al. (2008, 106) argue that a company has to protect from the substitution of their product, service or their competencies, which can be replaced by computers, software or machines. Therefore, businesses have to keep innovating, adapt to change, and continuously evolve with their market circumstances.

Horwath argues that in the RBV is assumed that the different quality of an enterprise is shaped by its assets and its ways of thinking. The assets are human, financial, intangibles like brands, scientific, physical or organizational. The ways of thinking refer to the management talent and oversight (Horwath, 2006, 5).

The resource-based view model (RBV) contends that a permanent competitive advantage can be attained by making use of internal elements instead of external factors because a company can more easily grasp external opportunities by adapting present resources than trying to get new capabilities for every recent chance that the market presents. An even better option would be of course to blend internal and external elements to maintain competitive advantage (Jurevicius 2013b).

2.4 SWOT analysis

The strategy formulation commences with the SWOT analysis which is a situation appraisal of the firm. It aims to determine the strategic linkage between the organization's internal strengths and the perceived external opportunities. At the same time, it tries to avert or compensate internal weaknesses and external threats. It is an acronym from the first letter of the word that means: strengths, weaknesses, opportunities, and threats. SWOT is an extensively utilized tool because it is easy to use and concentrates on crucial aspects that have an impact on the organization (Wheelen & Hunger, 2012, 176).

The SWOT analysis provides a picture of the essential factors present in the environment and the pivotal competencies of a firm that is relevant for the formulation of the strategy. It can help to produce a set of alternative approaches and feasible routes for the enterprise to follow in the future (Johnson et al. 2008, 119).

In the figure below the SWOT, analysis matrix is depicted.

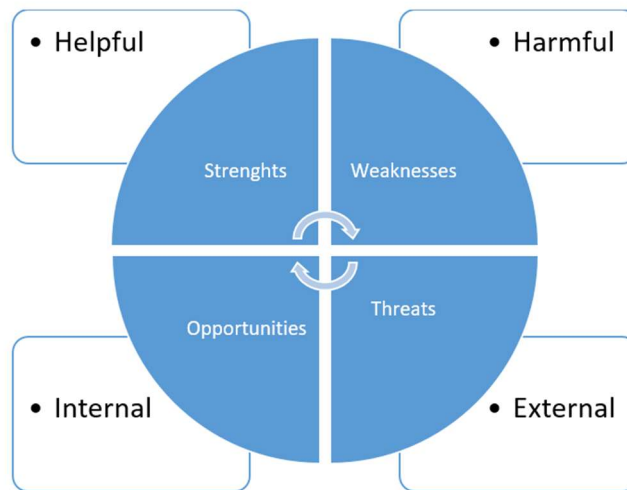


Figure 6. SWOT Matrix (Johnson et al. 2008)

Strengths and weaknesses

Wheelen & Hunger (2012, 166) affirm that besides scanning the external situation, a firm also has to monitor its internal conditions to establish its particular skills, resources, and competencies.

The strengths and weaknesses are elements to be found inside the organization. For the strengths, it is essential to determine what the enterprise does or has that adds more value than the rivals. For the weaknesses, it is necessary to identify which aspects could be enhanced or approximated to those of the opponents. Even though some strengths and weaknesses are easily spotted, it usually is not that simple. Executives need to analyze resources like land, machinery, know-how, patents, brand market price, core competencies, the right R&D, and, corporate culture and activities from the value chain. Frequently it is difficult to discern which internal elements of the organization are strengths or weaknesses (Jurevicius, 2013). The following steps should be followed:

1. Clear definition. The factor should be very concrete and narrow to avoid confusion as of weather is a weakness or strength. Then it should be evaluated if it adds value or not (Ibid).
2. Benchmarking. It is vital to understand that the described factors are analyzed against those of the critical rivals (Ibid).
3. Resource-based view (RBV). If the specific resource, capability or competence, fulfills those conditions (valuable, rare, challenging to copy and difficult to

substitute); then, it can be considered to give strategic advantage to a company and therefore to be a strength (Johnson et al. 2008, 101-107). Barney (1995, 55) emphasizes complicated organizational competencies like camaraderie, reliance, prestige, or even teamwork. Even though they cannot be patented, they are not so easy to replicate either.

Opportunities and threats

Opportunities and threats are factors located outside the organization. Usually, the enterprise does not have control over them, and they often derive from developments in the industry, external conditions or even what competitors do. Opportunities are defined as events that can provide a competitive advantage or add value to the company's offer. Threats refer to adverse circumstances that can harm the enterprise. Therefore companies have to try to counteract them or evade them. The opportunities and threats can be spotted from the environmental screening and the industry five forces analysis (Jurevicius, 2013).

Setting up alternative strategies with a TOWS matrix

The TOWS Matrix is an alternative denomination for SWOT matrix. It links the external specific opportunities and threats of an enterprise to the firm's weaknesses and strengths, to produce four couples of plausible strategic alternatives. It is a very innovative method which can provide alternative strategies that generally would not be recognized. (Wheelen & Hunger, 2012, 182-183). This tool is shown in the table below.

Table 2. Wehrich TOWX matrix (1982, in Wheelen & Hunger, 2012, 182)

Internal Factors =>	Strengths List 5-10	Weaknesses List 5-10
External Factors v		
Opportunities List 5-10	SO Strategies That utilize strengths to take advantage of opportunities	WO Strategies that take advantage of opportunities by overcoming weaknesses
Threats List 5-10	ST Strategies that utilize strengths to avoid threats	WT Strategies that minimize weaknesses and avoid threats

The authors explain that it is possible then to create different strategies for the organization using combinations of the four pairs of factors: SO Strategies are produced by considering ways in which an enterprise could utilize its strengths to exploit opportunities. ST Strategies take into account a firm's strengths as a mechanism to avoid threats. WO Strategies intend to make use of opportunities by surpassing weaknesses. WT Strategies are in principle conservative and primarily, expect to decrease weaknesses and avert threats (Ibid).

2.5 Creating shared value (CSV) as a business strategy

In present times the goal of corporations must be reconsidered throughout generating shared value. This concept comprises approaches and processes that augment the competitiveness of a firm and also improve the economic and social layers of the communities where the enterprise is embedded. (Porter & Kramer, 2011, 48-59).

In the old days, the contributions from the enterprises to society was the philanthropy where corporations would contribute to social causes. Then, it evolved to the concept of corporate social responsibility (CSR) where businesses would observe community norms and presently, to creating shared value (CSV) through consolidating social problems and

issues into economic value generation (Porter, 2013, 3-4). The layers of shared value according to Porter (2013, 3-20), can be:

1. Redefining needs, products, and clients by finding products that satisfy community needs or devoting effort to customers that are not being (correctly) supplied.
2. Reevaluating productivity in the value chain; it can be carried out by handling suppliers, logistics, employees and resources in a more efficient way.
3. Promoting progress in the local business context. It can be done by enhancing the community where the firm functions through boosting their expertise, their supplier pool, and helping local institutions

The layers of CSV are depicted in the figure below.



Figure 7. The layers of shared value (Porter, 2013)

The advantages of Creating Shared Value besides giving a social layer to the strategy, are a way to generate alternative needs, different markets, unique value chain structures and original ways of thinking about business. Also, it creates alternative options to locate a firm in a strategic position and to create competitive advantages. Corporations should add a social layer to their value proposition because it will increase the sustainability factor in the strategy more than traditional cost and quality improvements when compared to the rivals. In coming times, organizations will have to include a compelling shared value layer in their strategy if they want to survive and thrive (Porter, 2013, 6-7).

Increasing the social goals will lead to alternative opportunities for more profits and advancement and will as well inspire and appeal to customers, employees, investors, and the community in general. Intending to address social issues will conciliate the objectives of firms, NGOs, and government. Shared Value encourages new alliances between enterprises, philanthropists, NGOs and government in trying to solve social dilemmas (Ibid 8-10).

Giovanucci & Koekoek (2003, 15) define “Sustainable” as an open-ended activity, instead of a punctual accomplishment. The authors contend that to accomplish sustainability, durable, ecological, social and economic layers have to be combined, without affecting the possibility of coming generations to cover their own needs.

Concerning sustainability, the Global Megatrends 2030 Report, concluded that the increasing pollution and erosion mainly produced by extensive deforestation, decrease in biodiversity, diminished resources and climate change require an immediate response. The industry’s carbon emissions need to decline by 50-80%. The political and economic realms have to act urgently; otherwise, the economic damage of climate change is forecasted to be 5-20% of the global GDP in 2050 (Searles et al. 2013, 31).

2.6 Competition to be unique

Magretta states that in war there can be just one conqueror but to win in business, it is not necessary to destroy the competition. She considers that competition is not about “being the best.” Each competitor can have a specific mix of products/services targeting different customer needs. In the majority of businesses, there are a lot of different clients with distinctive needs. If competitors all try only “the best way” to compete, it would, of course, produce a zero-adding game where nobody will profit. In this system, the profit for one means a loss for the other. (Magretta 2011, 21-24)

Firms should follow different paths to compete focusing on satisfying a specific combination of needs and customers. Competing to be unique does not need the competitors to fail because each firm can construct its proposition (Ibid, 30-31). The true ambition of competing is not to defeat the competitors but to obtain profits (Ibid, 36). The arguments for a well-understood competition are depicted in the table below.

Table 3. The right mindset for competition. Porter (in Magretta, 2011, 32)

BE THE BEST	BE UNIQUE
To be positioned as Number 1	Achieve higher returns
Target market share	Target profits
Present “best” customer with “best” product	Satisfy various needs of target customers
Compete by imitating	Compete by innovating
Zero sum, a contest that nobody will win	Positive sum, many winners, multiple events

Magretta contends that after analyzing Porter’s five competitive forces to be able to appraise the industry’s performance, a company must distinctly generate value from the competitors, this is called the “unique value proposition” (Magretta, 2011, 9-10). The specific way the firm employs to generate the value proposition is denominated “tailored value chain” which consists of one particular design of a group of activities that differs from competitors or are executed in a distinctive manner (Ibid, 120). Finally, a firm must welcome trade-offs or taking limits, meaning to say no to some clients so that the enterprise can better satisfy others (Magretta, 2011,139-140).

The figure below summarizes the process of finding a competitive advantage by aiming to be unique.

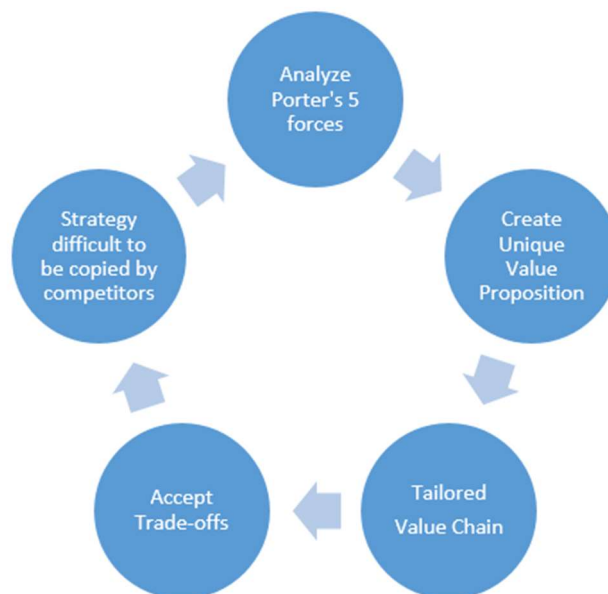


Figure 8. Competition to be Unique. (Magretta, 2011)

Value proposition

Kambil, Ginsberg & Blog, (1996) argue that the value proposition details how value elements like the product, service traits, and added services are wrapped together and presented to satisfy consumer demands (van der Heijden 2010, 5-6).

Osterwalder & Pigneur state that the value proposition expresses how a company is distinctive from its rivals and determines the motivation why the consumers purchase from this enterprise and not from someone else. Values can be quantitative or qualitative, and some of them can bring a disruptive bid or be comparable to present market bids but with some additional characteristics (Ibid).

Then, frequently a need is concealed because the firm is looking at the customers too narrowly due to accepted beliefs like the cosmetic sector assumes that women use cosmetics to attract men. Anita Roddick from the Body Shop defied that dogma, implying that women do care about their skin but she provided an extra value: that a lot of women care about social problems and will endorse a firm that also cares (Kotler 2003, 319).

Tailored value chain

It is critical to understand the customer's needs but it is not sufficient since the core of the strategy is located in the activities. To deliver the value proposition, a "set of activities." has to be defined. Competitive advantage arises from deciding to accomplish the activities distinctively or to carry out distinct activities from the competitors. The best set of those activities is called the "Value Chain," and these events must be custom-made to fit the value proposition (Margretta, 2011, 107).

Accept trade-offs

The trade-offs companies make, differentiates them strategically from other businesses. Because the firm's competitive advantage is the kernel of its strategy, what the company will do differently or better than the competitors, decides the vital means to reach the objective. For example to prefer growth a business must sacrifice profits or, opt for institutional customers instead of retail clients, just to cite only a few (Collis & Rukstad, 2008, 85).

Strategic profile

Kim & Mauborgne (2002) found out that the definition of a firm's strategic profile must encompass the three complementary characteristics that define an effective strategy: Focus, Divergence and a Compelling tagline. The authors explain them:

Focus: a grand strategy needs to focus on only a handful factors. In this way, the company can minimize the use of resources in specific areas and use them to excel at those few elements chosen to compete on (Ibid).

Divergence: The value arcs of strategies from original enterprises usually diverge. They do not react to competitors imitating their profile, but they protrude and could even conceive new elements that could alter the industry's general pattern. To achieve this, they decrease investments in some areas and concentrate resources on other ones (Ibid).

Compelling tagline: the proving evaluation of a grand strategy depiction is how easy it can be translated into a tagline. It should communicate a bid honestly and explicitly so that the firm can deliver the promise. The tagline has to be forceful and genuine; otherwise, there is a risk that the strategy is not robust enough (Ibid).

3 Branding and marketing

The business strategy depicts a firm's product and service's strengths, weaknesses, opportunities, threats. When the company has delineated them, it will have to design a marketing strategy to communicate to the world what its products and services are and figure out how to convert consumers into customers (Birecki, 2015).

3.1 Branding

Brands are one of the most relevant intangible resources from an enterprise. A robust brand requires excellent customer loyalty and represents a significant service or product. They are in the position to demand a price premium as well. A brand is a product/ service that differs in a specific manner from other products/ services devised to gratify the same demand. The distinction could be "functional, rational or tangible" concerning the product attainment of the brand. They can also be "symbolic, emotional or intangible" concerning whatever it is that the brand signifies or embodies in a more tacit way (Kotler & Keller, 2012, 241).

A brand resides in the mind of the customers. It is a concept based in reality but influenced by the impressions and judgments of customers. Marketers tell the consumer "who the product is" by way of providing it a name and other details to pinpoint it, "what the product does" and why customers should be interested in it. Branding provides a mental framework that assists consumers to understand and make decisions about products and services and at the same time produces financial value to the enterprise (Ibid, 243).

A brand could be "a name, sign, symbol, design" or a mix of those factors, with the purpose to establish which vendor's the goods or services are from, to set them apart from those of the rivals (Ibid, 268)

The success of the communication program for the brand lies in the execution. Often advertisement is not important at all. One way is to use alternative media, direct connections, promotions and other mechanisms that produce relationship-creating experiences. It is important to stake out, to influence impressions, and to promote healthy relationships with consumers (Aaker & Joachimsthaler, 2000, 14, 28, 50).

3.2 Branding and marketing in SME's

The Organization for Economic Co-operation and Development (2015) defines small and medium-sized enterprises (SMEs) as firms employing between 1-250 people, and their sales per year do not surpass €50 million.

Bridge, S., O'Neill, K., & Martin, F., conclude that there is a deficiency in branding and marketing in small and medium-sized enterprises because they possess limited financial capacity and management expertise. These firms present constrained power to impact the circumstances where they are embedded regardless of their fast adaptation to market transformations. Also, their culture is profoundly influenced by the owner's ambitions, who in turn, usually, manage many areas of the firm (Bridge, S., O'Neill, K., & Martin, F., 2008, 183).

Then, Krake in his extensive research in brand management in SME's in the Netherlands, concludes that directors of small companies should locate branding in a high position in their daily activities. Devotion to the brand around the organization is paramount. The entrepreneurs themselves have to promote the brand. It is not expensive, and it seems to produce high impact, but it requires tremendous creativity. (Krake, 2005, 235). Krake's extensive research is very relevant for my study since it refers to companies in the Netherlands that are active in the consumer market. The key outcomes could be used by the Startup. In my opinion, a significant conclusion of this study is that internet should be a central factor in brand management in SMEs (Ibid, 228).

Wong & Merrilees (2005, 158-160) classified SMEs into three main groups, they are:

1. Minimalist: it has a shallow scale of brand assimilation with a constrained scope of brand uniqueness because it is busy generating revenues and managing production activities instead of marketing or branding adaptation. It becomes a barrier to construct a long-term branding strategy since the firm is more preoccupied with the daily operations of the business.
2. Embryonic: it has more insight into business and marketing than the minimalist type. There is a branding strategy but it is tacit, and it is considered to be discretionary and not per se a critical success factor. None the less, the significance of branding is appreciated and is more salient in the way the firm does business. There is a higher consciousness of competitive advantage and elements that differentiate the organization.

3. Integrated: It has an escalation of the brand uniqueness factor and the enterprise understands that branding can provide competitive advantage related to rivals. Compared to the embryonic types, these companies devote a significantly higher part of the marketing plan to branding and regard it as a vital component. They make use of an ample scope of means to boost the brand.

To some degree, this research corroborates the theoretical literature that brand orientation may play a central role to lead an enterprise's growth. It also exposes the importance of branding to SMEs. This study proposes that SMEs should: have an enduring investment style to branding, create a robust brand, to foster an organizational culture that champions the brand continuously and a marketing plan with a homogenous brand emphasis (Wong & Merrilees, 2005, 160).

I decided to include these studies on branding a marketing in small companies, notably the one carried out in the Netherlands, as a way to complement and explain my findings in the benchmarking of competitors. The observations from their websites and digital channels not always provide an evidence of the reasons behind them. Besides, they are private companies that are not obliged to publicize information. I will use this knowledge together with a specific international research done on digital channels from a wide range of enterprises to have a better understanding of similar competitors.

3.3 Market segmentation and target markets

Market segmentation

It splits a market into clearly characterized portions. A market segment is made up of some consumers who have a standard combination of demands. Then the marketer has to establish the correct quantity and essence of market sectors and choose one or more to focus. There are different variables to split consumer markets like geographic, demographic, psychographic or behavioural characteristics. In any case, the pivotal element consists of adapting the marketing plan to accommodate customer variations (Kotler & Keller 2012, 214).

Psychographic segmentation

It combines psychology and demographics to figure out what drives consumers. The customers are classified into various groups depending on psychological, personality features, habits or attitudes. One preferred system is the VALS™ framework from Strategic Business Insight's (SBI) which uses eight groups combining customer motivation and customer resources (Ibid 225-227). This system is depicted in the table below.

Table 4 The VALS™ Segmentation system (adapted from Kotler & Keller 2012, 226)

	1. INNOVATORS		High Resources/High Innovation
Primary Motivation			
Ideas	Achievement	Self-Expression	
2.THINKERS	3.ACHIEVERS	4.EXPERIENCERS	
5.BELIEVERS	6.STRIVERS	7.MAKERS	
	8.SURVIVORS		Low Resources/Low Innovation

The explanation of the groups according to Kotler & Keller (2012, 226-227) is:

1. **Innovators.** Defined as sophisticated, active, prosperous and very confident, their acquisitions usually mirror refined preferences for somewhat upscale, niche-type products and services.
2. **Thinkers.** Defined as adult, happy, studious persons driven by ideals. They appreciate orderliness, expertise, and responsibility. They are looking for functionality, durability, and money worth in products
3. **Achievers.** Goal-driven, prosperous persons who consider family and career central in their lives. They prefer premium products to show their success to others.
4. **Experiencers.** Fervent, young and impetuous people that like adventure and diversity. They allocate proportionally higher part of their income in entertainment, fashion, and social activities.
5. **Believers.** Bourgeois, typical and classic people. They favor familiar and traditional brands.
6. **Strivers.** People who like to have fun and follow trends but have limited budgets. They try to buy popular products that mirror the more expensive ones.
7. **Makers.** Pragmatic and commonsensical persons who prefer to work with their hands and choose products that are utilitarian and practical
8. **Survivors.** More mature people that worry about change and stick to their preferred brands.

Target markets

After the market segments are determined, marketers choose the ones which offer the highest potential; these are called “target markets.” For every one of these, the company creates a “market offering” that will be located in the minds of the target customers as providing specific key benefits (Kotler & Keller 2012, 10)

Concerning segmentation, companies will be confronted with increasing environmental obligations, and therefore they should focus on first-mover leverage in “green technologies.” The consumers will also progressively demand that politics and businesses take into account social and environmental factors. They state that 30% of the American consumers are LOHAS (Lifestyle of Health and Sustainability). Similar calculations are estimated for Germany (Searles et al. 2013, 32). I believe I could assume that the Netherlands also presents a comparable profile since it shares many similarities with its neighbor Germany.

3.4 Brand community

Muniz & O’Guinn (2001, 412-424) define Brand Community as a particular, without geographic limits community, established on a specific arrangement of social associations among brand fans. The community is distinct because it gravitates around a branded good or service. They list three typical characteristics of a community:

1. Shared consciousness. There is a concept of “we-ness” and members association against each other.
2. Rituals and customs. Include everyday consumption experiences with the brand and storytelling
3. A sense of moral responsibility. It includes obligation concerning the community and its members and induces to collective behaviors.

These characteristics are located in a commercial, mass-enacted philosophy where they get asserted in a specific way. Brand communities are players in the brand’s social structure and are of crucial importance in the brand’s tradition (Ibid, 412)

Also, Straker et al. (2015, 119-124) argue in their research that internet channels like Youtube, Blogs, Forums, Vimeo, etc. are touch points, and the objective of all touch points within a community is variation which allows consumers to take part in fun and social

endeavours. Instead of a physical place, some companies enable digital communities that perform in locally.

Examples of brand communities

I will refer here to two companies that have been able to build healthy brand communities. The Startup can imitate the main factors these firms have used.

Wholefood Markets

Wholefoods Markets is an ecological and health-oriented supermarket which maintains blogs and forums administrated by employees. Posts are related to charity programs, encouraging community and educational engagement. They also strengthen local cooperation emphasizing their mission and promoting blogs from shop owners, employees, and clients. They fuss about people and make clients feel that they belong to a community. Clients with similar ideas can connect through community touch points to provide tips, give support, post pictures and opinions. It has a great deal of customer-produced content. In this way, the firm can generate connections by transmitting a lifestyle adopted from the firm's goals (Straker et al. 2015, 119-120).

Apple

Apple has a robust brand identity, and their strategy is directed toward emotions. Its brand identity embodies a way of life, it is imaginative and entrusts users through easy to operate technology. This supportive community has allowed the firm to charge premium prices. Roberts portrays Apple's business as people-directed, a humanistic firm with a passionate relationship with its clients. The Apple users adore the brand because of its experience consistency from "the store, to the package, the product, and their marketing." The firm tries to minimize its spending in R&D and prefers to invest highly in advertising and marketing (Straker & Wrigley, 2016, 238-252).

Roger mentions the Seth Godin Tribe Management Concept. The idea is that people aim to connect with people not to corporations. The challenge for the company is to work to enhance the tribe, to facilitate that customers find each other, to have stories to tell and themes to talk. If a company wants its brand to form part of the client's collective identity, it has to provide a justification that differentiates from the persons who buy a contending brand. As a conclusion, the author states that a brand has to create its "tribe" and bring up its rival to differentiate from other brands. (Roger, 2012)

3.5 Experiential branding and storytelling

The Startup is interested in exploiting the concept of experiential branding and storytelling as well.

The experiential branding

“The experience economy” is a recent stage in the progress of the economy where “intangibles” and co-producing are becoming more and more important for creating value. Experience sectors are rapidly growing and gaining more weight in the Gross Net Product (GNP) and recruitment. Besides, experiences are included as add-ups to products and services (Oksanen et al. 2012, 9).

The authors argue that the advent of the “experience economy” can provide excellent opportunities for innovative companies that decide to venture into this field. Firms are more and more, aggregating an experience aspect to their daily goods and services to create added value. (Ibid, 9).

Holbrook & Hirschman created in the early 1980’s the three critical aspects of the “consumption experience.” They were fantasies (dreams, imagery), feelings (affection) and fun (sensuous enjoyment). The advancement of income and welfare is leading to an increasing consumer’s need for a more sophisticated enjoyment. It showcases to a trend of consumer behavior towards a fantasy undertaking which involves a temporary withdrawal from the world into an alluring ambiance, as argued by the Popcorn report. (Oksanen et al. 2012, 16).

Oksanen et al. (2012) refer to Holtorf’s idea that a growing importance has been given to characteristics of an offering that combines the domestic/secure with the audacious, unusual or sensuous. The authors conclude that the success of a product can be rooted in the right mix of daring and secure aspects (Ibid, 16).

Stoytelling

Harmaala (2014) points out that, stories have played a significant role in time and cultures as a learning tool because they transmit knowledge. Stories also serve as glue to connect people with their community and culture. One common ingredient from stories is the magic element. Concerning corporate responsibility, it is possible that tales assist in holding companies accountable, and problems become tangible. Stories increase credibility and consumers are more and more wondering why big corporations know so little about the origin of their products, who are producing them and the reality of the conditions, in which they are built. Their contradictory reports are not enough anymore; there is a need for real, authentic stories. Stories provide products with a face and work as

a kind of insurance. Stories also reinforce brands and help in marketing. The challenge now is to bring the stories to the global supply chain (Ibid).

The stories are compelling in mingling with people and narratives are even better to touch people and to create loyalty. Narratives emphasize on the awards, a sunny perspective for the future, and are less worried about what is to come. Thus, people attracted to the narrative have the feeling of being a part of something, which in turn generates loyalty. Narratives have an open end that shows many possibilities to the customer. In other words, they encourage to take action. It stresses that the result will depend upon the actions taken by the individual (Hagel, 2016).

3.6 Additional marketing factors to be considered by the Startup

Here I will I will make a short analysis of some additional factors to be found in the marketing design. They are Integrated Marketing Communication (IMC) and relationship marketing.

Integrated marketing communication (IMC)

To produce synergy the marketer designs all the marketing activities with the idea that the whole is bigger than the addition of the parts. All the communications of the firm have to be coordinated to boost and enhance each other and be consistent as well. The business also needs to design a unified channel strategy because having excessive channels can produce rivalry or too little resources for some channels, and, having too few channels can lead to missing potential (Kotler & Keller, 2012, 20-21).

Many corporations do not possess the knowledge to comprehend and make good use of emerging digital channel potential. They just create digital channels with little or no strategic clarity (Straker et al. 2015, 122-124). Here there is thus, an opportunity to take advantage.

Relationship marketing and social responsibility

This kind of marketing tries to shape mutually beneficial abiding business relations with critical partners to produce prosperity for all of them and equilibrate the returns for them as well. The result is an exceptional enterprise asset named "*marketing network*," which is made up of the company and its critical stakeholders. Therefore, many companies are deciding to have brands instead of tangible assets and keeping only core activities, and the rest is outsourced (Kotler & Keller 2012, 20).

Since the effects of marketing go further to the whole society, some companies try to gratify their customers' needs in a better way than rivals and at the same time aim to improve society's longstanding welfare like caring for the environment and human and animal rights as well (Kotler & Keller 2012, 22-24).

Smith, D (2015) in a blog from the Specialty Coffee Industry tells his beginnings as a small coffee entrepreneur. He contends the two critical success factors are: the *passion* that keeps you going through difficult times and *people skills* to promote a professional network with essential contacts in the sector.

4 Research methodology

Here I will tell the philosophy (ontology and epistemology) and approach of this thesis. Then, I will explain the research methods with their data gathering techniques and data analysis as well. Finally, I will present the ethical issues, reliability, and validity,

4.1 Research philosophy and approach

Research philosophy is concerned with how knowledge is produced and the essence of that knowledge. It is important to realize that the researcher will take into account rational aspects but most probably he/she will be influenced by his/her point of view on the link between the knowledge and the mechanism used to produce it (Saunders et al. 2009, 107-109)

Ontology

It tries to find out what the essence of the real world is. Therefore it has to do with believes the researchers have on how the world functions and their undertaking of specific perspectives. There are two branches of ontology. Objectivism argues that social collectivities occur in reality independently of their members trying to analyze them. *Subjectivism* assumes that social developments originate in the attitudes and consequent behaviors produced by those individuals acting in a social group (Ibid, 110-111).

I consider that I will be using much more the subjectivism approach as I agree with the authors that due to social interplay, social developments are continuously transforming.

However, I agree with the pragmatism philosophy that states that the most critical element to decide axiology, epistemology, ontology and the data gathering techniques to be used, is the research question. The Pragmatist primary motivation is the challenges that people are facing, and he/she is interested in finding out solutions that work (Saunders et al. 2009, 119,128, 133)

Epistemology

It relates to what embodies adequate knowledge in a specific area of research. In this respect, I will assume the philosophy of *Interpretivist*, as the researcher has to comprehend that humans act differently in their roles within the society they interplay. It means that the pivotal point of the research will be people and not objects like cars or machines. This philosophy considers that humans take part in a kind of theater where

their performing is influenced by their perceptions and meaning they provide to those actions (Ibid, 112-116).

I consider this philosophy to be the most suitable to the present situation of my intended research where the coffee market is investigated. Additionally, I as a researcher will be looking at the context from the angle of various stakeholders, namely, the farmer, the NGOs representative, and the entrepreneur.

My role as a researcher will be the one of an *insider* as I intend to be part of the startup company. It means “the researcher is part of what is being researched.” Therefore the research will be subjective (Saunders et al. 2009, 119).

Research approach

The researcher can choose between deductive or inductive approach. Regarding deduction, using theory, an assumption is formulated and, this conjecture will be proved by a research strategy. In induction, on the other hand, first, information is gathered and then based on the analysis of those observations, theories are produced (Saunders et al. 2009, 124-126)

I chose the *inductive approach* because I am following an exploratory research that seeks to get a picture of the coffee market without a prior supposition. It also suits very well the interviews and group discussions techniques I am planning to utilize. I will revise the appropriate strategy and branding concepts to produce a notional framework preceding the data gathering and analysis. Once I have gathered and analyzed the information then, I will elaborate a theory.

4.2 Research design

The research design is defined as the full program to follow to answer the research questions. The tactics refer to the more specific details of the data gathering and analysis, like qualitative or quantitative data gathering techniques as interviews, questionnaires, focus groups or published data, and the following quantitative/qualitative data analysis (Saunders et al. 2009, 136-138)

The design will be influenced by the preferences of the other two partners of the Startup. However, in my role of researcher, I will try to produce the best available design directed by those constraints and influences.

I follow an *exploratory study*. Robson contends that this is a way to find out what the recent developments are, to discover original perceptions, to formulate questions and to appraise phenomena from a novel point of view (Saunders et al. 2009, 139).

This approach will assist in improving my understanding of the current situation of the global coffee sector, spotting opportunities in the Dutch market, and formulate a strategy that aims at maximizing the use of the capabilities and resources the Startup possesses.

Saunders et al. (2009, 139-140) define three main ways to execute exploratory research:

1. Find relevant literature
2. Interviewing experts in the topic and
3. Carrying out focus group interviews.

I will make use of *literature review, interviewing “experts” and group discussions*.

Regarding the Research strategy, there are eight options to choose according to Saunders et al. (Ibid, 141): experiment, case study, survey, action research, grounded theory, ethnography and archival research.

Yin (2003) states that each strategy can be utilized for descriptive, exploratory and explanatory research. The choice of research strategy is led by the research questions, the amount of present knowledge, the available time and resources and the researcher’s philosophy (Saunders et al. 2009, 141)

I will use the case study as the research strategy. Robson (2002) argues that case study is a research strategy to carry out an empirical research of a present-day situation immersed in its actual living conditions, utilizing various sources of information (Saunders et al. 2009, 145-146)

The case study uses many data collection techniques, and they usually get mixed. They may be observation, interviews, questionnaires and documentary analysis. Therefore, probably it will be required to use triangulation, defined as gathering data using numerous techniques to assure that the data are informing the researchers what they assume data are informing (Saunders et al. 2009, 146).

I will make use of a *single case* that employs a *holistic approach* (Yin, 2003 in Saunders et al. 2009, 147). I appraise this choice to be the one that best fits the research questions because this is a unique case, that is, the Startup trying to formulate a strategy to compete in the Dutch market. I prefer it because I am particularly interested in the context of the research and the processes that are taking place there. It is holistic because it is about the whole enterprise and not sub-units of it. Besides, it is fortunate that there is a

tremendous amount of information, studies, and data available about the different aspects of the coffee business, which can be used for *triangulation* to test my findings by sourcing many authors.

I will utilize a *multi-method qualitative* option as research choice. It means that more than one information gathering and analysis techniques will be employed but prescribed within the qualitative realm (Tashakkori & Teddle in Saunders et al. 2009, 152). I regard the time horizons to be a close-up executed at a specific moment, which is referred as “cross-sectional time” (Ibid, 155). The interviews and content analysis were done over a limited period.

4.3 Data collection

It is important to realize that in qualitative research the process of data gathering, data analysis and the creation and confirmation of propositions has an interactive nature that provides relative flexibility to the researcher. It means that breakdown happens during the data gathering and afterward as well (Saunders et al. 2009, 488).

I will use secondary and primary data. Saunders et al. (2009, 256) define secondary data as the one already gathered for another use, but that can be utilized to contribute with valuable information to (partially) provide an answer to the research question.

The secondary data will be gathered from:

- Reports from institutions like International Coffee Organization (ICO), Dutch Ministry of Foreign affairs, Dutch Institute for Development and Cooperation, United Nations, International Trade Center, Statista, and Eurostat, among many others. There is abundant recent research done on both the supply and demand side of the coffee market at global and local level.
- Academic journals and information from the internet and books.

The primary or new data will be gathered through different techniques:

- In-depth semi-structured interviews are conducted with one expert in the coffee farming, one expert in the NGOs sector, and one small coffee entrepreneur. In this way, I can obtain points of view from representatives of the different coffee sectors. Semi-structured interviews provide the advantage of allowing new themes to appear for inquiry. They are carried out personally or teleconferencing.

It is used as sampling, non- probability, purposive, typical case. It is meant to produce an emblematic profile portraying a classical case (Saunders et al. 2009, 240).

- Group semi-structured discussions with the Startup partners in an iterative way with defined topics for the debate. It facilitates more general points of view to develop and for the group to answer to these views. Also, to evaluate them by inquiring or explaining themes. (Saunders et al. 2009, 343-347). They are done face to face or teleconferencing. It will allow me to take advantage of the expertise of the partners. Also, they are participating as insiders, and their involvement will facilitate the implementation of the strategy once it is formulated.
- Experiential data (Saunders et al. 2009, 296) resulting from a diary I kept where I recorded impressions and perceptions.
- Benchmarking three typical Dutch competitors, using structured observations from the companies' websites and their digital channels. It will have the objective to describe, interpret and clarify single cases of similar competitors in the Netherlands.

It is used as sampling, non-probability, purposive, homogenous cases. The researcher can use his/her judgment to choose examples that facilitate him/her to answer the research questions. This way of sampling is usually utilized for very small samples like case study research and when the researcher desires to use cases that are distinctly informative. It targets one sub-group in which all the sample units are comparable allowing to observe the group in depth. (Saunders et al. 2009, 213, 237-240)

The data collection process from interviews and group discussion is summarized in the tables below. It is described who the interviewees were, when and where they took place, their areas of expertise and reasons for choosing them. They are all considered to be a *typical case*, they are interested in cooperating with the Startup and are willing to contribute with their knowledge and experience. The coffee entrepreneur has extensive experience in the coffee trade sector, especially in Direct Trade.

Table 5. Details of data collection by interviews (Student)

Name/position /citizenship	Sector represent ative	Dates	Type	Place	Reasons for choosing
Olga Bustamente /president farmers' association /Colombian	Coffee farmer	15.07.2016	Interview F2F	Farm "La Primavera" San Jose, Colombia	Farming/sect or expert. Looking for a distributor. Typical case
		16.06.2017	Wrap-up teleconference		
Chris Bransz/ Consultant NGOs/ Dutch	NGOs expert	22.06.2017	Interview F2F	The Hague, Netherlands	NGOs network key contacts. Expert, Typical case
Kimmo Laukkanen /CEO Timbukton takana coffee / Finish	Coffee entrepreneur	01.04.2016	Interview F2F	Helsinki, Finland	Entrepreneur uses Direct Trade Trade expert Typical case
		11.09.2017	Interview F2F		

The in-depth interview with the coffee farming expert contain themes around the coffee cultivation, environmental and social issues, global coffee market dynamics, opportunities and threats from present market conditions. It also refers to traceability and transparency in the supply chain, solutions for the farmer that could be ideally provided by other stakeholders and how they could be enabled and consumer/market trends spotted. It is presented in appendix 1.

For the NGOs expert and the entrepreneur, the topics were quite similar with additions to make it relevant for each one. For the NGOs themes around financial and technical assistance available from Dutch institutions, consumer trends, and market structure. For the entrepreneur, additional items like branding and marketing communications, the overall functioning of the enterprise including cost structure and success factors were included. It can also be appreciated in Appendix 1.

A series of group discussions were done with the Startup partners. They are:

Gerard Vet, with Dutch nationality and lives in the Netherlands. He is a former Nokia executive with extensive experience in strategic management and sales. He also has international exposure as he has worked on three different continents. He is a coffee aficionado, coffee taster and interested in coffee roasting.

Lex Ritman, with Dutch nationality and lives in the Netherlands. He is a former Heineken executive, an expert in the in the retail field of beverages in the Netherlands. He has extensive knowledge of and connections in the restaurants, cafes, and bars in the biggest cities in the Netherlands. Also, he is very knowledgeable about food and drinks fairs in the national and international arena.

Marisol Pulido, I am Colombian and the researcher of this thesis. I have management experience in Colombia and NGOs experience in the Netherlands. I also speak Dutch and have a good understanding of the Dutch culture. I am in the process of moving back to the Netherlands.

For the group discussions, data collection was presented to the partners, and then questions were formulated to make decisions and choices as to which venues to pursue further and what to quit. The group discussions with the Startup partners are listed in the table below.

Table 6. Details of data collection by Group discussions with Startup partners (Student)

Partners present	Number	Dates	Type	Place
Ritman, L. Vet, G. Pulido, M.	1	05.06.2017	F2F	The Hague, the Netherlands
Vet, G. Pulido, M. Ritman, L.	2	24.06.2017	F2F	The Hague, the Netherlands
Ritman, L. Vet, G. Pulido, M.	3	04.07.2017	F2F	The Hague, the Netherlands
Pulido, M. Ritman, L. Vet, G.	4	10.08.2017	Teleconferen ce	N.A.

4.4 Data analysis

Saunders et al. (2009) contend that researchers can produce a theory from gathered information by following specific formulas of qualitative data. Because qualitative data is found in diverse formats, this data has to be arranged to facilitate analysis. For example, information from interviews are converted to a written version mentioning the original words and make sure that it can be connected to the background that positions the interview. As mentioned before, the analysis of qualitative data usually will begin as soon as the information is being gathered and will go on afterward (Saunders et al. 2009, 480-485).

The type of qualitative data varies, and a typical system to analyze them does not exist. None the less, it is feasible to organize data in condensation to summarize contents, categorization or grouping of connotations, and structuring or ordering of connotations by utilizing narrative. I intend to employ them independently or mixed in my research (Saunders et al. 2009, 490-493).

I will utilize data display and analysis, which makes use of data reduction (focus on individual data), data display that classifies information into matrices and grids, and

delineating and corroborating conclusions (Miles & Huberman, 1994, in Saunders et al. 2009, 503). I will utilize some matrices from Wheelen & Hunger (2012).

Additionally, I will use template analysis to process the data gathered from observations of the competitors' digital channels. A template is a listing of ranks that embody the topics exposed from the gathered data and are then coupled to units of information. Then data are coded and analyzed to spot and scrutinize topics, patterns, and associations (King, 2004 in Saunders et al. 2009, 505-508). The exploratory research from Straker et al. (2015) provides a useful and reliable template to execute this task. They carried out content analysis on digital channels of one hundred international companies.

Besides, I will make use of the narrative analysis of information obtained from in-depth interviews. Here, precision is less important than the suggestions that are made, and their attached symbolism that enlightens some issues like culture, organizational politics, etc. Therefore narratives give significance to facts but not necessarily always introduce facts (Gabriel & Griffiths in Saunders et al. 2009, 514). The analysis process of my research will make use of analytic aids like self-memos, summaries and my researcher's diary.

I used guided brainstorming by myself. Guided brainstorming is a session with restrictions of time and a chosen topic to supply ideas to a mind map, and this technique leads participants typically to identify the most accessible solutions that will produce the most significant results (Wikipedia, 2013)

Some of the qualitative information will be quantified, for example: from the benchmarking observations how many posts and, how many replies to consumer posts are made by the companies. Besides, some of the matrices require quantification for the listed factors. Scales provided by relevant previous studies and evaluations resulting from the group discussions will assist in this process.

As mentioned by Kvale, Miles & Huberman (Saunders et al. 2009, 491) those processes and aids will allow me to relate to the qualitative data to understand them. They will assist me to consolidate data from various drafts and transcriptions, spot crucial topics and patterns for additional exploration, create and try theories founded on the identified relationships and produce and corroborate conclusions.

4.5 Ethical issues

Following the recommendations of Bryman & Bell (2007), to prevent complications with ethical matters I will do the following:

1. Carry out appropriate recognition of the material of other authors.

2. I will try to maintain the uppermost objectivity for the duration of the research. It means to keep clarity in the communications, to avert representation of primary data in tendentious manners and to prevent any amplification of the objectives of the research.
3. To announce affiliations or possible cause of conflict of interest.
4. To preserve the anonymity of interviewees if they request it.
5. To allow the interviewees to refuse to take part in the research.

4.6 Validity

According to Saunders et al. (2009, 157) validity questions if the outcomes of my research are indeed what they seem to be reflecting.

I did a *triangulation* of the findings sometimes denominated “cross-check verification,” for the written documents and institutional reports. It means that information from two or more separate origins presents comparable outcomes (Patzner, 1996 in Saunders et al. 2009, 277). Concerning the information provided by the interviewees, they all have extensive experience, are very well versed in the topics to be researched and, have international exposure. The interviewees also represent different stakeholders of the diverse sectors that make up the coffee industry. It enhances the understanding of the context in which the Startup will be functioning.

Saunders et al. (2009, 158) refer to the generalizability of external validity, that is if my findings can be practiced in other organizations. It is not the case in this research since it is used in one particular enterprise, that is, the Startup. However, some parts of the study could provide a guide for other small companies.

The sample of competitors chosen for benchmarking will have very particular characteristics to make sure that they are comparable to the Startup. This list is provided by the CBI Report from the Dutch Ministry of Foreign affairs which is a trustworthy and up to date source. Since the data gathering is based on content analysis of the competitors’ digital channels, this will be complemented with relevant previous research on branding in SMEs (small and medium-sized enterprises) and interviews with one coffee entrepreneur in Finland. He was chosen for reasons of accessibility and similarity of market structure/customer profile with the Netherlands. Besides, it presents opportunities for future cooperation and market expansion.

Because I decided to carry out a qualitative research I have made sure that I include an ample and precise account of the research design and methods so that there will be a

logical link between the process and the results. Mainly, I followed the conceptual framework step by step to arrive at the outcomes.

Finally, the knowledge and expertise of the Startup partners in the iterative group discussions as data is being gathered and analyzed, enhances the overall validity of the study considerably.

4.7 Reliability

Easterby-Smith et al. (2002, in Saunders et al. 2009, 156) define reliability as the dependability of the conclusions obtained by my compilation techniques or analysis methods. To appraise it, the answer to these questions must be found:

1. Will the measures produce similar results in different moments and by different observers?

Concerning the pressing social and environmental issues of the coffee cultivation, they do not seem to be readily solved in the short term. Therefore this diagnosis will stay valid for a few years. Also, different institutions have produced similar reports. Concerning the three competitors, similar observations can be attained if the same measurement standards are used. However, it has to be taken into account the cross-sectional time horizon of this research. Meaning that the companies can take actions to change the present state of their digital channels.

2. Is there clarity in the way that interpretations from the raw data were made?

Concerning the transparency of interpretations of the raw data, the institutional reports about the coffee sector diagnosis were corroborated by one expert in the cultivation sector and one expert in the NGO's area. The semi-structured interviews with different stakeholders contained open-ended questions and questions related to different segments of the industry, to cross-check the themes and issues from various points of view.

Regarding the interpretations of the observations from the digital channels, the same system from a recent academic paper on digital channels was followed, and similar results were obtained. None the less, content analysis of this information has the constraint of being just depictive without the ability to disclose the concealed reasons for the detected patterns.

Notwithstanding, it can signal gaps or shortcomings in the competitors' channels that present opportunities to exploit by the Startup. Besides, an analysis of their customer reviews on social media channels was done to cross-check some of the findings. Also, some logic assumptions were made. For example, if a company does not mention its use of Direct Trade or the fair price they pay to the farmer, it can be safely assumed that the firm does not use those elements as part of its marketing strategy and communications.

5 Formulating the strategy

The empirical development will consist of the application of the structure obtained through literature review to formulate a strategy for the Startup. Once I have explained the main theories, I will continue to apply those frames to the coffee market and the Startup situation based on the collected secondary and primary data. The process I followed to formulate the Competitive Strategy for the Startup is depicted in the figure below.

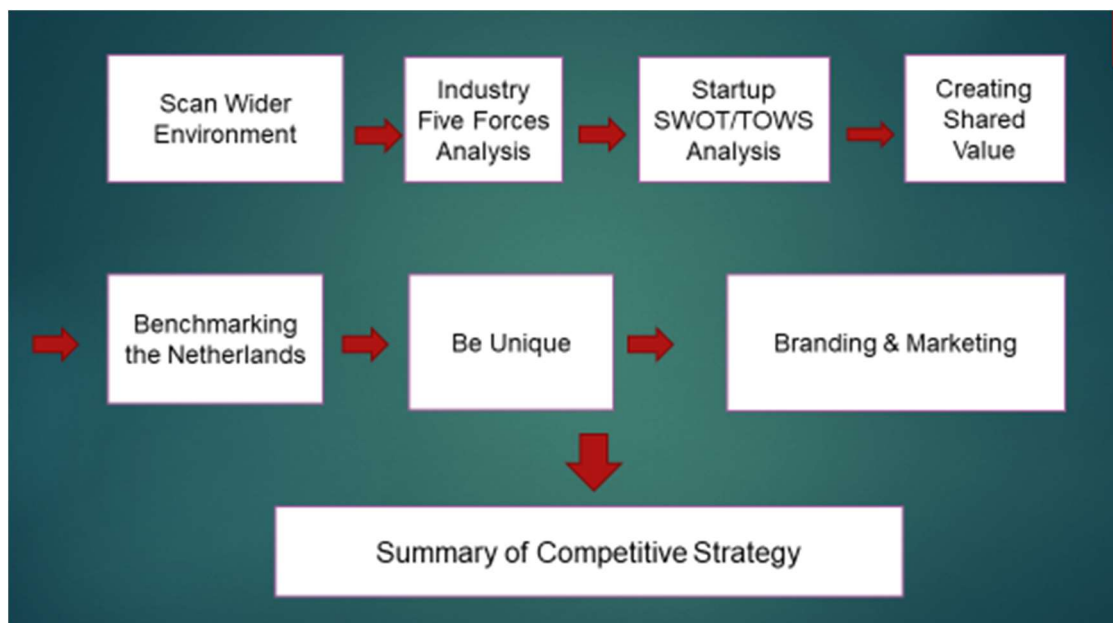


Figure 9. Empirical phase formulating the Strategy for the Startup

5.1 Scanning the wider environment

The majority of the information and statistics about the coffee market are obtained from recent studies and reports received from different trustworthy institutions like the World Bank, the International Coffee Organization, the European Union and the Dutch government among others. I will scan the Global Competitors, Market Changes, and PESTEL, also known as STEEP.

5.1.1 Global competitors

The World coffee market has a size of US\$81 billion according to the Global Coffee Report Magazine (2016). The world market is excessively concentrated, with two companies, Nestle and J.D. Egberts, comprising approximately 40% of the total retail market (Euro monitor, Statista. 2016). The world market share based on retail value is depicted in the figure below.

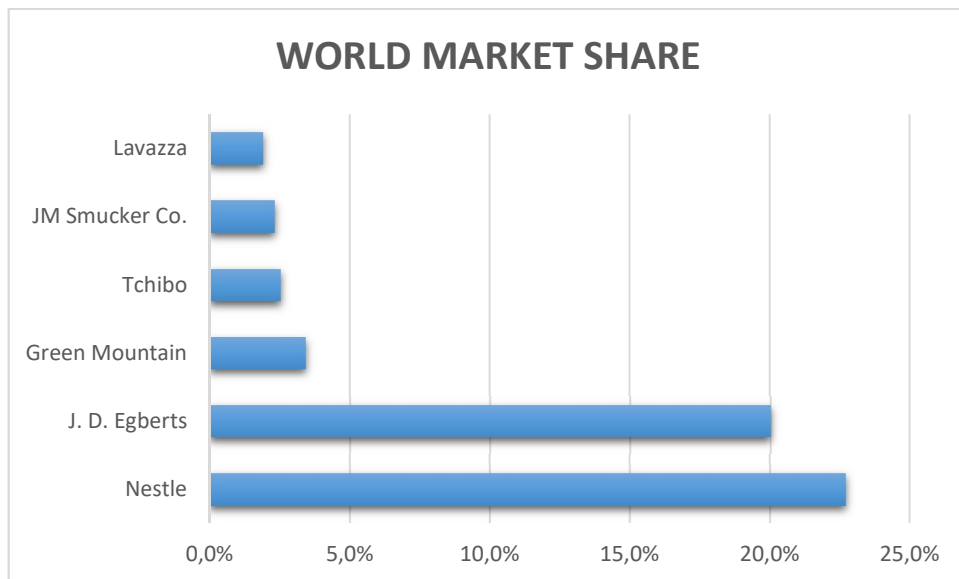


Figure 10. World coffee retail market share 2016 (Euromonitor, Statista)

The two giants Nestle and Douwe Egberts are involved in a fierce competition. Nestle has the most significant allocation of the global coffee market, and Douwe Egberts has stated its desire to become number one through continuous acquisitions. According to Global Coffee Report Magazine (2016), in this rivalry, Nestle could lose its position soon due to the increasing pressure from rivals.

Panhuyzen & Pierrot (2014, 22) in "Coffee Barometer" contend that the big companies acquire one or more types of guaranteed coffees, but for a part of them, this makes up just a tiny share of their entire coffee acquisitions. They concluded that there is significant room for improvement when the roaster's current commitments are measured against the volume of their activities.

Finally, Fair Trade Coffee Report (2012, 11) argues that coffee provides excellent value and handsome profits for many food corporations, but it is not the same for the coffee

farmers. The proportion of the retail coffee price that goes to the farmer has steadily diminished over the years.

5.1.2 Market changes

CBI Report the Netherlands Coffee (2016a, 7-8) points out that the demand for premium coffee is proliferating due to the escalation of educated consumers who are eager to pay more for better quality. Therefore, the specialty section is improving with a bigger selection of offers like single origin coffees. It contends that approximately 85 percent of the Dutch drink mainstream coffee. The other 15 percent is focused on gourmet coffee. It alleges that there is a growing trend of out-of-home drinking and many small businesses have opened in recent years. It reflects the sophistication of the coffee trend in the Netherlands. Besides, consumers are curious about the tale their cup of coffee has to tell and want to know about the source of the bean and how it was produced. Consumers go for authenticity and love uniqueness, for example, the region where the coffee comes from (Ibid).

Concerning market channels, CBI Report Coffee in the Netherlands (2016a, 13) states that besides supermarkets, the retail chain for coffee is made up of smaller supermarket groups, independent shops, and vendors which can also trade online.

The CBI Report Market information Coffee Trends (2016d, 2) contends that the specialty coffee market is encouraging the advent of the “micro-lot” directed to a very distinct niche offer. One event that demonstrates this trend is the “Cup of Excellence” which is the most prominent competition for high-quality coffees, hold by ACE, or Alliance for Coffee Excellence.

The growing specialization of coffee shops and baristas has produced signature coffee mixtures that are linked to the coffee origins. Additionally, exporters in developing countries are starting to create stories and brands to improve the marketing of their coffees. The report cites the following examples: Hawaii Kona, Top Kenya AA, Guatemalan Antiguas and Jamaican Blue Mountain Coffee (CBI Report 2016d, 2).

The coffee entrepreneur, Mr. Laukkanen, referred to the impact of the volcanic soils, closeness to fresh water and micro-climates on the quality of the product. it, in turn, provides an edge for the small farmers who are willing to associate with progressive coffee roasters interested in marketing those coffees directly.

5.1.3 STEEP

Wheelen & Hunger (2012, 118) refer to PESTEL analysis also as STEEP, an acronym for Socio-cultural, Technological, Environmental, Economic and Political-Legal factors.

SOCIO-CULTURAL FACTORS

The most relevant factors are that consumers demand sustainable sourcing that is traceable and transparent. Also, there is systemic poverty for coffee farmers and labor shortage.

Consumers demand sustainable sourcing, traceability, and transparency

According to CBI Report EU market Coffee Trends (2016d, 3), there is increasing pressure from the consumer for a sustainable supply of food and drinks. There are different labels like Fairtrade, Organic, 4C, UTZ certified, Rainforest Alliance, Coffee and Farmer Equity (C.A.F.E) Practices and Nespresso AAA.

Besides, there is growing demand from customers for traceability in the supply chain. Those issues refer to human health and also social and ecological matters. Direct trade offers an excellent solution for transparency, and it also helps to decrease expenses from extended supply chains. Besides certification, transparency of the supply chain is a benefit in the gourmet quality segment. It is essential to have a trackable, direct line between the producer and the consumer (Ibid).

The coffee entrepreneur, Mr. Laukkanen emphasized that is essential to eliminate the long line of brokers to make sure that the product is eco-friendly and that compensates the growers adequately. It would be much easier for the roaster to buy from big international traders but it would not be possible to trust their sourcing. Direct contact with the place and the community where the product grows is paramount to build credibility. It helps to create a network with vital contacts as well.

Craves (2008) in her article "fight poverty: quit drinking corporate coffee" states that coffee corporations secure low coffee prices through pressing the small producers to sell at lower prices. They impulse the consumption of low-quality robusta coffee and have invested millions of dollars in technologies to make this bitter sort drinkable. This variety of coffee requires further deforestation. Additionally, the author refers to an ICO comment that while low coffee prices increase corporate gains, it also pushes entire rural communities to the brink of extinction, escalating farmers' illegal migration, criminality, and illicit agricultural products.

Poverty for coffee farmers and systemic hand labor shortage

The Coffee Barometer report states that that small coffee farmers are responsible for about 70 percent of the production. Additionally, rural youth is not interested in staying in the coffee sector and dream of a different future. This expected shortage of labor poses a significant challenge for the future of the coffee production. Besides, the low-income families with modest coffee farms are particularly susceptible because of their dependency of this product, and they have very few other means to earn money (Panhuysen & Pierrot, 2014, 1).

The coffee entrepreneur Mr. Laukkanen mentioned that a fair compensation for the farmers according to their input and hazards they face, would be the perfect solution to assure that the consumers can continue enjoying their drink. Also, a feasible way to improve the farmers' income would be the cultivation of other products like nuts and bananas, which complement very well the coffee growing.

TECHNOLOGICAL FACTORS

Recent technological developments can be applied to the coffee cultivation. They are GPS, GIS and satellite imagery

GPS and GIS mapping technology available

CBI Report EU market Coffee Trends (2016d, 4) argues that innovation is influenced by demand for high-quality coffee and the need to decrease economic costs and environmental impact. The report contends that small changes in farming have great potential to augment yields and product quality.

Farmers now have mapping technology at their disposal like Geographical Position System (GPS), and Geographical Information Systems (GIS) and the prices are very reasonable. It is helpful information and management device for farmer's associations and cooperatives, especially for those that want to market their coffee under specific logos or appellations. This technology can also be powerful in coffee marketing. The information it provides, of where and how the coffee is cultivated helps to make it a lucrative gourmet coffee. It also tells about the specific environmental properties of the area. Producers can demonstrate why their coffee differs by showing this information in graphics. Consumers are even increasingly asking if the coffee was grown respecting the environment and that it indeed comes from a particular area or farm (ITC Coffee Exporters' Guide, 2012, 49).

Satellite imagery enables applying for carbon credits

Another aspect highlighted by the ITC Report (2012, 239) is the Green House Gas emissions (GHG). It contends that coffee farms don't produce significant quantities of

GHG emissions, but they could, however, contribute with specific actions to decrease carbon footprint. They have as well potential to augment the tree quantities and improve their income by gaining carbon credits, through the carbon withdrawal obtained by the added vegetation. This type of endeavour can be controlled by satellite imagery like google maps.

ENVIRONMENTAL FACTORS

The factors related to the environment in the coffee sector will be analyzed here, they are climate change and impact on the environment.

Climate change

The global coffee sector is bound to face significant threats derived from climate change. Extended droughts, climbing temperatures, and abundant precipitations make impossible to predict the coffee production levels. Increasing resilience to climate instability is the primary challenge for coffee growers. Smallholders cultivate most of the world's coffee, but for many, their capacity to prepare to climate variability is limited because they have little or no access to the necessary means, including technical aid (Panhuysen & Pierrot, 2014, 1-3).

Due to climate change, it is predicted that the land extensions for coffee growing are going to diminish significantly by 2020. Regardless of many initiatives in this respect, it does not seem to be a public perception of the criticality of the situation concerning consumption and production (CBI Report EU market Coffee Trends, 2016d, 4).

Impact on the environment

If the production shortage is to be accommodated by increasing the area to cultivate coffee, it will demand an increase of minimum one million hectares of land covered with forests. (Panhuysen & Pierrot, 2014, 22)

According to the coffee entrepreneur, Mr. Laukkanen, farmers should make use of shade trees which are also native trees from the region. It has several positive effects like increase in biodiversity, is friendly for birds, prevents erosion, and retains humidity. This kind of actions can be supported by the coffee roasters as well.

One important aspect of coffee cultivation is the water pollution caused by wet processing. This impact can be improved by using environmentally friendly technologies which usually need a collaboration of different stakeholders for its successful implementation like NGO's, farmers and traders (ICO, 2017)

ECONOMIC FACTORS

The Economic Factors relevant to the coffee sector price volatility, concentration in the retail sector, increase in coffee demand and economic confidence in the Netherlands.

Coffee price volatility

The CBI Report EU market Coffee Trends (2016d, 4-5) argues that the coffee high price volatility is systemic because of price speculation due to the reference price derived from New York and London coffee exchanges.

One solution is the direct trade, where coffee growers and buyers may agree on a price without using those exchanges (CBI 2016b, 4). The coffee entrepreneur, Mr. Laukkanen thinks that this way of trading offers many advantages like the flexibility to adapt to partners' needs, builds trust and more importantly, it encourages the farmer to improve the quality of the coffee continuously.

Concentration in retail sector

The consolidation of the retail segment through mergers and acquisitions in the Netherlands has promoted price wars between the supermarkets. (Ibid, 5).

Increase in coffee demand

The demand for coffee is forecasted to climb to 165 million bags by 2020 what points to a needed 15 percent escalation in green bean production per year. Therefore more land will be required for coffee growing, and it will have to come from forest-covered areas (Panhuysen & Pierrot, 2014, 22).

The United States Department of Agriculture, forecasts the 2016/2017 coffee production to have an increase compared to last year. The world demand is expected to reach a huge 153.3 million bags. It will bring the stocks to a 5-year low. The global exports are assumed to be lower than last year's record mainly because of smaller freights from Brazil, Vietnam, and Indonesia.

The coffee stocks are shown in the figure below, where it can be appreciated that the producing countries have diminishing quantities while the consuming nations have kept their levels in the mentioned period.

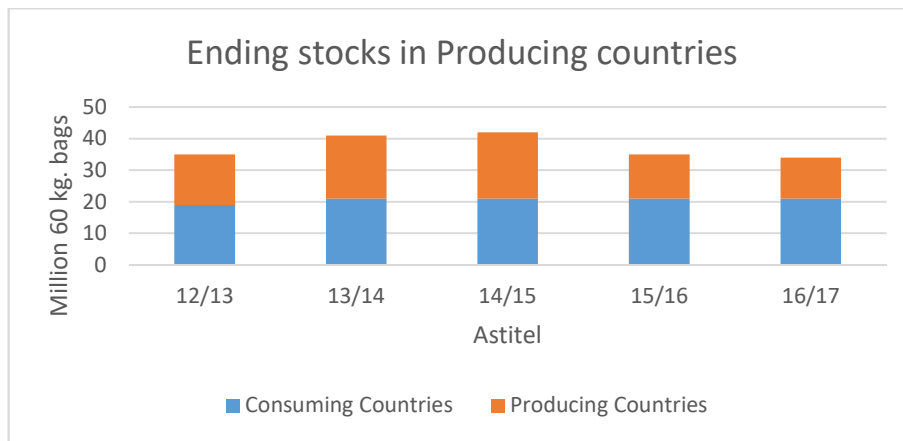


Figure 11. Ending Stocks in coffee producing countries (USDA, 2016)

Economic confidence in the Netherlands

The European Commission country report the Netherlands (2016, 1) points out that the economic recovery is firming thanks to a domestic demand growth. The growth in real GDP is expected to reach 2.0 % in 2017. Internal growth is forecasted to grow pushed by private consumption and investment. These last factors will be based on thriving economic confidence and wage rise.

POLITICAL AND LEGAL FACTORS

The Political and Legal Factors are sustainable initiatives, changes in EU tariffs and stricter environmental regulation.

Public and private partners in sustainable initiatives

There have been actions like the “Dutch Sustainable Trade Initiative” or IDH (Initiatief Duurzaam Handel) in the Dutch language. Their motto is: “there are two kinds of companies: those that sell sustainable products and those that will.” They are active in 11 sectors including coffee and aspire to increase the quantity of sustainable coffee in the Netherlands and the European market.

Changes in EU tariff system and stricter environmental regulations

CBI EU Market Information Coffee Report (2016d, 5) states that in January 2014, some adjustments were made to the EU Generalized System of Preferences (GSP). This system gives preferential import tariffs for products from some developing countries. Particularly important for the coffee market, coffee from Brazil will not anymore profit from this treatment.

The main factors identified through the screening of the competition, market changes and STEEP are illustrated in the table presented below.

Table 7. Summary of main factors' screening (Student)

Factor	Description
Competition	Corporate giants have 70% market share. A tiny portion of their procurements is certified/verified coffee. Smaller players have the other 30% market share in the Netherlands
Market changes	Demand for specialty coffee is multiplying. A more sophisticated consumer is interested in the story behind the coffee. The advent of single origin, "cup of excellence," "micro-lot," signature blend. Specialists selling online
Socio-cultural factors	Consumers demand sustainable supply, traceability, and transparency in the supply chain. Poverty for coffee farmers and systemic hand labor shortage
Technological factors	GPS and GIS mapping technology available and affordable for farmers and satellite imagery for getting carbon credits
Environmental factors	Climate change diminishes the land extensions suitable for coffee growing and produces price volatility. The impact on the environment by deforestation and water pollution.
Economic factors	Coffee price volatility, concentration in the retail sector, increase in coffee demand, the decrease in coffee stocks. Positive economic confidence in the Netherlands
Political-legal factors	Public and private partners in sustainable initiatives, EU tariff, preferred system not anymore favors Brazilian coffee. Stricter environmental regulations.

Wheelen & Hunger (2012, 109) suggest the creation of an Issues Priority Matrix, where the main factors are appraised according to their estimated impact on the Startup. It assists in scrutinizing trends in the external environment. It is presented in Appendix 2.

5.2 Five forces analysis of the coffee industry

I will present a description of the five forces. It is important to note that often the factors that influence the market in the Netherlands will be similar to those acting at a global level.

5.2.1 Rivalry among existing competitors

Here I will analyze the existing Dutch competitors, the intensity of interaction among them and the basis on which they compete.

Dutch competitors.

The size of the coffee market in the Netherlands is valued at roughly US\$1.7 billion and is expected to reach US\$1.9 by 2020 with an average annual growth of around 4% (Statista 2017). The leading brands in the coffee market in the Netherlands are:

- Douwe Egberts
- Max Havelaar Foundation
- Nestle S.A.
- Illycaffè.
- Own Label (Supermarkets)
- Others

The coffee market is very competitive, especially in the mainstream segment. About 70% of revenues corresponds to giants like J.D. Egberts and Nestle. The other 30% corresponds to small coffee companies (CBI Coffee Report, 2016b, 3). This distribution is shown in the figure below.

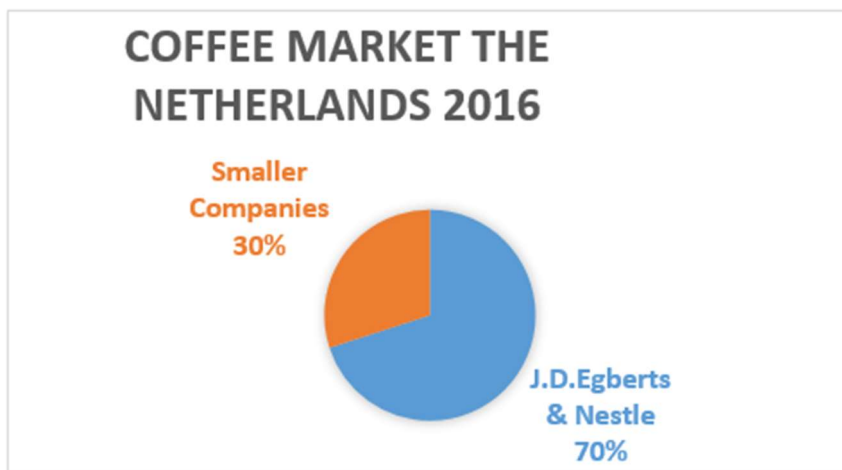


Figure 12. Coffee Market the Netherlands (CBI Coffee Report, 2016b)

The dominant position of Douwe Egberts is starting to get challenged by rival brands. The coffee market in the Netherlands is expected to show a slight growth for mainstream coffee and more demand for premium coffee (Euromonitor, Coffee in the Netherlands Report 2016).

In spite of the stiff competition, there are possibilities for smaller firms in the market for gourmet coffee (CBI, 2016b, 3). The Startup intends thus to compete in this minor segment of 30 % of the market, where smaller companies are located.

Porter's method to evaluate the strength of rivalry, recommends first to study the intensity of interaction among competitors and then, the basis in which firms battle, will have to be described.

Intensity of Interaction among competitors in the Dutch market

The next factors have to be considered:

1. As already showed above, the market is highly concentrated with 70% share owned by the giants and only 30% left to smaller competitors. The big competitors have similar power.
2. The industry for mainstream coffee grows slowly
3. The barriers to leave are high due the significant investment required in roasting machinery
4. Rivals are devoted to the business and aim to become leaders

According to the factors mentioned above, the intensity of interaction among competitors could be considered as high. However, the power of the supermarkets can counteract it and keep balance. Therefore I estimate it as moderate to high.

Basis in which the competitors battle

For the mainstream coffee, the big corporations battle on the grounds of low prices and marketing activities (ITC Coffee Exporter's guide, 2012, 28-29). In the high-end segment, there is product innovation related to the coffee pods for single serving used with sophisticated coffee equipment. As a conclusion, the intensity of rivalry is moderate to high.

5.2.2 The threat of entry

Here I analyze the entry barriers and the likely power of retaliation.

Entry barriers.

The main barriers to new entrants that are favorable to the present competitors are supply-side economies of scale, investment requirements, incumbency advantage regardless of size and uneven access to distribution (ITC, Coffee Exporter's guide, 2012, 29). Based on those reasons, the threat of new entrants is low.

Estimation of the power of retaliation.

Some of the signals to do this evaluation are present in the Dutch market like current competitors have reacted aggressively to new entrants in the past, they also have significant resources at their disposal and are willing to decrease prices, and, the industry is forecasted to grow slower for mainstream coffee. It can be estimated as high.

As a conclusion, taking into account the appraisal of the entry barriers and the foreseen power of retaliation, the threat of entry is low. Therefore the firm that would like to enter this market has to find out a way to avoid those entry barriers without damaging the potential earnings of competing in this new industry.

5.2.3 The power of suppliers

There are three leading producers of coffee in the world namely, Brazil, Vietnam, and Colombia, in that order. Brazil produces more or less one-third of the world's coffee. Brazil together with Vietnam provides about half of the coffee in the world. Colombia is located in the third place with 14% (ICO, 2016). It can be observed in the figure below.

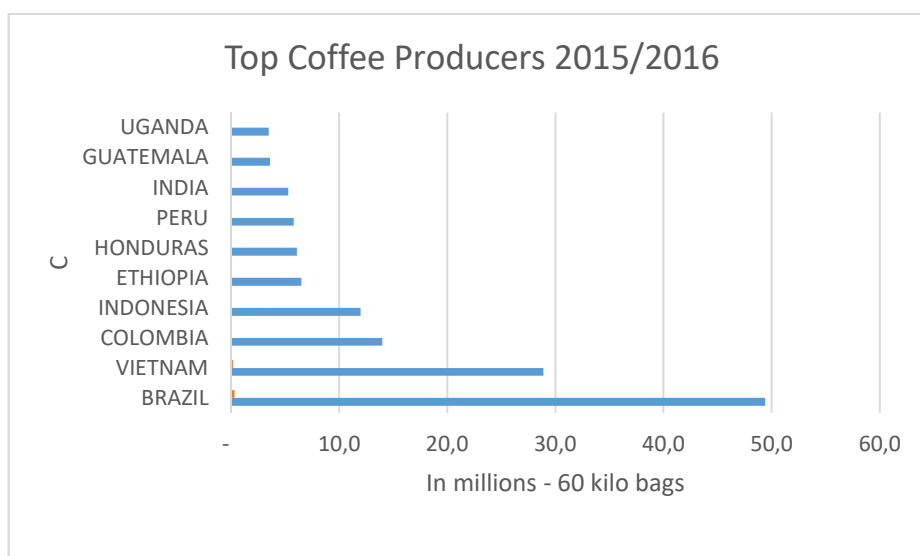


Figure 13. Top Coffee Producers (ICO)

Notwithstanding, some 125 million people globally lean on coffee for their income, and 25 million smallholders cultivate 80% of all the coffee in the world. Finally, it is important to note that coffee farmers only get between 7%-10% of the price of the product sold in supermarkets. (Fairtrade Coffee Report, 2012, 2). Small farmers who do not belong to producer associations have little power on the negotiation table to obtain a better price (Ibid, 12).

I will analyze the following matters to estimate the position of the coffee suppliers:

1. The group of suppliers has a higher concentration than the industry it supplies. The answer is no. Because there are 25 million smallholders that produce 80% of the world coffee.
2. Its source of income is not concentrated in this industry. The answer is no. Usually, the coffee growers don't diversify their crops, even though in recent years there has been a growing trend to cultivate other products.
3. If present players in the industry want to find alternative suppliers, they will have to assimilate switching costs. The answer is again no. It is effortless for the roasters who buy mainstream coffee to buy from the farmer who offers lower prices.
4. Suppliers' products are differentiated. It is not the case for mainstream coffee. This point is partially explained in numeral three above.
5. The supplier's product/service does have substitutes. For roasters, there is no substitute for coffee. But of course, they intend to buy from the cheapest sources, crunching in this way the price they offer to the farmer.
6. The supplier group is in the position of doing forward integration. This probability is very low since the supplier group is highly segmented and many farmers don't even have at their disposal data about prices and markets (Fair Trade Coffee Report, 2012, 12).

As a conclusion, the Power of Suppliers is weak.

5.2.4 The power of buyers

To analyze buyers, I will define them as the final coffee consumers. The relevant factors for this specific group are:

1. The Industry products are not differentiated

In general, for the mainstream coffee market, the products offered to the final consumers in the retail shops are distinguished by brand, but the price sensitivity is high, meaning that if the price gets out of certain range, consumers are willing to change to cheaper brands. Price is undoubtedly essential in the lower income segments (ITC Coffee Exporter's guide, 2012, 203).

2. Clients have to deal with low switching costs if they change vendors.

Buyers can quickly switch brands but of course up to a point since the supply side is consolidated in a few multinational companies.

On the one hand, the power of buyers is high, but it has to be taken into account that the market is highly concentrated from the supply side and this limits the ability of buyers. As a conclusion, the Power of Buyers is low to medium.

5.2.5 The threat of substitutes

The ITC Coffee Exporter's guide (2012, 28) claims that there is competition from other drinks, for example in the United States the percentage of the population consuming soft drinks in 1975 was 48%, and in 2011 it went up to 58%. The last thirty years soft drinks have gained popularity particularly among the younger generations, and this has affected the consumption of coffee. This trend has however changed recently with the advent of American-style coffee bars, demonstrating that the demand side of drinks is highly dynamic (Ibid).

Herbal teas, mineral water, and fruit juices are some of the substitutes for coffee. Also, energy refreshments and cola drinks constitute potential replacements. Price is a significant factor in favor of alternative drinks, but also publicity focused on adverse health effects of caffeine (Ibid).

Finally, the Global Coffee Report Magazine (December 2016) states that the coffee industry is starting to enter the growing market of coffee as "functional food," defined as those that possess positive health effects or other wanted properties. One example is to add ginseng, protein or more caffeine. In this way, coffee also counteracts the threat of substitutes. As a conclusion, it is estimated to be low to medium.

Summary of the five forces analysis for the coffee market

After analyzing the information given above, the five forces can be summarized as follows:

1. The rivalry between present competitors is moderate to high, and it is related to price and marketing activities
2. The threat of entry is low because economies of scale are required, high investment in marketing activities, uneven passage to distribution channels and the expected power of retaliation is high.
3. Power of suppliers is weak because the grower's sector is highly fragmented and has poor access to information and technology
4. Power of buyers is low to medium because, on one hand, they are sensitive to price but on the other hand, the supply sector is highly concentrated
5. The threat of substitutes is small to medium because there are many alternative products at a similar price and the youth is willing to try innovative beverages.

Notwithstanding, there is a spreading movement toward the American-style coffee bars and the new uses of coffee as “functional food”. Finally, if the consumer just wants to drink coffee, then there is nothing else that can replace it.

The five forces synthesis for the coffee market in the Netherland is depicted in the figure below.

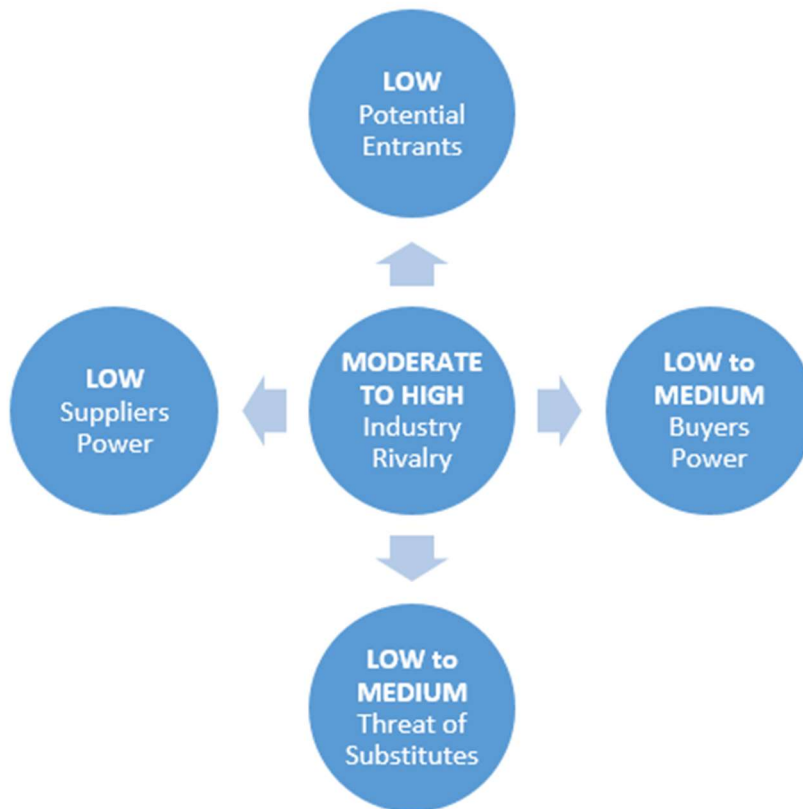


Figure 14. The Five Competitive Forces coffee market in the Netherlands (Student)

The multinationals that dominate the retail area are competing on a shoulder to shoulder fight, and this makes the industry unattractive to potential new competitors if they want to fight based on the traditional success factors.

Douwe Egberts and Nestle have similar projects for creating shared value initiatives. The results of those corporate responsibility programs can be judged by different reports like Wegner (2012, 3) which states that the majority of firms progressively intend to participate in certification programs, but it is not apparent what the real effect on growers' subsistence is. Besides, to get a real increase in sustainable production, it is necessary to work on the application of standards, to boost farmer's availability of financial resources, increment yields and reduce the climate change impact (Ibid).

I believe that the present market situation is slowly starting to change due to pressing factors like increasing consumer's awareness of environmental and social factors affecting the production of coffee. Also, regulations from governments are strengthening concerning ethical issues and human rights embedded in the coffee production.

As a conclusion from Porter's five forces analysis of the coffee industry in the Netherlands, if a small company wants to enter the market it has to find a niche position that will capitalize on the emerging trends.

5.3 Startup SWOT analysis

I will summarize observations from the Startup's weaknesses and strengths and append them with recognized opportunities and threats. The internal and external review and appraisal of scores make use of my experience and that from the Startup partners, insights arose from interviews with the coffee farmer, NGOs' expert and one coffee entrepreneur and, literature review of publications and recent statistics as well.

5.3.1 Strengths and weaknesses

Following Wheelen & Hunger (2012, 164), I will monitor the Startup's internal situation to establish its main strengths and weaknesses.

Strengths

They refer to the Startup's particular resources, capabilities, and competencies. The process will be done by using the resource-based view framework (Johnson et al. 2008, 101-107). If the specific item fulfills those conditions, it can be considered to give strategic advantage to a company and therefore, to be a strength

1. Value: Does it yield customer value?
2. Rarity: Do not other rivals have it?
3. Imitability: Is it expensive for other enterprises to imitate?
4. Non-substitutability: Is there a risk that it can be substituted by mechanization or other market development?

I continue the analysis according to Jurevicius (2013), for the strengths, it is identified which activities the Startup does or has that aggregate more value than the competition. The listed factors are considered to fulfill the four criteria from the framework explained above even if it is only supposed to be temporary.

1. Key network relationships

The Startup has access to a grower's association in Colombia. It is not easy to build a long-term trust relationship because of geographical distance, language and culture barriers. The president of the cooperative wants the buyer to have a face. The origin of the coffee adds significant value to the product due to the microclimate that produces exceptional coffee in the "San Jose" region. Also country of origin great image. Then, the Startup has NGO's and other agencies' connections. It will facilitate the support and coaching to the farmers in different fronts. They will add credibility to the brand. Besides, there is access to retailers in high-end restaurants and cafes and food fairs/events, through an ex-Heinkenen executive.

2. Staff's knowledge and experience

The Startup can profit from many years of commercial experience in retail in beverages in the Netherlands through an ex-Heineken Marketing and Sales executive. Sufficient experience in Management and Logistics through an ex-Nokia executive, as well. A Multicultural person who will be the liaison with the grower's association. Besides, many years of experience in the NGOs sector through one expert on a consultancy basis.

3. Flexibility

Due to the small size and also the possibility to start from zero as the challenging new entrant.

4. Cheap storage facilities

The Startup will have access to a low-cost storage facility which is strategically located in the Netherlands, with easy access to the main cities.

Weaknesses

The weaknesses are defined as those elements that decrease value to what the Startup has to offer. I will then, do a screening focused on the features that could be enhanced or approximated to those of the competition (Jurevicius 2013).

1. Limited resources

If we compare the Startup to the giants of the industry, it is easy to see how small the enterprise is.

2. Limited personnel

The Startup will initially count on three people to execute all its activities.

The resulting IFAS Table (Internal Factors) for the Startup can be seen in Appendix 3, based on Wheelen & Hunger (2012, 164).

5.3.2 Opportunities and threats

I made a synthesis of External Factors or EFAS as suggested by Wheelen & Hunger (2012, 126). It is based on the Issues Priority Matrix by way of choosing those factors that are estimated to have the most significant impact on the Startup. This table can be seen in Appendix 4, to classify the identified external factors into opportunities and threats and to scrutinize how the Startup will be able to respond to them.

Opportunities

They are circumstances that can provide a competitive advantage or add value to the Startup's offer.

1. The consumer is demanding responsible sourcing because they are becoming aware of coffee cultivation concerns.
2. Consumer taste sophistication because consumers are increasingly learning and experimenting.
3. Some technology development which is affordable and useful.

Threats

They are adverse circumstances that can negatively affect the Startup. It is necessary then to counteract them or bypass them.

1. More small players are entering the market. The Startup has to work on strengthening entry barriers and increasing its differentiation.
2. Climate change can affect production if extreme changes occur.

Following Rothaermel (2012, 207-208), I will use this SWOT analysis as a basis for designing strategies where the Startup's capabilities, competencies, and resources are congruent with the industry structure where the Startup is embedded. To conclude, I would like to point out that the Startup can achieve success by surveying environment, understanding where the sector is heading to and locating itself in a favorable position.

5.3.3 Generating alternative strategies with a TOWS matrix

To produce a TOWS matrix, first a prioritized SWOT analysis will be done to determine the most vital elements from all factors, and it is called SFAS or Strategic Factors Analysis Summary as indicated by Wheelen & Hunger (2012, 176). It will be based on the largest-weighted internal factors and external factors. The SFAS Matrix for the Startup is depicted

in Appendix 5. The TOWS Matrix is an alternative denomination for SWOT matrix. Here I will couple the external opportunities and threats with the Startup's internal weaknesses and strengths to produce plausible strategic alternatives (Wheelen & Hunger, 2012, 182-183). The TOWS matrix for the Startup is shown in the table below.

Table 8. Wehrich TOWX matrix for the Startup (Student based on Wheelen & Hunger, 2012, 182)

Internal Factors =>	Strengths	Weaknesses
Internal Factors => Strength Area	S1. Key network relationships. S2. Staff knowledge & experience	W1. Limited financial resources
External Factors V		
Opportunities O1. Consumer sophistication O2. Consumer demanding responsible sourcing	S1 – O1 & O2 Utilize access to farmers' association, excellent coffee quality to bring it to eager consumers, under sustainable terms.	W1- O1 Small size makes the Startup responsive and adaptable, "challenger brand" can look from outside at the gaps in the market. Find the "sweet spot."
Threats T1. More small players entering the market	S2 – T1 Staff knowledge to strengthen entry barriers by using Branding, Virtual Community and Experiential Marketing of coffee	W1 – T1 Outsource minor activities and cooperate with competitors

The four alternatives I found out in the TOWS matrix for the Startup can complement each other and not necessarily cancel each other out. It means that I am going to incorporate them into one single strategy.

5.4 Creating shared value (CSV)

In their report "Coffee Barometer" Panhuysen & Pierrot (2014, 22) conclude that the pressing urgency to protect the subsistence of coffee growers is in line with the actions needed to counteract climate change. It seems that the majority of steps necessary to adapt to climate change would complement required sustainability advancements in the

coffee sector. Some of the actions are the introduction to improved farm management, access to new markets, more financial resources, the use of more efficient ways to obtain information on weather forecast and prices, and modern technology. I apply then this diagnosis to the shared value layers (Porter, 2013,4) as follows:

Redefining needs, products, and customers

The Startup aims to devote effort to clients who are not being served or are not rightly served. It means to bring an ever-increasing quality coffee to the consumer taking care that the social and the environmental factors are justly rewarded to assure sustainability.

The focus will be on offering micro-lots, single origin and single estate, the creation of signature mixes, and last but not least to take advantage of a cupping score already above 80. The start up will inform the clients about the origins, the way their coffee was cultivated, the stories and adventures behind it. The critical element here is transparency because consumers need to be sure that the Startup is creating shared value.

Reevaluating productivity in the value chain

It includes using the mechanism of direct trade and the win-win relationship with coffee farmers and strategic allies.

The specialty coffee is a win-win solution, meaning that the quality of life concurs with the quality of the coffee. In this scenario, the narrative will be centered on artisan methods together with a less regularized avenue to social and ecological betterment. Specialty coffee vendors, NGO agencies, and their partners advocate the idea that specialty products like coffee have a considerable potential to enact market-oriented formulas to solve poverty in agricultural areas. The idea is that consumers will pay higher prices for exceptional quality coffee. The farmers will receive besides higher prices for their product also roaster-promoted programs, and development agencies will contribute to certification schemes and with a win-win narrative with their buyer's web (Davis, 2013, 281-282)

CBI (2016b, 4) states that direct trade is an optimal alternative for growers to directly supply to small coffee entrepreneurs because it can fetch better prices compared to mainstream coffee and it is explicitly focused on outstanding quality.

Mr. Laukkanen, the coffee entrepreneur, emphasized in the interview that direct trade is significant if a company wants to have control on the quality of the coffee, the way it is cultivated and harvested and make sure that the farmers are justly rewarded. In other words, to ensure the quality of the product and transparency in the value chain. He practices it in his company.

Promoting progress in the local business environment

In concrete, the Startup will facilitate that the farmer's association will have better access to farm management, more markets, additional financial resources, and technology.

In my visit to the Colombian coffee region, I interviewed Mrs. Olga Bustamante, a highly educated Colombian lady who has worked and lived in different countries. She has many years of experience working for United Nations organizations. She took an early retirement and went back to her home country to run her family small coffee farm. Slowly but surely she got very involved in the local community and became the president of the local coffee farmers' association.

Mrs. Bustamante is an expert in the coffee cultivation since she grew up in the region, her family has grown coffee for generations, and she has training in coffee tasting and cupping. She is very interested in sustainability and has been experimenting with original methods that respect the environment, increase the farmer's income and, enhance the quality of the coffee. She also assists regularly to international coffee events and fairs.

Mrs. Bustamante told me that with assistance from local universities they intend to get the environmental impact studies and financial calculations to build a regional processing plant. By making the processing plant, all members can bring their harvest to be centrally processed. This approach will seek to diminish the Impact on the environment and, to find by-products from the waste that can improve the financial gains.

This Association is also looking for NGO's and international aid agents who would be interested in contributing to the project. Mrs. Bustamante expressed her desire to find a coffee entrepreneur who would be willing to invest in a long-term commitment to market the region's excellent coffee.

The NGOs expert suggested the following Dutch institutions that could finance the construction of the coffee processing plant: Cordaid, that has projects in Latin America, Stichting Doen, Oikocredit for loans and RVO that cooperates in these kinds of environmental projects. A cooperation liaison among the socially responsible coffee roaster, the farmers' association, and these Institutions could bear its fruits and have great appeal to the consumers as well.

One of the main environmental concerns from coffee growing is water pollution; here I would like to cite Salomon, who points out that the impact of wet coffee processing can be significantly diminished by appropriate waste-water treatment and decrease the consumption of water as well (in Viere et al. 2011, 29).

Concerning the social value, the concept of direct trade (DT) offers a solution for a dependable source of high-quality coffee which also tries to deal with sustainability issues

of the coffee production. Direct trade provides an alternative to roasters wanting to deviate from the traditional way of sourcing coffees in a “nameless” fashion. One crucial aspect is differentiation through a qualitatively improved product. The story and the details where the coffee comes from and the betterment for the farmers that are connected directly to boutique coffee, upgrade the perceived value by the customer (Watts, G. 2013- 121-123).

The approaches for success in the sector evolve rapidly because of a more differentiated coffee consumption. Roasters require that farmers work hard on producing the best possible quality coffee and farmers expect roasters to provide funding, forge markets for their coffee and educate consumers about the fact a higher price is necessary to improve quality and sustainability (Ibid, 127)

To conclude, I consider essential to cite ICO (2017) in “Developing a Sustainable Coffee Economy” which states that it is crucial that the coffee production complies with environmental requirements to establish sustainability. It is also vital that the economic domain promotes acceptable living conditions for the communities related to coffee production and secure the preservation of quality.

5.5 Benchmarking competitors in the Netherlands

I consider that a good source is the CBI Report Exporting Coffee to the Netherlands (2016a, 8) where they suggest three excellent representatives of the profile of smaller roasters in the Netherlands. They are:

1. Bocca
2. Espresso Fabriek
3. Brand Meesters

I obtained this information through companies’ websites and c the chamber of commerce in the Netherlands. I decided to do it in two batches: the first one comprises general information to delineate a profile from the firms and the second one focuses on their use of the digital channels.

5.5.1 Company profile

In the first batch of information, I gathered data about the seniority of the company, size, product and prices, sales channels and if they use fair-trade or direct trade and some form of creating shared value (CSV). The results are summarized in a table in Appendix 6.

Concerning the profile of the three small roasters analyzed there are common elements and differences.

Common elements

- Seniority 15-20 years
- Countries of origin 7-10 including Colombia
- Single origins all three firms have them, but they do not provide single state and micro-lots
- They all offer B2B sales and own a coffee shop
- sell coffee online
- Prices range between €28-60 per kilo
- Their storytelling is very limited and static
- Two of them have a motto like “the brotherhood” from Bocca and “Pioneer in Espresso Business” for Brand Meesters

Differences

I found out that only Bocca mentioned the use of direct trade and uses creating shared value (CSV) through a small pilot program called “Red cherry operation” to improve coffee quality and therefore be able to fetch a higher price for the coffee.

The other two companies do not mention direct trade or CSV. Therefore, I assume they are not focusing their strategy on those concepts. Some of their coffees are certified but not the majority of them.

5.5.2 Company use of internet channels

For the second batch of information, I focused on the internet channels like website, blog, and friendliness to navigate. Also which social media channels they utilize, if they take advantage of integrated marketing communication (IMC) and use of a blog.

Finally, I controlled if they incorporate experiential branding in the internet channels, the strength of virtual community and the inclusion of storytelling factor. The results are shown in Appendix 7.

For evaluating the gathered data, I used as a model the framework presented by Straker et al. (2015, 119) where they define a channel as active when the company generates two posts per day and, every post to site comments are answered by the company. For the other factors, a scale was produced together with the Startup partners.

My findings in the analysis of the competitors’ use of digital channels are consistent with those presented by Straker et al. (2015, Ibid). The majority of firms are producing posts three to four times per week but without relating to customer comments to the posts or

reply to posts to the company's comments. Also, many firms designed a profile at the majority of the social touch points, but without providing interconnection and continuous activity (Ibid).

The conclusions about the use of internet channels are:

- All three competitors have state-of-the-art web pages
- All of them have presence in three or more social media channels, and two of them have a mobile application
- The number of followers or "likes" in the different channels varies from 49 to 4.998. The strongest is without doubt Bocca with 4.998 followers on Facebook.
- Only Bocca has a Blog
- The integrated marketing communication is medium for Bocca and low for the other two companies. It refers to the efficiency and effectiveness of the way the web is designed so that each channel has a specific function and appropriate content according to their purpose. Also, the easiness to move among channels and the maintenance/activeness of the company in each one of the channels.
- There is no evidence of the use of strategic alliances or coo-petition
- Experiential branding incorporated in the channels is limited
- The strength of the virtual community is weak. It was measured by checking the frequency of company generated posts and interaction level with consumers. Also, the dates that changes and updates were posted by the company. Finally, the number of consumers' posts and contents was low in some of the channels.
- All of them have only Dutch language on the website.

5.5.3 Conclusions about competitors

According to the above analysis, I conclude that the most direct competitor for the Startup would be Bocca because it is the only one that mentions direct trade and shows some degree of creating shared value (CSV) by the mention of a program to support farmers.

I found out that the navigation in the three competitors' channels was not optimized because it was not always possible to go back to the company website for example. Often the same contents were posted on all the channels and sometimes the update was from long time ago. In general, my observations agree with the findings of Straker et al. (2015, 119), who contend that about 56% of enterprises possess one or more social touch points that were inactive or where not so much activity was observed.

The three companies have a rather ample number of followers in some of the channels, but the customers' activity is very limited or inexistent. It means that the quality of the audience is low in spite of the quantity being high. I believe the explanation as noted by Gunelius (2015) lies in the fact that the firms do not have a consistent and active presence in the digital channels which leads to low loyalty.

Also, I conducted an analysis of the competitors' customer reviews for 2017, and the comments are in the majority referring to the quality of the coffee, only one mentioned "passion," and one referred to "the story" from a total of 41 comments.

On a group discussion with the other two partners of the Startup, we chose the factors in which the Startup is stronger and can take advantage of opportunities as well. Values were assigned from 0-100 according to the profile and evaluation of channels presented above. The rates were given in an intuitive way taking into account our experience and the findings of Straker et al. (2015). A table with the values scale can be found in Appendix 8.

The Strategic Profile Canvas of the three competitors can be appreciated in the figure below.

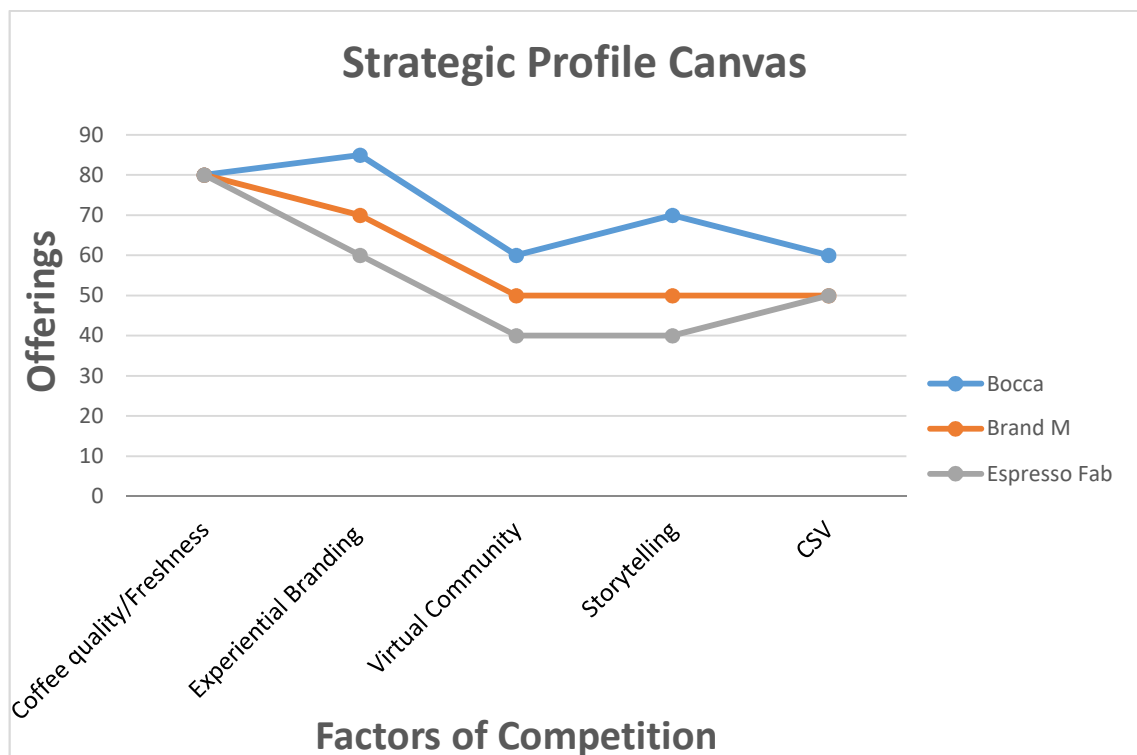


Figure 15. Strategic Profile Dutch Competitors (Student based on Kim & Mauborgne, 2002)

Then, I will then use this information to find a way for the Startup to be “Unique” in line with the recommendations from Magretta (2011).

5.6 Competition to be unique

After doing the benchmarking with the three typical small roasters from the Dutch market, I concluded that:

- They concentrate on the quality of the coffee and the artisan methods as their primary sales argument
- A critical element of their marketing strategy is the coffee shop “Starbucks style.”
- Because they are small companies with limited resources, they concentrate their capabilities in the coffee shop. Therefore, their online store gets less attention
- Only Bocca mentions direct trade (DT) and creating shared value (CSV) through the “Red cherry project,” which is just a pilot project and not generalized to the whole company operation
- None of them are displaying the price they are paying to the farmer.
- There is no evidence of alliances or “coo-petition.”
- Storytelling is limited, only Bocca tells about their origins and the “brotherhood.”
- Experiential branding is mainly focused on the coffee shop ambiance and the artisan methods. Not so much is told about the places and farmers who cultivated the coffee.
- There is no high level of integrated marketing communication (IMC) because the same contents are just posted in the different channels without evidence of each channel having a specialized function with appropriate material. Moving among channels forward/backward is not always smooth.

After this analysis I decided to create value distinctly from the competitors, this is called the unique value proposition.

5.6.1 The value proposition

The value proposition for the Startup can be summarized as gourmet coffee that supports farmer and environment, for the coffee connoisseur interested in the exotic and adventurous.

I refer here to Oksanen et al. (2012, 16) to the increasing demand for more refined enjoyments. The offering will link the secure and domestic with the sensuous and unusual

The Startup partners suggested that Dutch people are inquisitive, feel attracted to exotic cultures and foods and love adventures. The use of the virtual community will facilitate the generation of cherished moments, the customers will tell anecdotes through the coffee and will be emotionally attached to the community that is trying to improve the world.

The interviewee Mr. Laukkanen mentioned that it is crucial to have a clear value proposition. He emphasized that factors like direct trade, coffee origins and their contribution to social and environmental factors significantly enhance the value perceived by consumers in present times.

Then, the critical aspects recommended by Gallup Research (2017) to fully engage customers will be working for the Startup as follows:

1. the Startup has to be genuine and transparent with its “creating shared value” and maintain the good quality of the coffee as well
2. The customer will feel proud to be a client of the Startup because he/she is making a real difference in “coffee land” with his/her consumption
3. The customer will enjoy to be part of a community that is experimenting with a novelty model to grow sustainable coffee in exotic places

5.6.2 Tailored value chain

Here I will describe the set of activities that will enable the Startup to deliver the value proposition. The way those events are interconnected assures that there will be synergy among them, given the fact that the firm has a limited availability of resources.

Direct trade

The Startup intends to make use of direct trade to provide traceability and transparency in the supply chain. Coffee passes through three to six intermediaries, and the brokers in the supply chain prefer not to identify their sources. Thus, many coffees are “anonymous” when they arrive at the consumer. In this order of ideas, it is impossible for the roaster to claim that these products are cultivated sustainably and to tell what portion of the final price was given to the farmer. It is also difficult to market the product when it is not known how and where the grain was cultivated. A correct use of direct trade offers a solution to the present situation of the coffee sector. The coffee industry has been devouring itself from the base up for a long time producing a malfunctioning economy that abashes quality in the coffee, keeps farmers in poverty and forces them to abuse the environment (Watts, G. 2013, 125-127)

Split profits with the farmer

Often the farmer gets a much smaller part of the final price that would be fair according to the effort and risks that he/she had to undergo to get a good harvest. The relationship between the coffee quality and the farmer who produced it is not clear because there are inefficiencies in the supply chain and these chains are often too long (Watts, G. 2013, 125-127). The Startup is willing to split the profits with the farmer and work in close collaboration with him/her to continually improve the quality of the coffee, promote sound land management and, improved living conditions for the farmer. A system can be devised to implement a tiered pricing system where a standard is defined, and then cumulative fractions will be paid for coffees that surpass that level (Watts, G. 2013, 125-127).

Cooperate with stakeholders

Initially, it will be directed to the Dutch NGOs that are often looking for projects to support, which fit into their guidelines and regions. There is also the opportunity to supply high-end restaurants and coffee shops in Amsterdam. The Startup intends to be a “coo-petitor” to work in sync with different stakeholders.

Make use of the social media channels potential

Since the Startup does not have a physical shop, it can direct its resources towards taking advantage of all the potential the social media channels offer in present times. In this way, it is possible to make use of storytelling, build an active community and enable experiential branding. As stated by Aaker (2002, 2009) there can be more efficient venues to bring the message to the consumers than expensive publicity.

Accept the trade-offs

Finally, the Startup must undertake trade-offs. Some of the activities the Startup will not be doing are no physical location like a coffee shop and only coffee from Colombia. There will not be an offering of specialized coffee machines, courses or training, and other products like tea or chocolate.

5.6.3 Strategic profile for the Startup

I will use the framework proposed by Kim & Mauborgne (2002) to define the Startup's strategy: Focus, Divergence and a Compelling Tagline.

Focus

The conceptual framework implies that the Startup has to focus on one standing out factor. It will be creating shared value (CSV) which has to be genuine and transparent.

The Startup will be “the company” that demonstrates that it is possible to produce exceptional quality coffee splitting profits with the farmer and preserving the environment for future generations. The Startup resources will be concentrated in specific areas to excel at those few factors chosen to compete on. It means the funds will be directed toward excelling at maintaining a healthy virtual community through experiential branding and storytelling. Those three activities will be facilitators and enhancers to convey the message, because if the message does not reach the consumer, then the creating shared value will be rendered useless.

The NGO’s expert agreed that the CSV is a significant trend that is here to stay and that firms should take them into account when they elaborate their business strategies.

Divergence

The value curve of the Startup will deviate because the company intends to stand out by conceiving a novelty model. This model consists of cooperating with different stakeholders and make use of a win-win solution for all of them. As stated by Magretta (2011) the idea is to promote many winners and a positive-sum instead of zero-sum.

The use of direct trade will decrease the use of resources in intermediaries that in turn will be used to assist the farmer to improve their coffee quality increasingly. Other enticing outcomes will be to promote resilience to climate change and elevate the living standards for the farmers. For the consumer, there will be added value in belonging to an active virtual community that promotes quality of life for farmer and addresses climate change challenges. Consumers also will be involved with far away and adventurous locations and incidents through videos, blogs, pictures, and testimonials from the farmers themselves. There will also be high consumer produced content on the social media channels.

Compelling tagline

The bright and honest message will be “the novelty model where superb coffee protects the environment and makes a happy farmer.”

The figure below summarizes the essential elements that the Startup is aiming to utilize to compete in the Dutch market. The values assigned to the Startup are the levels at which the organization plans to battle taking into account the availability of resources. The Startup is depicted in orange color.

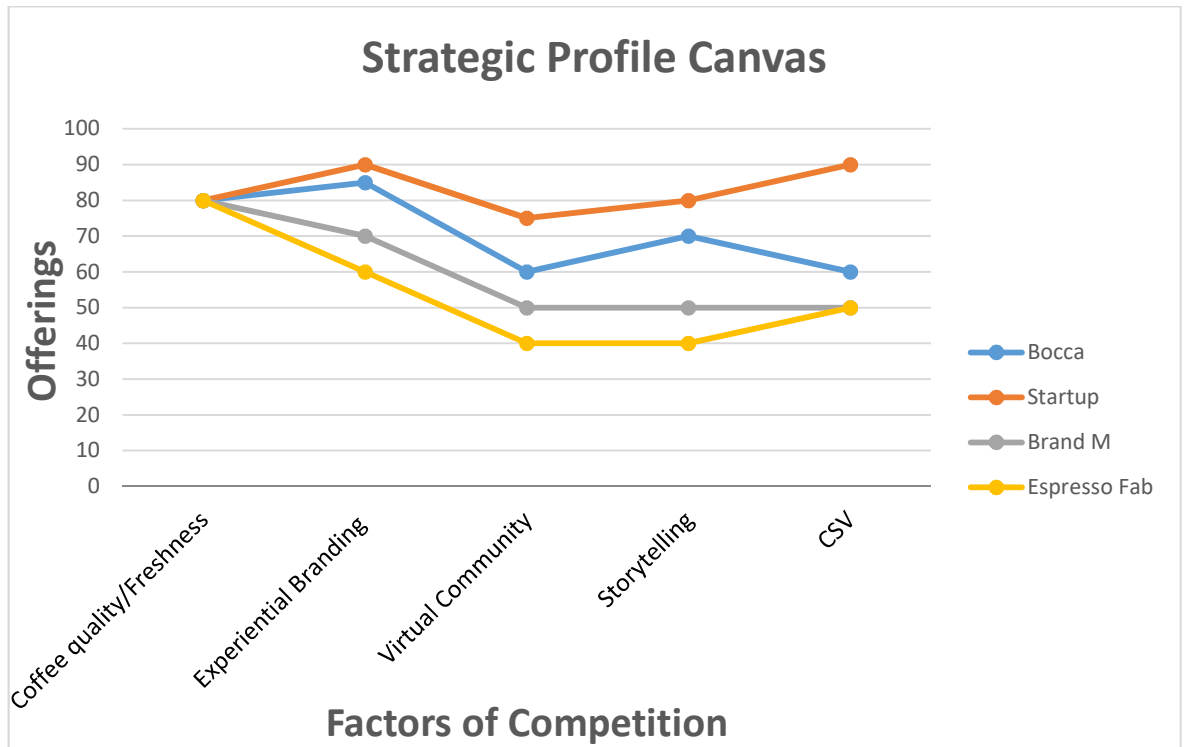


Figure 16. Strategic Profile for Startup Offering (Student based on Kim & Mauborgne, 2002)

5.7 Branding and marketing

As suggested by relevant research on branding and marketing communications on SMEs, branding and marketing are essential means for the Startup to succeed. The Startup will have to design a marketing program to communicate to the world its product concept and captivate customers. The interviewed entrepreneur also mentioned that branding should be a critical aspect of the strategy for a small competitor, but it is not always possible to invest as much as they would like because the daily business activities demand a lot of resources and time.

The Startup needs to be effective at bringing the message to the potential customer because it is the consumer who will buy the sustainable coffee and enable the whole system to work. As stated by Aaker & Joachimsthaler (2002, 2009, 28) the success of the communication program for the brand will lie in the execution and the Startup will have to excel at it. Also since the budget is limited, direct reply, interactive social media channels, sponsorships and strategic cooperation, will be used, instead of a paid advertisement.

5.7.1 Branding

The Startup has to design a brand for the specialty coffee and build all the marketing activities around it. Since the excellent quality of coffee is already present in the market, what the Startup needs to do is to focus on the way the coffee is produced and the values of the brand which will be in sync with the attitudes of the target customer.

5.7.2 Market segmentation and targeting

For market segmentation, I will use Kotler & Keller (2012, 214) who suggest psychographic segmentation which combines psychology and demographics to figure out what drives consumers. The customers are classified into various groups depending on psychological, personality features, lifestyle or values. The VALS™ framework from Strategic Business Insight's (SBI) uses eight groups in which consumer motivation and consumer resources are combined (Ibid 225-227).

For market targeting, given the niche market orientation of the Startup, the high price of the product and the values that the product will stand for, it is evident that the Startup needs to focus on the top two groups with the most resources and with the proper motivations from table 3. They are:

Innovators are defined as sophisticated, active, successful and very confident. Their acquisitions usually mirror refined preferences for upscale, niche-type products /services (Kotler & Keller 2012, 226).

Thinkers are defined as adult, cheerful, studious persons driven by ideals. They appreciate order, expertise, and responsibility. They are looking for durability, functionality, and, money worth in products (Ibid).

A synthesis of the segmentation variables I have chosen for the Startup's target customer is detailed in the table below.

Table 9. Segmentation variables for Startup's target customer (Student based on Kotler, 2003)

	Attributes
Geographic	The Netherlands
Socio-demographic	Middle-aged, middle-high class, middle-high income
Psycho-demographic	Educated, innovator, green & socially conscious
Behavioral	Social Media user, a coffee lover, looking for experiences, interested in stories surrounding the coffee, associate their lifestyle with the brand

One critical behavioural condition of the Dutch market is the altruism of its people; Van Schalk (2015) contends that in the World giving index, the Netherlands has usually been located in the top-ten nations. This trait goes back to the 12th and 13th century where cooperation was needed to build dams and dikes. Dutch history has influenced a robust culture of private altruistic funding. Nearly six billion euros donated for charity amounts to 1% of the country's GDP, of which 75% comes from private sources.

5.7.3 Potential size of the market

To estimate the possible size of the market, I made some calculations based on CBI Market Report the Netherlands (2017, 6). The market size is defined as price multiplied by volume. In the coffee business in the Netherlands, capacity does not represent a challenge, as we can appreciate some of the country statistics in the table below.

Table 10. Potential size of the specialty coffee market in the Netherlands (Student based on CBI 2017, 6)

Inhabitants	Approximately 17 million people
Coffee consumption	4% of EU consumption (2014)
Percentage of people who drink coffee	84%
Per capita coffee consumption	5,8 kilos/year
Population that consumes mainstream coffee	85%
Population interested in specialty coffee	15%
Size of the 15% interested in specialty coffee	2.167.500 people
Annual consumption in kilos of specialty coffee with per capita correction (7 kilos/year)	Approx. 15 million kilos/year
Annual market value of specialty coffee in € (estimated average price of €30/kilo)	€455 million/year

I estimate that the market size in the Netherlands for specialty coffee consumption is around 15 million kilos valued at 455 million euros annually.

The entrepreneur Kimmo Laukkanen suggested that the coffee market in the Netherlands has an attractive size, the business environment is very standardized which facilitates

importing activities for the Startup and, that he would be interested in cooperating with other small coffee entrepreneurs.

5.7.4 Additional themes for marketing communications

Here some other marketing factors that are relevant for the Startup will be presented. They are relationship marketing, brand community, experiential branding, storytelling, and integrated marketing communications (IMC).

Relationship marketing

The Startup will aim to create a uniquely useful asset labeled as “marketing network,” as mentioned by Kotler & Keller (2012, 20). Reciprocally advantageous durable alliances with essential stakeholders will be at the core of the Startup’s activities. The philosophy is that together, prosperity can be generated and the profits will be shared in a win-win scheme to produce a healthy return to all key partners.

The interviewed entrepreneur Mr. Laukkanen also emphasized two central aspects to succeed in the market: devotion and enthusiasm for what you do and building and maintaining critical connections in the sector. The social responsibility will be enacted in the upgraded cultivation and processing methods to promote farmers’ climate change resilience and, the preservation of human and animal prerogatives.

Brand community

I will use the example given by Roger (2012) that a firm must promote devotion by identifying an enemy as Apple did. The Startup customers have to differentiate from the persons who utilize other brands. In this way, the Startup’s brand intends to be part of its customer’s social status. Feelings or emotions of breaking the rules of “*corporate coffee*,” making a difference in the world through their consumption and the sense of belonging to an active brand community

Experiential branding

The Startup will use what Oksanen et al. (2012, 6) call “the consumption experience” where three elements are present: The fantasies, dreams, and imagination will be represented by videos, blogs, stories, and testimonies from the farmers who grow the coffee. Fun or sensuous amusement will be embodied in the improved quality of the coffee, the different flavors, tasting signature blends, exchanging brewing methods and tips with other brand loving fans.

Storytelling

As stated by Harmaala (2014) the Startup will need to make use of storytelling to enable brand fans to connect with the brand and among them. There will be plenty of the magic elements because the land or origin has a lot to offer about its “magic realism,” beautiful nature, biodiversity and charm of its people among many others.

One essential aspect to include in the narrative as contended by Hagel (2016) is the call for action. The Startup has to stress the idea in all its communications that the future is now and to impart a sense of urgency that sustainability cannot and should not be postponed.

Integrated marketing communications (IMC)

It is crucial that all the marketing activities are interconnected to reach as much synergy as possible to maximize the use of the Startup limited resources. Also, digital channels should not be overused or be isolated but optimized to create a web among them that facilitates their contact. The Startup should be active in the selected digital channels. The chosen network of digital channels intends to grasp opportunities to engage and interact with its customers. The Startup will focus on reaching an undeserved audience by producing content that is indexed by search engines. The specific multichannel digital strategy for the Startup follows the mentioned requirements and the learnings from the Haaga-Helia Social Media course for Startups, which was taught by Mäkeläinen (2015). It will be presented as a separate Report.

5.8 Summary of the strategy for the Startup

The Startup will adopt the focus strategy which is one of the generic strategies proposed by Porter (1980, 1998, 34-44) and considering the combination of two axes:

Strategic target.

This strategy is directed toward two specific customer groups denominated the innovators and the thinkers according to the Psychographic segmentation system, in the Netherlands (See table 3).

Strategic strength

It relates to the abilities and resources that the enterprise has at its disposal. A robust branding will be used to take advantage of the Startup’s key relationships and skills and

the opportunity of the emerging trends in the market demanding sustainable products. The Startup strategy is shown in the table below.

Table 11. Startup strategy (Student based on Porter, 1988, 1998)

STRATEGIC ADVANTAGE => STRENGTH			
STRATEGIC TARGET		Uniqueness perceived by customer	Lowcost position
	Industrywide	<i>DIFFERENTIATION</i>	<i>OVERALL COST LEADERSHIP</i>
	Particular segment only	<i>FOCUS</i> <i>On differentiation</i> STARTUP	<i>FOCUS</i> <i>On cost</i>

The Mission statement will be: “we practice a novelty model that enables the production of superb quality coffee, splitting profits with the farmer and rewarding the environment.”

Business vision strategy for 2025 is “to inspire the world to create prosperity respecting the farmer and the environment. Also, to reach €2.000.000 in annual revenue and to become an example of how to do sustainable business”.

The forecast of the annual revenue up to 2025 is presented in appendix 9, it was produced by the group discussions with the Startup partners based on their estimation of the Startup resources and capabilities, and the overall secondary and primary data gathered.

6 Conclusions, recommendations, and reflections

Here I intend to provide a condensed version of the thesis, explain the design of the conceptual framework, and the formulation of the strategy for the Startup. Then, I provide recommendations for the implementation of the strategy for the Startup. Finally, I present reflections on my learnings.

6.1 Formulation of the strategy for the Startup

I aimed with this thesis to formulate a strategy for a Startup that plans to sell specialty coffee online. I intended to bring out a feasible general model on how the Startup can compete in the Netherlands.

First, it was critical to clarify the concept of strategy. I did the literature review on the classic theories about strategy and the steps to follow to formulate it. The research concluded that there were two approaches to strategy formulation, the Harvard School concept stresses that Industry structure determines the firm's strategy and the Chicago School states that firm's essential resources give form to strategy. The first one uses the five competitive forces analysis and the second one utilizes the resource-based view framework according to the crucial resources the enterprise possesses. Thus, the structure for strategy formulation would consist of two groups of elements, namely the firm and the environment. Then, a business can choose from three generic strategies: cost leadership, differentiation, and focus; depending on the specific combination of environment (amplitude and composition of the market elected to compete) and firm's resources and capabilities.

The literature review also produced a myriad of tools to assess both the environment and the firm's internal capabilities and resources. For example STEEP and SWOT analysis, competitors benchmarking and factors matrices. Additionally, some useful models to facilitate the delineation and enhancement of the strategy like competition to be unique and the profile of an effective strategy.

Since the original idea of the thesis was to find a market-driven solution to produce sustainable coffee, the literature review on creating shared value (CSV) was considered to be relevant. This somewhat recent theory provides guidelines on how to include a social and environmental layer in a business model to increase a firm's competitiveness.

Finally, the literature review on strategy advised that a necessary complement to a strategy formulation would be the inclusion of marketing elements to communicate to the world what the firm has to offer and convert consumers into customers. Different studies on SMEs (small and medium-sized enterprises) indicate that the majority of SMEs have weak branding and marketing communications.

Therefore, a literature review on marketing was done on the concepts of branding (including experiential branding and brand community), market segmentation, marketing network, storytelling and IMC (integrated marketing communications) that includes multichannel digital strategy. It is implied that it is not necessary to make considerable investments in these concepts but instead utilize them smartly and creatively to maximize their impact.

I then, built the conceptual framework based on the outcomes of the literature review, to delineate a guide to formulate a strategy for the Startup to compete in the Netherlands. The strategy formulation guide is made up of STEEP analysis of the macro-environment, five forces analysis of the micro-environment, resource-based view (RBV) to analyze the startup key capabilities and resources. Then, the SWOT analysis, generating plausible strategies by using TOWS matrix, how to create shared value (CSV), how to compete to be unique and how to define a strategic profile

For the marketing communications the framework was established as follows: how to use branding to differentiate, the pattern of branding in SME (small and medium-sized enterprises) has to be taken into account, and how to do market segmentation. Then, the importance of relationship marketing including social responsibility, the relevance of brand communities analyzing two successful examples, how to take advantage of experiential branding, storytelling, IMC (integrated marketing communications) and multichannel digital strategy.

Then, to choose the research methodology, I followed the system from "Research methods for business students" chapter 5 (Saunders et al. 2009, 138-161). My preference went to the exploratory research to discover opportunities the Startup could grasp in the coffee market according to the firm's capabilities and resources. I chose the interpretivism as research philosophy. I decided to utilize a multi-method qualitative research choice. The strategy consists of one holistic case study with an inductive approach. I gathered primary and secondary data. The primary information was obtained from semi-structured in-depth interviews, group discussions, experiential data from my research diary and structured observations from digital channels. The secondary data were derived from institutional reports, academic papers, data from printed material and internet. The

analysis of qualitative data was made through data display and analysis with the help of data reduction (to focus on some topics), data display into matrices and grids, and, delineating and corroborating conclusions. Additionally, template analysis was utilized to process information from benchmarking competitors, and narrative analysis for the information gathered from interviews. Some data was quantified to compare them, like the number of posts and reviews on social media and level of incorporation of pre-defined marketing elements.

I utilized the research methodology and the conceptual framework to scrutinize the macro/micro-environment and the Startup resources and capabilities. The macro-environment has been abundantly studied by a wide range of institutions, and these conclusions were corroborated by the coffee farming expert and NGO's expert who have first-hand experience on the subject and in less degree by the coffee entrepreneur. Here I built an issues priority matrix where the identified issues from the coffee sector were classified depending on their appraised estimated impact on the Startup as high, medium or low.

To appraise the micro-environment, that is, the coffee market in the Netherlands I applied the five forces framework for a detailed analysis of each one of them. After that, a significant conclusion was obvious, namely, that the "focus strategy" proposed by Porter would be the best way for a small enterprise to compete in an oligopolistic market.

Next, the Startup resources were appraised using the resource-based view framework together with the Startup partners and taking into consideration relevant suggestions from the other interviewees. Subsequently, I made use of use of some matrices where external and internal factors for the Startup were successively assessed and ranked until a prioritized SWOT matrix was produced. Based on this, a TOWS matrix was created which consists of different combinations of the listed opportunities and threats with weaknesses and strengths to generate plausible strategies.

I assessed that some of those plausible strategies could be integrated into one single plan. Then, it was crucial to include the creating shared value (CSV). Following the framework presented by Porter, it seemed plausible to satisfy the consumer demand for high-quality, sustainable coffee while assisting the farmers in this endeavor by the use of Direct Trade and a cooperation liaison with the Dutch NGOs institutions.

I based it on what the farming expert expressed as what the farmers needed from the Startup, what they were willing to commit, the NGOs expert estimation of what the sector would be ready to contribute and the suggestions from the coffee entrepreneur.

The next question was how to communicate to the consumer what the Startup is doing. I thought that a benchmarking of similar competitors in the Netherlands had to be done to

discover it. Based on a recent academic paper by Straker et al. (2015) on multichannel digital strategy, structured observations from three competitors' digital channels were done. I studied the factors advised by the literature review on branding and marketing, research on branding for SMEs and contributions from interviewees and Startup partners. Then, a strategic profile for the three competitors was delineated according to the observations. Subsequently, an analysis for the Startup was done, taking into account the "focus" strategy and following the framework provided by Magretta (2011) to differentiate from similar competitors. Three elements were defined, namely: value proposition, tailored value chain and accept the trade-offs. Then, using the framework from Kim & Mauborgne (2002), the strategic profile was formulated that fulfills these criteria: focus, divergent and with a compelling tagline. Finally, some consideration was given to the branding concept, market segmentation and potential size of the market was calculated. It was done with the help of the literature review, the data from different reports and the appraisal from the Startup partners.

This thesis gives a framework for the overall process of formulating a strategy for the Startup, defines the critical activities that the firm has to focus on and provides guidelines on essential marketing actions that the enterprise has to develop further. The summary is a focus strategy that combines market target with strategic strength.

Finally, the answer to the sub-questions greatly assisted in the overall formulation of the strategy

1. How can the Startup make use of the opportunities present in the coffee industry?
2. How can the Startup avoid the threats present in the coffee industry?
3. How can the Startup make use of the CSV (Creating Shared Value) concept proposed by Porter to formulate the strategy
4. What are the critical activities that similar competitors are doing in the Netherlands?
5. What would be the key activities that the Startup should focus?

The answer to questions 1 and 2 lied in the choosing of a focus strategy so that the Startup will be located a niche market where the big competitors are not interested in competing. The answer to question 3 refers to the creation of a vital asset called "marketing network," with mutually rewarding relationships with key stakeholders. Instead of tangible assets the Startup will possess a robust brand and execute only core activities. The answer to question 4 showed that similar competitors are focusing on the quality of the coffee and its artisan methods. It leads to the solution to question 5 that the Startup

has to differentiate from similar competitors, and this will be done by a sharp branding on one central factor, namely the creating shared value.

6.2 Recommendations for the implementation

First of all, I am going to provide specific recommendations for the implementation and conclusions for the Startup. Then, I will refer to what could potentially be generalizable to a broader range of enterprises.

I would like to highlight that the internet is vital in this strategy. A cutting edge website and a well thought multichannel digital plan are crucial to success. It is not enough that the Startup enables a network of stakeholders, in a win/win scheme to produce sustainable coffee. The message has to be brought to the potential consumers and here is where the Startup can utilize the possibilities social media channels have to offer. To assist in this endeavor, I have designed a multimedia channel strategy for the Startup that is provided as a separate report. Also, one person has to be directly responsible for the implementation and maintenance of the digital channels.

For the Startup, the logic next step would be the implementation of the proposed strategy. As the literature review implies, the strategy formulation is just the beginning, and strategy implementation is a more complicated process, where contact with the reality takes place. Therefore the organization has to be constructed taking into account the optimal use of resources and capabilities and at the same time aiming to be agile to grasp opportunities quickly and adapt to changing market circumstances.

At this stage, the proposed strategy presents validity concerning qualitative analysis. However further quantitative study would be advisable. In particular, surveys to consumers would enlighten more detail into the branding and marketing communications content required to attract and maintain customers.

Some conclusions from this research could be adapted to SMEs active or that intend to be engaged in other agricultural products which are facing similar challenges like fruits, cocoa, tea and cotton, wood and timber, among others. Namely that the problems in those sectors offer opportunities to companies that are willing to include the social and environmental layers in their business model, that customers are increasingly learning and demanding sustainable products and that SMEs have to take advantage of the potential that branding and marketing communications offer to them. The evolution of digitalization and social media channels has dramatically enhanced the competitiveness of small companies.

In the broader scope, I find alarming that the present agricultural production does not reward the farmers appropriately according to their exposure and efforts, and, the damage to the environment is not compensated. It is imperative to counteract the dangers of climate change as well. Therefore, a company that decides for the green-field investment in the creating shared value will most probably be located in an advantageous position for the coming times.

6.3 Reflections on my learning

Producing my Master's thesis in a way started from the very beginning of my IBMA courses at Haaga-Helia in 2015, because it is stressed that you have to start thinking about the research subject from the very beginning of the program. A few critical incidents lead me to consider the coffee theme, beginning with the fact that I grew up in Colombia where coffee has always played a central role in life and economy. My visits to coffee farms in Colombia added interest, and a book I found about the coffee sector issues brought me to this idea. Therefore during all my courses, I collected sufficient information concerning coffee growing, commercialization, environmental and social aspects. I also felt that I could use my international exposure and work experience during the years I lived in the Netherlands. Besides I am moving back to that country for an indefinite time.

I spent much time studying Saunders et al. (2009) *Research Methods for Business Students* and scrutinizing the relevant theories about strategy and branding, especially in present time with the appearance of the internet and social media. It eventually paid off, because it provided me with a path to follow to answer my research questions.

Concerning the conceptual section, I gathered a few inspiring theories on strategy and branding and thought I would depend on them to construct the empirical segment. Some reports on branding and marketing in SMEs, particularly one with the focus on the Dutch market were very insightful since private companies are not obliged by law to publicize data. I realized soon I needed a well-designed methodology to provide a more secure and focused process to pursue the research queries. The empirical part is comprehensive, it solves the research questions and delivers quite a few points for the Startup to keep working on them.

The most exciting part for me during the research process was that I put into practice the knowledge I have acquired during the two-year IBMA study. While doing the research, I made many connections among various theories, and suddenly a picture started to emerge. It was like connecting the dots and slowly, but sure I could see how cleverly the program for the Master International Business has been designed. It was also beneficial

all the practical knowledge I acquired during my activities at the Startup School from Haaga-Helia and the social media crash course for Startups.

I realize as well the importance of the tutor to keep me focused and guide me as to what is critical and what is not. The tutor also has practical knowledge on the field, and this is very useful and decisive. For this all I am very thankful.

I can say that I am happy with the results of this study as I increased my expertise in various fields and provided a good start for the case company.

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Appendices

Appendix 1. Topics for interviews

Farming expert

Mrs. Olga Bustamante. This list is partly based on issues identified by Baker and Watts (Thurston et al, 2013, 28, 121)

1. The World Coffee Economic System
 - a. Comparison of industry investments vs. what industry takes as profit. Refers to shareholder value or greed. Farmer compared to roasters
 - b. Efficiency of capital (drained soils and disease prevention)
2. Sustainable coffee as a global system
 - a. Global and local actions to prevent spread of coffee disease
 - b. Is everybody working independently for their specific interests? Or does coffee industry function as a global system? Please elaborate
3. Difficulties to produce exceptional quality coffee: environmental variables and feedback from roaster. Systematic way to evaluate own coffee from taste perspective. Methods adjusted to a number of environmental variables specific to each farm and each season?
4. Investments needed to improve coffee quality
5. Price systems and fluctuations
6. Traceability and transparency in the supply chain
7. Respect or abuse to the environment
8. Actions taken or planning to take to be environmentally friendly
9. Present living conditions of coffee farmers
10. Availability of labour force
11. Present level of coffee quality in your farm and in the region
12. Importance and feasibility of Direct Trade
13. Opportunities that can arise from the sector issues
14. Most important trends you have spotted in your participation of international coffee events
15. Which activities ideally the Startup could perform for the small coffee farmers
16. Number of kilos coffee produced by your farm (s) per year
17. Additional relevant topics that interviewee suggests

NGOs expert

The same as farming expert plus the following:

1. Which are the most important present coffee consumer trends in your opinion?
2. What do you know about Colombian coffee as a product?

3. What do you know about Colombian coffee cultivation present situation?
4. What do you know about the Dutch coffee market?
5. How would you describe the specialty coffee consumer in the Netherlands?
6. How strong are the sustainability trends in the Netherlands? From government regulation point of view and consumer preferences?
7. Which Dutch agencies would be interested in offering financial and technical support to small farmers that want to increase their sustainability practices?
8. Would you be willing to participate in this process as liaison person?

Coffee entrepreneur

The same as farming expert plus the following:

1. What do you know about Colombian coffee?
2. What do you know about the Dutch coffee market? Structure, trends, consumer?
3. Most important trends you have spotted in your participation in international/local coffee events
4. How can a small entrepreneur compete in an oligopolistic coffee market?
5. What are the disadvantages of being a small entrepreneur in an oligopolistic coffee market?
6. What do you consider are the main success factors for a small competitor in the EU coffee sector?
7. What does it take to become a coffee roaster (entrepreneur)?
8. Could you provide some quantitative data? Kilos coffee sold per year, average price per kilo, cost structure, cost of buying a roast machine.
9. Company profile, value proposition and its relevance to the customers, branding and communications activities, target customers,
10. Would you be interesting in buying Colombian coffee for your company?
11. Would you be interested in cooperating with other small coffee companies?
12. Additional relevant topics that interviewee suggests

Appendix 2. Startup Issues Priority Matrix

Issues Priority Matrix (Student based on Wheelen & Hunger, 2012, 109)

Probable impact on the Startup				
Probability of occurrence		High	Medium	Low
	High Priority	High	Consumer sophistication/ demanding responsible sourcing	Climate change
Technology available			Increase in coffee demand	Shortage of labor
More small players entering the market				Concentration in retail sector
Medium Priority	Medium	Stricter government regulation	Diminishing coffee stocks	Shortage in coffee supply
Low Priority			Negative economic confidence	
	Low	Big corporations focusing on the specialty segment	Adverse weather conditions	Shortage of water in producing country

Appendix 3. Internal Factors Startup

IFAS Table (Student based on Wheelen & Hunger, 2012, 164)

Internal Factor	Weight	Rating	Weighted Score	Comments
Strengths				
Key network relationships	.30	4.0	1.2	Grower's association, NGOs, strategic alliances and vendor's network
Staff's Knowledge & Experience	.30	4.0	1.2	Great commercial experience in local restaurants and bars, management logistics and country of origin.
Cheap storage facilities	.10	4.0	0.4	Strategically located and temporary free
Weaknesses				
Limited Financial Resources	.15	4.0	0.6	Make effective use of technology, tasks distribution and cooperation
Limited personnel	.15	4.0	0.6	Conference calls, outsourcing and cooperation
Total Score	1.00		4.0	Above average

4-5	3-4	2-3	1-2
Outstanding	Above average	Average	Below average/Poor

The rating is given for each factor depending on how this firm is coping with this element.

Appendix 4. External Factors for the Startup

EFAS Table (Student based on Wheelen & Hunger, 2012, 126)

External Factor	Weight	Rating	Weighted Score	Comments
Opportunities- 1	2	3	4	5
Consumer taste sophistication	20%	4.0	0.8	Consumers are increasingly learning and experimenting
Consumer demanding responsible coffee sourcing	50%	4.0	2.0	Consumers are increasingly aware of coffee concerns
Technology available	5%	5.0	.25	It is affordable and very useful
Threats				
More small players entering the market	20%	3.0	0.6	The Startup has to work on strengthening entry barriers
Climate change	5%	4.0	.20	Can affect production if extreme changes occur
Total Score	1.00		3.85	Above average

Appendix 5. Strategic Factors for the Startup

Strategic Factors Analysis - SFAS (Student based on Wheelen & Hunger, 2012, 176)

Strategic Factors 1	Weight 2	Rating 3	Weighted Score 4	Duration Short-Intermediate		Long 5	Comments 6
STRENGTH1 Key network relationships	30%	4.5	1.35			X	Grower's association, NGOs, strategic, alliances and vendor's network
STRENGTH2 Staff knowledge & experience	10%	4.0	0.40	X	X		Commercial experience in local restaurants, management, logistics and country of origin
WEAKNESS1 Limited financial resources	10%	4.0	0.40		X		Make effective use of technology, tasks distribution and competition
OPPORTUNITY1 Consumer sophistication	10%	4.0	0.40		X	X	Consumers are learning and experimenting
OPPORTUNITY2 Consumer demanding responsible sourcing	30%	4.0	1.20	X			Consumers are increasingly aware of coffee issues in environment and social realms
THREAT1 More small players entering the market	10%	3.0	0.3		X		The Startup has to work on strengthening entry barriers
Total Scores	100%		4.05				Above average

Weighted score for an average firm in an industry is always 3.0.

Appendix 6. Profile competitors in the Netherlands

Table competitors profile in the Netherlands (Student on 20.06.2017)

Company	<u>Bocca</u>	<u>Espresso Fabriek</u>	<u>Brand Meesters</u>
Seniority in years	15	Not available	+20
Countries of origin	+8	+9	+7
Single origins /single estate	Yes/No	Yes/No	Yes/No
Range price/ € kilo	30-50	28-50	28-60
Whole sale B2B	Yes	Yes	Yes
Employees	Not available	Not available	30
Own coffee shop	Yes	Yes	Yes
Registered capital €	18.000	Not available	Not available
Fair Trade or Direct Trade	Direct Trade	Information not found	Information not found
Prices obtained	European Coffee Award Best Artisan Roaster 2014	Information not found	Information not found
Creating Shared Value (CSV)	Red Cherry Operation to improve coffee quality	Information not found	Information not found

Appendix 7. Competitors' use of digital channels

Table Competitors' use of Internet Channels (Student on 20.06.2017)

Company	<u>Bocca</u>	<u>Espresso Fabriek</u>	<u>Brand Meesters</u>
State-of-the-art- Web site	Yes	Yes	Yes
Digital Channels /Followers	Facebook/ 4.988 Twitter / 984 Instagram /4.341 Mobile App	Facebook / 731 Twitter / 2.715 Instagram / 1.883 Mobile App	Facebook /731 Twitter / 1.017 LinkedIn /190 Pinterest / 49 Instagram / 664 Google+
Strategic digital channel design	Low	Low	Low
Blog	Yes	No	No
Easiness to navigate	Low	Low	Low
IMC – Integrated Marketing Communication	Medium	Low	Low
Storytelling degree Theme	Medium The brotherhood	None	Low / Espresso Pioneer in the Netherlands
Motto	The best quality for a fair price	None	Innovators in the Espresso Business
Alliances/Coopetition	No	No	No
Experiential branding incorporated in digital channels	Limited customer generated content Upload pictures	Limited customer generated content. Videos & Pictures	Limited customer generated content. Videos & Pictures
Strength of virtual community	Medium	Weak	Weak
Languages	Dutch	Dutch	Dutch
Degree of brand orientation	minimalistic - embryonic	minimalistic - embryonic	minimalistic - embryonic
Comments from customer reviews 2017	28/30 coffee quality 1/30 passionate about coffee 1/30 story	2/2 coffee quality	11/11 coffee quality

Appendix 8. Values benchmarking competitors' channels

Table assigned values for competitors channels (Student)

Criteria	Range	Explanation
Coffee quality/freshness	80	All the three companies claim that they sell specialty or gourmet coffee. It is always possible to improve quality.
Strategic digital channel design	High	Clarity of channel web design according to goals, optimized number of digital touchpoints, appropriateness of content according to typology. Structure ensures flawless navigation.
	Low	(Wide) on line presence but active in only a few channels or inconsistently active in many of them. Lack of strategic design among channels.
Experiential branding	60	Web customer experience, too simple design, picture from 3 years ago, interaction among channels not always fluent back/forward, shop ambience looks adequate. Pictures are the same in all the channels
	70	Web site more attractive to the eye, relatively friendly and intuitive navigation. Interaction among channels not very fluent. Shop ambience looks adequate. Pictures are repeated in all the channels
	85	Web customer experience intuitive, interaction among channels rather fluent, pictures and videos very focused on farmers and places of origin, picture of the entrepreneur
	>90	Web customer experience very intuitive, minimum number of clicks to achieve desired actions. Different contents and pictures, videos per channel. Fluent interaction among channels.
Virtual community	40	Very low. 0 to 2 posts per month. No reply to posts
	50 to 60	Low to Medium. 2 to 3 posts per month. Seldom reply to posts.
	75	Active. 2 Posts per day. One of three comments to the post are replied. All posts to site are replied.
Storytelling	40	None or only a single long tale about the beginnings.
	50	Motto, some tales about the origins of the coffees, videos and pictures about the roasting and consumption but not much about farming
	70	Motto, tales about places of origin in pictures, text and videos, some blogs
	>=80	Motto, tales about places of origin in pictures, text and videos. Life, names of the farmers, activities in the farm, process of cultivation, blogs, contests among consumers
CSV	<=50	No mentions of programs or sharing the price
	60	Use of DT, Programs to support farmer/environment
	>=90	Use of DT, certifications and Programs to support the farm/environment, split profits with farmer, cooperation, cooperations

Appendix 9. Startup sales forecast the Netherlands

Table Startup sales forecast (Student)

Year	1	2	3	4	5	6	7	8
Customers	400	600	900	1,350	2,025	3,038	4,556	6,834
Average kilos per capita	7	7	7	7	7	7	7	7
Total kilos/year	2,800	4,200	6,300	9,450	14,175	21,263	31,894	47,841
Average price €/kilo	50	50	50	50	50	50	50	50
Total revenue €/year	140,000	210,000	315,000	472,500	708,750	1,063,125	1,594,688	2,392,031