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SOCIAL SCIENCES, BUSINESS AND ADMINISTRATION

# BUSINESS IDEA DEVELOPMENT

Case: Scandinavian style coffee shop in Vietnam

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<p>Abstract</p> <p>Vietnam has a long history with a diverse and beautiful culture, attracting a lot of foreign tourists to come and explore this exotic land. Vietnamese coffee has a strong and fascinating taste that can satisfy most coffee addicts in the world. Coffee not only represents the typical Vietnamese way of life but also a unique culture. Therefore, the coffee industry is a competitive yet potential market for start-ups.</p> <p>The thesis describes the Business Idea Development process about a Scandinavian coffee shop in Danang city, Vietnam. The author decided to choose the Scandinavian concept because this design has the elegance, class and delicacy that have not existed in any local coffee shops before and particularly, it cannot be confused with others. The coffee shop's concept is a peaceful, friendly and minimal space for customers to sit back and enjoy soft music, high-quality beverages and good customer service. The special Nordic design, diverse drinks and excellent service will be the unique core values of the coffee shop. While European style is still novel in Vietnam, an entrepreneur should grab this opportunity as customers might feel excited to experience a piece of Nordic atmosphere in the heart of Vietnam.</p> <p>To provide reliability and efficiency, the thesis structure goes from background, objectives and expected outcomes of the thesis, fundamental PEST analysis of Vietnam and coffee industry, coffee trend in Vietnam, Scandinavian style to the theoretical framework of Business Idea Development progress, and finally, the practical application of theory into the case. Particularly, the Business Model Canvas is brought into use for a comprehensive summarisation of the whole process.</p> <p>Based on the Business Idea Development, the findings and outcomes show the possibility of establishing a Scandinavian style coffee shop in Vietnam, as long as the entrepreneur prepares a careful business plan, develops appropriate business strategies and discovers sufficient, secure sources of finance.</p>			
Keywords Coffee shop, Scandinavian style, Business Idea Development process, young generation, customer services, coffee concept, secondary data, Business Model Canvas			
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# 1 INTRODUCTION

## 1.1 Background of thesis

First of all, the idea of a coffee shop with Scandinavian design was kindled in the author after a 4-month internship in Vietnam conceiving the current Vietnamese youngster's life style and living standard, which was not updated while the author studying abroad. Personally, the author is a senior in International Business based in Finland, who loves seeking real life opportunity to practice the business knowledge obtained during the time studying in Savonia UAS, and to be well-prepared to enter the world of entrepreneurship in Vietnam.

Although the world, particularly businessmen, have been witnessed and suffered economic crisis and its consequences, which probably cause some difficulties and negativities for start-up to nourish their business idea and implement it, coffee industry is still a potential business model with reasonable investment capital. Moreover, this model can display the owner's unique characteristics, innovation, creativity and especially convey the hidden messages throughout the concept and design. With a huge interest and some business knowledge, the author determines to challenge herself with a new and special concept of an ideal relaxation place for adolescents to chill out.

Coffee first was brought to Vietnam by the French in late 19<sup>th</sup> century and soon Vietnam becomes one of the largest coffee exporter in the world, whose market share increases from 0.1% to 20% in around 30 years (Summers 2014) due to many naturally favorable conditions of highlands for coffee grow. Currently the coffee culture has been holding a specific and typical feature in Vietnamese. Together with daily fast-paced working environment and steadily raising living standard, the people demand of relaxation, such as hanging out, business discussing, dating in a nice-decorated coffee shop has been jumping. This habit is not only for white collars or high-income people but also for adolescents, students or a family when looking for places to enjoy themselves after a hard-working week with friendly-environment and reasonable price.

According to the author's analyses, in the era of economic integration and internationalization, young Vietnamese who are proactive and open-minded, love to spend time traveling abroad or learning new culture to step out of their comfort zone and broaden their horizon, definitely demand a place with "unique European style", where they can enjoy themselves right in their motherland. Moreover, the personal research of the author also shows that this kind of coffee shop concept has not been explored in Danang city yet, the author's home city. This could be an innovative yet risky opportunity for the entrepreneur. Nevertheless, being born and raised in Danang city for over 19 years, the author confidently believes that she can understand the coffee habit and the potential of coffee business here. In addition, four-year experience of living and studying in Finland and traveling around Europe has given the author a special feeling for this land and its culture, especially the Scandinavia's simple and elegant interior design, so the author will take advantage of this into the thesis.

Thus, for all the above-mentioned explanations together with comprehensive observation and findings, the author decides to propose a business idea about a coffee shop in Danang city with modern Nordic atmosphere and new trend of enjoying coffee comparing to old school style. It is believed to fulfill the author's desire of satisfying variable customer groups but still keeping the creators' characteristics, and diversifying the coffee culture in local area.

## 1.2 Objectives of thesis

As mentioned above, Vietnam is still a young and potential market, which is also densely populated with high demand on relaxation services after work. The thesis aims to develop a business idea of a Scandinavian style coffee shop in Danang city, from the theoretical framework to implementation process, in parallel with analysing the coffee industry in Vietnam. The ultimate result is to access if the idea is possible to provide customers with high quality and original drinks in a Nordic space as well as create a business identity in the market.

In details, in order to achieve the goals mentioned above, it is extremely important to clarify some crucial points about the coffee industry current situation, target customers, unique concepts and design, products and services in all possible aspects. Next step is to come up with an appropriate business idea development process that have economic efficiency for the entrepreneurs.

The thesis is a development project for a new coffee style in Vietnam, which will mostly solve the question if this idea is possible to go all the assessment process to penetrate the market and compete with other rivals in the same field.

The questions that needed to be solved are

- What is the Scandinavian style coffee shop and its concept?
- What's the current coffee situation?
- What would be the appropriate business model for the coffee shop in Danang city?

The answers will be explained from the study of the idea development process, which contains the following factors:

- Analyze the possibility of coffee market for the coffee shop
- Develop a business model canvas for the coffee shop

The outcome that the student expects from the whole idea assessment process is to know if this idea possible to bring into reality and if people are really interested in this coffee concept and style as well as the current situation of coffee industry and customers' demand on visiting a unique coffee shop in Vietnam.

### 1.3 Study method and data analysing process

Firstly, it is important to know there are two modes of logic reasoning, deduction and induction, which might result in different knowledge acquirement. Deductive reasoning begins with a general theory and examines the possibilities to reach a specific, logical conclusion or “top-down” method (Brandford 2017.) Whereas, inductive reasoning builds comprehensive theory from specific observations and examples or data collected. Basically, the conclusions are deduced from the data gained (Brandford 2017). This is also known as bottom-up reasoning, in contrast of top-down method or deduction. Both deductive and inductive methods are chosen for this process as the deduction is compatible with the structure of the thesis, which goes from the theoretical preview of a business idea, overall idea of a coffee shop to deep research and detailed development of making a Scandinavian style coffee business in Danang city. The induction will be applied in research part as it goes from observation, study to a narrowed result. Finally, the author will draw a conclusion, sum up the findings and estimate the results.

Research methodology is to figure out solutions for a problem systematically. It is known as a studying sciences of conducting research, including describing, explaining, predicting and concluding. The researcher needs to answer the questions of what problem, which method is the most suitable, why choosing that method and how to solve the problem efficiently throughout tests, surveys or studies (Rajasekar, Philominathan and Chinnathambi 2013, 5).

“Exploratory research provides insights into and comprehension of an issue or situation” (Brown 2006, 51). According to Reiter (2017, 144), exploratory research does not mean to test the theory, instead, it helps explaining and gives a fruitful explanation for the problems or questions proposed. Exploratory research is considered to be successful if earlier hypothesis is provided well, then the explanation works like a robust connection between a cause and an outcome (Reiter 2017, 144). Deduction method somehow shares the same similarities with exploratory research at the starting point of formulated theories, but it continues with refining, specifying theories to a more sensible and plausible interpretation (Reiter 2017, 144).

Secondary data is the practicality of utilizing the existing data for research, which becomes more prevalent all over the world (Andrews, Higgins, Andrews, Lalor, 2012; Schutt, 2011; Smith, 2008; Smith et al., 2011). Studying secondary data is a work of analysing data that was collected by previous authors for another purpose (Johnston 2014). The thesis mostly contains secondary data, studied from other sources such as researches, publications, blogs, statistic databases from trusted sources.

#### **Gathering, analysing and combining literature, business idea process for evaluation and results**

Through hypothetical review of the thesis, theory will be revised from various related sources such as articles, books and researches of reliable publishers regarding relatable framework of the thesis.

The sources are searched and accessed mostly on Savonia University of Applied Sciences E-library systems as well as Google Scholar. Books are also selected carefully and purposely from Helsinki library for serving the thesis's objectives and literature review.

Regarding empirical framework, statistics and data are collected from Vietnam's trustable sources and online legally published articles and some international data sites. All are selected thoroughly and inclusively even though the valid sources are scarce, particularly due to limited freedom of information policy in Vietnam. The thesis will primarily be conducted by analysing secondary data and studying literature.

Exploratory research, secondary research and one analysis tool were applied into chapter 2, in order to create a former background for Business Idea Development, Business Model Canvas as well as further researches in the future about the topic proposed. It gives both the author and readers an overall understanding on the market the business is going to operate in and solid foundation for the thesis topic. Secondary research is considered to be appropriate in this situation as it aims to using and studying data and information that is already researched and published by reliable sources and authors.

Literature review was used in chapter 3, which focused on theory and method of doing a Business Idea Development and Business Model Canvas. Revising theory formed an academic foundation for further practical tasks in the future. Moreover, the author can use it as a guideline for doing the practical work later and the reader can have an understanding on the basic and the purpose of the thesis (Denney & Tewksbury 2012.)

After doing analyses, the author will work on business idea development process to create a business outline and possible ideas for the thesis topic, then combine gained knowledge, findings and data collected in the literature review and business idea process to draw an appropriate Business Model Canvas for the thesis topic as mentioned. The Business Model Canvas will be presented as a comprehensive result for the questions and objectives proposed above.



## 2 BASE ANALYSIS FOR THE COFFEE SHOP ESTABLISHMENT

Before jumping into Business Idea Development, it is important to have a foundation of Vietnam analyses as well as coffee industry and Scandinavian interior design style. These factors have proper influence on the business in the future. The first section tackles the PEST analysis, used for the primary study of the most critical elements that have a decisive effect on the venture, which are Political, Social, Technological.

Vietnam life style has a great impact on coffee industry in Vietnam and why it has a proper position in the market. Therefore, the author wants to refer partly about Vietnam life style so it can preview a big picture of foundation and the location for the coffee shop idea.

The exploratory research and inductive research approach are using in this chapter. This research works as a base for idea development and mainly unveils the background for the future coffee shop and its establishment.

### 2.1 PEST analysis

PEST analysis is a simple and common tool for analysing the Political, Economic, Social and Technological factors in the business environment. It shows the entrepreneur a big picture of the environment and from this, take advantages of the opportunities it gives (Mindtools.) Moreover, each part also contains of brief reflection of opportunities and threats that would have effects on Scandinavian coffee shop in Vietnam.

#### **Political Factors**

Vietnam is a one-party Communist state, which became a unified country since 1975 (BBC 2018). In 2011, the disputes over the East Sea was the main cause of some changes in relations between Vietnam and some important countries in the world, especially the Vietnam - China and Viet Nam - U.S. In terms of politically domestic policy, the government kept a political stability, and showed some positive signs.

Generally, Scandinavian coffee shop operation is not affected by the political factors or troubles related to politics as the author is Vietnamese, and this is a small business, as long as taxes are complied properly. Corruption and inflation might have slight impact on the business.

#### **Economic Factors**

Vietnam is located in the Southeast Asia, covering a total area of approximately 331,247 sq. km. It is recorded as one of southeast Asia's fastest growing economies and on the way to become an industrialized modern country in 2020 (BBC 2018.) Vietnam has been active on economic integration into the world and by 2020, diplomatic relations with 178 countries is going to be established and connected. Since 2000, Vietnam's economic growth rate has been noticed in the top highest countries all around the world and in 2011 it is recognized to be the highest Global Growth Generators

Index among 11 countries. Joining the World Trade Organization has brought in the blooming economics reforms in 2007. Vietnam is steadily becoming a dynamic and international country of South East Asia and an attractive destination for explorers.

Statistics recorded in Jan 2018, labor force participation rate reaches 76.9% and employed person is accounted for 54,1% (Trading Economics 2017). Vietnam's gross domestic product (GDP) is estimated to have increased by 7.1 percent in the first half of 2018 (World Bank 2018).

The economy of Vietnam is currently stable and open for small business. Opening a venture here is considered to be safe and low risk. Vietnamese people's demand in entertaining and relaxing is rising, which brings good opportunities for entrepreneur to open a coffee shop at the moment, although the real estate prices might be a problem for the business. Still, the economic situation is generally good and supportive for small and medium internal ventures.

### **Social Factors**

For a country with long great history like Vietnam, culture probably plays a crucial role in the formation and development of Vietnam. Therefore, Vietnamese' lifestyle is significantly influenced by culture and religion. Through long history of war, fighting, learning and communicating, together with the emergence of other cultures, Vietnamese life style has been developing and diversifying. Even though Vietnam has been integrating to the world, adapting westernization, industrialization and growing in modernity, some traditions remain unchanged (Retire in Asia 2013.) The Vietnamese respect and give priority to family, it is easy to see grandparents, parents and children living together in the same house. Relatives are also close to each other. Even though equality and aware of educating for women have been rising, the men are usually breadwinners in families. Young people must have respect on old generation. Some virtues are considered to be core culture of Vietnamese are dedication, hard-working, generosity, reliability and modesty.

The national average population in 2018 estimated 96.81 million. Urban population recorded in 2017 is 35,21% (World Bank 2017.) There are big differences between urban and rural areas in Vietnam. People in the city are busy, modern and sophisticated. They work hard and live in fast pace during the day and spend time relax and enjoy night life after work and school. Urban people are open-minded, westernized, adaptable and individual, especially youngsters. The living standard is high, customer's demands are at the peak. Young generation spends money on entertaining and relaxing more and more every day without saving much. Lately, besides respecting seniors regardless of situations like tradition, there are a growing group of young people living for themselves, expressing their opinions and interests, which shows clearly in fashion trends, music, jobs...etc.

Danang city, where the coffee shop is established, is author's hometown. Danang is a young active and potential city. The city is ranked first place for the worth living place in Vietnam, gaining many compliments from international tourists by modern city, beautiful beaches, friendly citizen and clean atmosphere. The entertaining field of this city is growing rapidly as more and more domestic and

international visitors coming to Danang every day. The city is famous for good and professional tourism services. Living standard here is average in comparison with Ho Chi Minh city and Ha Noi. It has become an ideal destination for relaxing and enjoying beach life for everyone. Especially the cost of living here is approximately 550USD to 700USD per month for a normal life, which is lower than Ho Chi Minh city and Ha Noi (O'Donnell 2018).



FIGURE 1 Danang city by night (Taken by the author)

The current situation of society is beneficial for the Scandinavian coffee shop as people's need in enjoying lives and living standard are increasing dramatically; the more interested people are into new relaxing places, the more possible it is to open a coffee shop with a unique theme in Vietnam. Whereas, because of the curiosity of Vietnamese, they might change their mind every time they go out, therefore, keeping a number of loyal customers is a challenge for the business in the future.

### **Technological Factors**

Over 50 million internet users in Vietnam is expected in 2018, leading to 91% of the population possess smart phones, and an average Internet access of 25 hours/week. This makes a potentially ideal market for e-Commerce growth in Vietnam (Export 2018.) Combined with growing e-commerce and over-the-top applications, the rising income of the tech-savvy population in Vietnam is expected to drive the market for mobile phones at an estimated 12-13 percent from 2015 to 2018 (Export 2018).

The most significant technological factor that bring opportunity for Scandinavian coffee shop is the e-Commerce and phone application as there is a growing number of people prefer to order food online and use deliver service to their doors. It is the chance yet challenge for the coffee shop in the future, which will be discussed particularly in other section.

## 2.2 Coffee industry in Vietnam

Vietnam is a developing country and agricultural land, accounted for 28 percent of 33 million hectares, also contributing about 22 percent of GDP (World Bank report 2004, §1). Major labor force is involved in agriculture work. In the past decade, the percentage of cultivated land for coffee, rubber, tea has been increased to about 12.5 million hectares, dominated for 37 percent of total land (Vietnam Environment Monitor 2002). And currently, Vietnam is recognized as the second's leading coffee exporter in the world, after Brazil.

Coffee was first introduced to Vietnam by French in early 20 century and rapidly coffee production rose by 20 to 30 percent every year since then (Summers 2014). Now it has been one of the most important agricultural sectors of Vietnam. The reason for this, initially, is the naturally suitable climate, geography conditions and better land management for coffee growth. It is nurtured in central highlands and taken accounted for 4.16 percent of total agricultural cultivating area of Vietnam. (World Bank report 2004, §1). Coffee also contributes a crucial part in Vietnam's economic development as it gives jobs for about 2.6 million people, helping Vietnam rise up from being under poverty (Summers 2014) and becomes the second most valuable agricultural export just after rice in Vietnam (World Bank report 2004, §1). There are two types of coffee, Arabica and Robusta, containing 1 to 1,5% caffeine and 1.6 to 2.7 caffeine respectively, making the coffee taste here stronger and bitter comparing to other coffee products in the world. According to Tran (2018), in marketing year 2017/18, domestic consumption of coffee is at 2.5 million bags and the number is forecasted to be increased due to the rapid raise of coffee shops in Vietnam, both international franchises and local shops. The local coffee consumption contributes for approximately 10 percent of total coffee production in Vietnam. In the same period, the statistic is recorded from international market of Vietnam exported coffee is 26.65 million bags. Mr. Dang Le Nguyen Vu, the leader in coffee production of Vietnam, founder and chairman of Trung Nguyen Corporation believes that coffee still holds a lot of potential for the country economic development even though coffee expansion has been witnessed to be downsized. He desires to turn Vietnamese-style coffee shops into international chain like the successful case of Starbucks.

## 2.3 Vietnam's coffee culture and current coffee trend

Vietnam has a long history with a diverse and beautiful culture, attracting a lot of foreign tourists to come and explore this exotic land. For some foreigners who are really interested in Vietnam's culture, they probably know Vietnamese has a thing for coffee. Vietnam coffee has a strong and fascinating taste that can satisfy most coffee addicts in the world. Coffee not only becomes the typical daily part of Vietnamese but also a unique culture here.

As referred above, coffee has been existed here since the start of 20 century and soon become a significant identity of Vietnam whenever someone mentioning this country. People here love to enjoy coffee slowly and intensely. Coffee is roasted for 15 minutes with low heat, then loaded into a

filter and left to drip little by little, manually, no machine is used in this process. This method can be found in every coffee shop from luxury to vendor. It is how typical Vietnamese enjoy traditional coffee. Vietnamese love to enjoy a cup of hot original coffee like this, or mix with sweetened condensed milk, some people would like to add some ice on it, in a coffee shop before work, gently and delightfully. The coffee here has to meet the requirements of being brewed well, the result should be thick, condense and intense to satisfy the coffee lovers. Particularly, tourists can see that coffee is taken seriously in Vietnam when Vietnamese would rather spend hours on drinking filtered coffee, chatting about daily news, reading newspaper, or just simply enjoying it, than taking a to-go cup. It has become a habit and a part of tradition here every morning.

Because of high demand on coffee, numerous coffee shops have been rapidly established in Vietnam as a result. Particularly, 2018 is the year of building coffee chains and it is foreseen to continue developing in the next couple of years. According to Le (2018), the competitive advantages of this model is the standardized management process and easily detected target. It is also easier to attract consumers when it comes as a professional chain. Young generations prefer to enjoy coffee in a brand identified, well-decorated, modern and inspired space with good quality beverages and affordable prices. and However, the problem of real estate and legal paper has been a burden to entrepreneurs. Moreover, investors do realize customer's great demand and expectations on a coffee shop with good services and diverse products instead of marketing tricks. That will decide if consumers feel satisfied and willing to come back for more. Le (2018) stated that there is a survey showed that income of a coffee shop can increase to 25% if only 5% of old customers eager to go back. Obviously, in the upcoming years, customers service will be defined as a core value in determining the success of a coffee shop and become a strategic approach to attract customers that entrepreneurs should consider carefully.



FIGURE 2. Trung Nguyen Coffee brand and drip coffee (Trung Nguyen webpage 2018.)

## 2.4 Scandinavian concept and the reason for the business idea

This session is dedicated for the inspiration the author got for this business idea. The Scandinavian region includes Denmark, Norway, Iceland, Sweden and Finland, belonging to Northern Europe. Even though each country has its own national identity and noticeable differences, they still share some similarity in history and culture. This region has been popular for being ranked in the top ideal countries to live in the world as well as high living standard and great holistic well-being, where human's rights is the utmost priority. However, that's not all about this land. One of the most well-known feature that builds the pride for people here is the unique Scandinavian interior design, which has a big influence in the world's design aspects since mid- 1950's.

If the Scandinavian style has to be described in three words, it must be simplicity, elegance and efficiency. Absolutely, back then, when looking for a furniture, functionality was the first characteristic to come. The climate in Nordic countries is always a big problem as winter is harsh and freezing, so, interior furniture should be utilized to satisfy the people' demand, which is durable, minimal and functional. The style specializes in clean lines, simple design, cosy yet bright look with neutral and natural colour palette made from wood preferably (O'Neill 2017). According to O'Neill (2017-10-23), Nordic interiors can be used in several purposes and activities as it prefers flexibility and functionality, which helps saving a lot of space and money. This was the beginning for the new evolution of interior design when IKEA of Sweden emerged and pioneered in bringing Scandinavian style to the masse. By building a valid business concept and strategy with solid background of culture, IKEA has been successful in popularizing Nordic interior design to the world as well as creating a significant identity of Scandinavian style in the market. Moreover, the reason Nordic interiors, particularly IKEA has become dominated in the field is the sustainability it focuses in the products. In order to contribute to recycling cycle, Scandinavian designers started using recycling material to create products and always look for better ways to save energy but maintain excellent quality and durability in a cycle of repair. They concern about making products last longer and recycle when customers get rid of the products. (IKEA Webpage 2018). Customers, especially young generation probably fall in love with Nordic interiors as the products are usually designed to be easily-assembled so customers can do it by themselves. This is an innovation in the industry as it's absolutely affordably priced, functional, flexible, eco-friendly and sustainable and easy for moving. Since then, the world has been knowing a sophisticated, unique, minimal yet efficient, modern and elegant style of furniture.

It is stated by M. O'Neill (2017) that Scandinavian modern style has big influence on contemporary interiors all around the world as well as corporate aesthetics. This Nordic style has gone a long way to mark the current image as a sophisticated, space-efficient and simple design. By mainly focus on quality over quantity, Nordic style will bring out a calm, cosy and peaceful space that help relieve stress from modern life.

It is obvious that in such a dynamic and potential coffee market like Vietnam, fresh business ideas and start-ups are created and established every day, each has its own advantages and uniqueness

to build up reputation and stand out of crowd in this competitive market. However, based on author's research about coffee trend in upcoming years, European style coffee shop will be a smart direction for investors at the moment.

According to the study of Scandinavian interior design and coffee research mentioned above and personal perspective, interior can be the spirit of a coffee shop. Therefore, main reason for choosing Nordic style is that the author found in this design the elegance, class and delicacy that have not existed in any local coffee shops and particularly, it cannot be confused with others. While European style is still novel in such an Asian country, entrepreneur should grab this opportunity as customers might feel excited to experience a little Nordic in the heart of Vietnam. The author targets in young people because they are eager to try new things and love to know about other culture in the world. They are also the groups that adapt to new trend of living minimalism in the world, which is also the main theme of the coffee shop. Here customers can find the simplicity yet sophistication in decoration. Besides, the clean lines and tiny details in design are optimized but still aesthetic and multi-functional. Those coffee shops following this concept will never go out of style, which is a long-term investment instead of temporary trends popped up every day. The coffee shop design will mostly focus on wood, white, cream and vintage brown as main theme, promised to bring the feeling of coziness, peace, warmth yet modern for visitors. Moreover, the author has learned that one of the factors determines the survival of this coffee shop is customer service. Due to four-year study and work in a donut and coffee shop in Finland, the author gained and received a lot of precious lessons about the importance and efficiency of a good customer services, while in Vietnam, it has not been considered to be crucial. In many popular coffee shops in Finland, consumers' satisfaction is the utmost priority. Unless the staff is always in compliance with this principle, they will get bad feedback right away and the business might be on the edge of going down. Therefore, this Scandinavian coffee shop will emphasize on serving and satisfying customers' need, intending to create a good impression so customers decide to go back next times.

### 3 LITERATURE REVIEW OF IDEA DEVELOPMENT PROCESS

Any successful business idea first need to be evaluated through a development process, in which the idea will be studied and determined if it is possible to be conducted in practice. It not only helps give entrepreneur guidance to an appropriate direction but also prevents facing dilemma and frustration and make bad decisions. Having an assessment outline does not make sure of a blooming venture but might rise the percentage of success. The most important theory is the Business Model Canvas which will be focused more in this part. This session will give a comprehensive theoretical revision of literature related to all the necessary stages for assessing business idea and Business Model Canvas. This works as a foundation for further analyses and studies for a practical situation of the thesis topic.

#### 3.1 Idea assessment

Hofstrand (2009, 1) believed that ideas can be formulated every where, from many sources. However, regardless of origination, entrepreneurs can use the below method to identify the idea. First, it is advised to gather all involved individuals with business skills needed in the making process to create and complete the idea as well as brainstorm if the idea is viable. Next is to define the business idea's general concept, vision, mission, objectives and values entrepreneur can create, which consumers are willing to pay for it. After identify company concept, it is important to define the appropriate business models to demonstrate the business function from producing to serving customers. After that, entrepreneur should investigate the idea and business scenerios to assess the validity of this idea by turning to consultant or experts. Finally, Hofstrand (2009, 1) advised to do a review of possible scenerios for further study. Here it is essential to have a good preparation on such location circumstances, legal procedure and finance management because those factors usually take a lot of time and cause trouble.

Besides, Hofstrand (2016, 1) also emphasizes the importance of defining vision, mission of an organization as they work as a roadmap of where the business want to go and how to get there. Thanks to the clear statement, businessman can see the direction and destination as well as the goals he wants to achieve. Here we have vision, mission and objectives for the foundation of the coffee shop.

- Vision statement, is defined as a comprehensive picture of what the business is aimed to do.
- Mission statement, is defined as a general statement of how the vision will be achieved
- Objectives, are specific, quantifiable, time-sensitive statement of what is going to be obtained and when to do so (Hofstrand 2016, 1-2.)

#### 3.2 Idea concept

Hofstrand (2009, 2) believes on further refine business scenerios/model in specific details. By now, the businessman should resize the business idea to a smaller scale that can be easier to evaluate.



Conducting a general research on market, operation, management and finance then analyze if it can solve important problems. The idea concept should show the uniqueness, benefits to offer customers and ways to reach them.

### 3.3 Business feasibility

Before deciding to do a business, a feasibility research is vital in the business development process. It aims to identify if the idea is possible to be conducted in practice and bring profitable results in future. Crucially, the entrepreneur has to answer if customers are interested in and willing to pay for what the business is going to offer (Pinson and Jinnet 2006, 17). It is stated by Pinson and Jinnet (2006, 17), a good quality and demanded products, competitive price, affordable expenses will be caught for naught if the entrepreneur underestimates feasibility study, which means identifying target customers and market penetration approaches. It should be carefully conducted with time and effort before thinking of starting a business. The result of this stage should be the answer of market segmentation, financial requirements to reach the goal and approach target customer.

### 3.4 Market analysis

#### 3.4.1 Consumer behavior

Consumer behavior is a study involving the psychological process that occurs in customers through recognizing needs, finding solutions for those needs, collect and interpret information, make plans, conduct them and make purchasing decisions. In short, it is a science of "How people or organization behave when obtaining, using, and disposing of products" (Kumra 2006, 2.) It can be understood that consumer behavior study plays a crucial role in defining the perspective of what, when, where, how, from whom, and how frequency customers buy and use goods and services. It has a connection with marketing management when product use is often a big concern to the marketer because it has influence on the products' best position and the increase of consumption (Kumra, 2006, 2.)

Some factors influencing consumer behavior

Probably there are many aspects that have effect on customer buying behavior. It can be generally categorized into internal and external factors. Internal variables happen within customers personally and psychologically such as motivation, demand, perception, belief, values, age, occupation, economic circumstances, personality, self-image...etc. Meanwhile, external factors can be consumer culture, society, roles, status, family...etc. (Kumra 2006, 13.)

Culture is common for all consumers regardless of product, including belief, art, morals, and other habits perceived by society. Purchasing of a product is absolutely influenced by the social class customers belong. Social class is also defined by occupation, income, status, education (Kumra 2006, 13.)

### 3.4.2 Market entry

This session give a theoretical review on entering market and researching for the most appropriate customers group. To maintain a better position and reputation in the market, Annacchino (2007, 110) recommends start-up to consider below ideas

- Customers look for value in product, so, entrepreneur must figure out the unique selling point in what is offered to secure their position and have the best affiliation with customers' needs.
- The embodiment of the value can be categorized into three items
  - Product embodiment: Create customer value by bringing product identity
  - Process orientation: Create customer value by the making progress of how the product is made, cost-saving, fast serving time, venue.
  - Supply chain staging: Create customer value by altering the supply chain of delivering product to customer.

The firm can apply those menthods to increase the possibility of successfully penetrating the maket as well as carefully offering better product and service for consumers. Annacchino (2007, 110) believes that to fulfill those earlier methods, the firm has to dedicatedly listen to customers from customers' perspectives, not from the role of the company. Founders must put themselves in the shoes of customers and think of their circumstances so as to understand customers' wants and needs then evaluate situations in a wider scale. Therefore, when truly know the problems, the company can create a better products to address direct customers' issues and satisfy their demands. A process of discovery, where seller invests for alternatives, market situation from customer interaction. It is also advised to use as it help produce hidden opportunities, competitive situations and threats to the business.

### 3.4.3 Market segmentation

According to Pinson and Jinnet (2006, 20), the ultimate goal of entering market is to find the best customers for the offered product. Those are potential people willing to buy and use the product and service. They share the same characteristics and demands that the business is capable of satisfying. Every start-up important task is to build up a profile of customers by researching and studying demographics and psychographics.

Regarding demographics, a statistical information will be studied

- Population distribution: Determine the scope of market and location of the business.
- Age distribution: Define trends and product features as young generation has completely different taste from old people.
- Sex: Determine characteristics of product and service offered as it decides whom the product is made for.

- Family status: Indicate characteristics of products and service offered. Single people and married people also have difference in product preferring.
- Education level, occupation, income: Affect product preference. Higher income people require more in products.

In terms of psychographics, it is considered to be as crucial as demographics because it explains the root of why people choose the product, what affects their selection and bring the insight look in analyzing customers' buying behaviors.

- Life style: Refer to a person's way of living, which can tell a lot about their interests, opinions, buying decisions.
- Personal behavior: Show personal values of community involvement, connection, characteristics. The degree of cautiousness, skepticism...etc. also reflects on buying patterns.
- Self-concept: Refers to how they see themselves and how they want others to see themselves. The demographics can prove that a person is in need of a family car, but indeed he wants to buy a sport car, for instance.
- Buying habit: Determine the frequency of making purchase.

### 3.5 Legal theory of establishing a small business in Vietnam

When nourishing a business idea and striving to bring it into reality, the first thing should come to mind is legislation of how to establish a company in that country. The case here is Vietnam. According to ANT Consultants and Lawyers (2017) and Vietnam Ministry of Justice, investors first want to open a company must have decent investment projects and fill in examination procedures at city's agencies responsible for investment registration process. A procedure of establishing an enterprise/company based on current enterprise law (2018) adequately includes four steps

**Step 1** Preparing all required document for filling in enterprise registration form

- Choosing the type of enterprise for establishing. It could be sole proprietorship, partnership, limited liability companies, the corporation...etc.
- Preparing the copy of Personal identification of all investors or people involved.
- Choosing company's name. To avoid overlap, it is recommended to use "National registered enterprises system" for referencing.
- Defining legal location of the company
- Confirming investment capital for doing business.
- Defining the field of business according to law regulations of business

**Step 2** Composing and submitting the company documents to registered business department of district where the business operates.

**Step 3** Making company stamp by bringing the certificate of registered business to the place where is in charge of making the stamp.

**Step 4** Procedure after establishing company

- Declaring tax with Tax Department at the place of establishing business and handling all related tax documents
- Doing the process of purchasing, invoicing according to decree 39/2014/TT-BTC.

After completing all the process, in short, below is the list of required documents needed for opening a business in Vietnam:

- Certificate of registered business with tax number of enterprise
- The legal stamp for business
- Company's regulations
- Invoicing
- Notification regarding of using invoice
- Notification regarding of opening a business bank account
- Notification of tax conversion calculation of VAT by tax payers
- Notification of applying tax deduction
- Notification of electronic tax registration
- Token tax declaration online

### 3.6 Business Model Canvas

The Business Model Canvas is developed by Alexander Osterwalder (2013) that enables planners to design their own business structure by filling all essential questions in block. It is in template form with nine elements: key partners, key activities, value propositions, customer relationships, customer segments, key resources, channels, cost structure and revenue streams (Osterwalder and Pigneur 2013, 16-17.)

The nine segments could be classified into four main categories of business: offer, customer, infrastructure and finance:

- Customer includes Customer Segment, Customer Relationship and Channels
- Offer means Value Proposition
- Infrastructure includes Key Resources, Key Activities and Key Partners.
- Finance means Revenue Streams and Cost Structure (Osterwalder & Pigneur 2013, 15.)

It is described in figure below

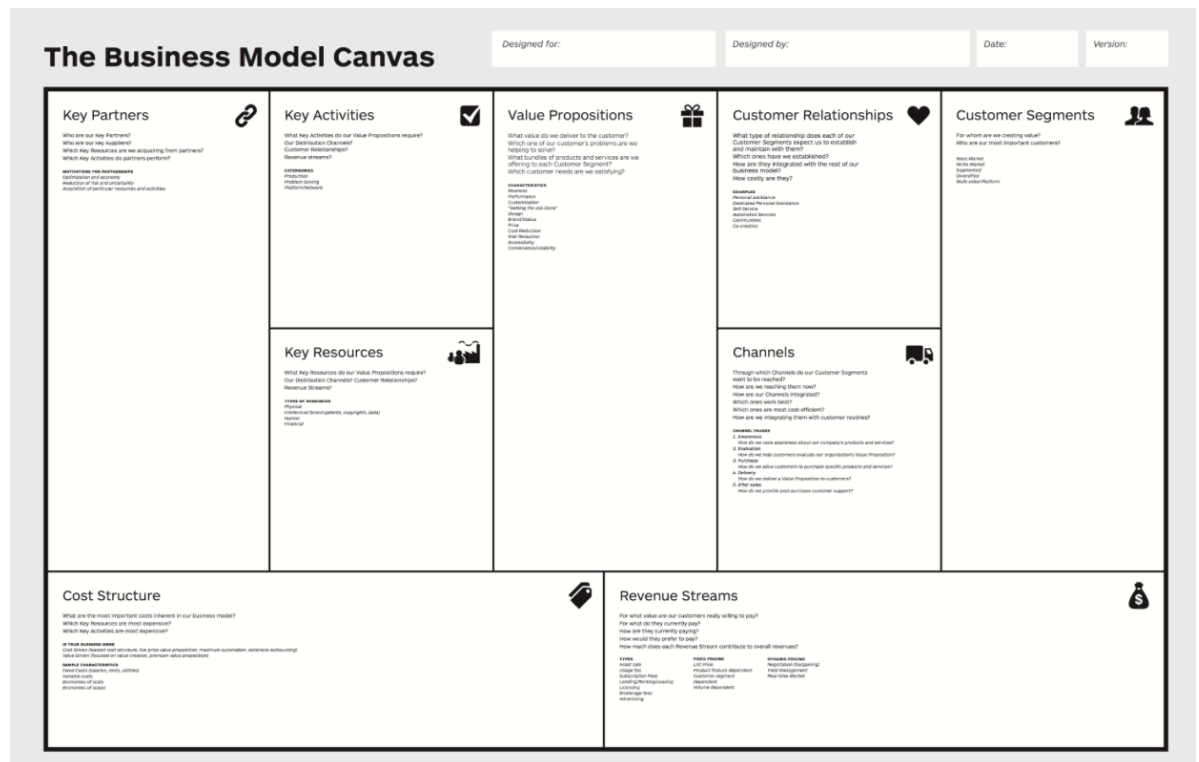


FIGURE 3. Business Model Canvas (Osterwalder & Pigneur 2013)

Each element has some points to be clarified

### Customer Segments

In other words, groups of buyers the company tries to approach and sell their products. The company must know who they are going to serve and what customers' demands they need to satisfy, based on the characteristics, preference and needs of each group. It helps the company implement the right strategy in order to receive profitable results. Below are some popular kinds of Customer Segments

- Mass market is a group of customers in a large scale, which shares the same demands and expectations without distinguishing
- Niche market is a specific Customer Segment with particular demands
- Segmented markets are groups of customers having same demands but with slight differences
- Diversified markets are completely different markets in Customer Segments
- Multi-sided markets are two or more interdependent Customer Segments that are managed and operated successfully by a business (Osterwalder & Pigneur 2013, 20-21.)

### Value Propositions

Customers' buying decision depends a lot on how much value company can create for them by products and services, which can satisfy each customer segment' requirements. This block helps company identify their advantages in catering their specific groups of clients. Some common suggestions for business to create value for customers:

- Newness, means create an entire new set of demands that have never existed before, which can be applied for technology.
- Performance, means offering value by improving existing products or services.
- Customization, means tailoring products and services for individuals
- Create value by helping customer doing their jobs done.
- Create value by designing a standout and pleasant products for customers.
- Create value by giving customers status and sense of pleasure with brands.
- Create value by giving customers discount on products and services (Osterwalder & Pigneur 2013, 23-25.)

### **Channels**

This element illustrates the approaches company can use to communicate and reach Customer Segments, then deliver Value Proposition. It plays a vital role in customer relationship. Effective channels can draw customers' attention and awareness about company's products and services, bring customers closer to chances of purchasing and using products, simultaneously send Value Propositions to clients. In short, it is a work of creating and dispatching **Awareness, Evaluation, Purchase, Delivery and After sales** (Osterwalder and Pigneur 2013, 23).

### **Customer Relationships**

After getting customers buy the products, the company is also concerned about building the follow up relationships with particular customers groups. Relationships which can be personal or automated obviously have an important role on the customer management of the company. They can be:

- Personal assistance, in which company representative/customer service will be in touch and take care of customers.
- Dedicated personal assistance, the same situation with personal assistance but in a long period of time.
- Self-service, in which customers will serve themselves.
- Automated service, the same situation with self-service but the customer's experience is customized based on the research of customer.
- Communities, where members in the same community helping each other by exchanging knowledge and experiences, also providing information for the company.
- Co-creation, in which customers contribute to improve company's services and products by giving suggestions and feedbacks (Osterwalder and Pigneur 2013, 29.)

### **Revenue Streams**

The monetary value Customer Segments are willing to pay for their purchase and experiences is Revenue Streams of company. The company should be concerned about groups that generate the most revenue streams and have specific strategies for them to optimize profit. Some ways to gain revenue for company are **Asset sales, Usage fee, Subscription fee, Lending, Licensing, Brokerage fee and Advertising** (Osterwalder and Pigneur 2013, 31).

### **Key Partners**

As establishing a business need the cooperation and contribution from many individuals and organizations, the entrepreneur has to take care of his partners and maintain a good relationship with suppliers in the business network. According to Osterwalder and Pigneur (2013, 38), there are four separated types of partnerships.

- Strategic alliances between non-competitors
- Cooperation: partnerships between competitors
- Joint ventures: new business development
- Buyer-supplier relationships to ensure trustworthy supplies

### **Key Activities**

Depending on business type, every company has their own key activities which are the crucial actions to run a business smoothly and successfully. The purpose certainly is to reach customer targeted groups, create value, obtain profitable goals and maintain customers' relationships. It can be categorized below

- Production are activities related to designing, making and delivering product.
- Problem-solving are activities that focus on coming up with innovative solution to handle customers' problems.
- Platform or network are activities such as updating and managing the platform, service provisioning and promoting the platform (Osterwalder and Pigneur 2013, 36-37.)

### **Key Resources**

The block demonstrates the most important assets the company need to run a business. Osterwalder and Pigneur (2013, 34) believes that these resources permit a company to create and offer a Value Proposition, keep good connection with Customers Segments and probably earn profit. They all have relationships with each other. Key resources can be classified into four main sessions:

- Physical assets consist of facilities, offices, machines, systems, buildings and other assets company owns
- Intellectual assets comprise of brands, knowledge, copyrights and other abstract assets
- Human assets include personnel belongs to the company.
- Financial assets include cash, loans and investments. (Osterwalder and Pigneur 2013, 34-35.)

### **Cost Structures**

All the costs spent for establishing business, including researching, building business identity, marketing, maintaining Customer Relationships, customers' experiences...etc. Those costs are **Fixed costs, Variable costs, Economies of scale, Economies of scope**. Thanks to the model, such costs can be sum up after finishing Key Resources, Key Activities and Key partnerships. (Osterwalder and Pigneur 2013, 40)

## 4 SCANDINAVIAN STYLE COFFEE SHOP DEVELOPMENT PROCESS

In this chapter, the author applies the literature review, secondary data studies from secondary sources and deductive research approach revised earlier into the business idea of a Scandinavian style coffee shop in Danang, Vietnam and then lays out some possibilities about this business. Initially, the author assesses the idea based on the hypothetical stages to analyze the business concept with its product, service. Next, the process continues with feasibility implementation, then possibility study of market entry and market segmentation. Finally, the author proposes some market strategy to be well-prepared for a successful penetration in the future. The process will be carried out with analyses, studies and combination of literature review and personal knowledge.

### 4.1 Idea assessment

This idea of establishing a coffee shop in Vietnam has been nurtured in the author in the time having internship in Vietnam. The author realized the potential opportunity in coffee industry when customers' demand increases everyday. Young people look for a modern yet vintage, creative spaces for hanging out, meeting friends or just chilling after school and work every day. The author herself is also in the age of youth, seeking for challenges to establish a business in hometown after years studying Business in Finland and experiencing the lifestyle and aestheticism of Europe and Nordic area. Therefore, with love, passion and knowledge, an idea of a Scandinavian style coffee shop was nourished. This idea will be evaluated the possibility through development process.

First and important task is to assess the idea. The general description of the coffee shop is a medium space, due to limited capital and importantly, the author can afford expenses, save labor and time of the team. Interior style will be inspired by Scandinavian interior made with wood, bamboo in color cream, white and light brown. The space is decorated with Europe posters, scented candles, flowers, artificial leaves, books, clocks and some vintage items so as customers can feel like living in a typical Nordic house with light chilling European music. Regarding the concept, the coffee shop will provide customers with wide range of beverages in a peaceful cozy atmosphere. Beside Vietnamese traditional dripped coffee, customers will have more choices of European style coffee such as Espresso, Cappuccino, Latte...ect. Specially, the perception the author wishes to deliver to customers when entering the door is minimalism, elegancy, sophistication and friendliness, which hopes to give customers a glimpse of a modern and classic Nordic space as well as European coffee culture, in comparison to other traditional coffee shops in local.

The concept of a Scandinavian coffee shop is the case of this thesis. Therefore, it is required to give a comprehensive description about mission, vision and objectives.

#### **Mission**

- Create a truly comfortable Nordic space, elegant design and peaceful atmosphere for customers to visit, relax and have good time.



- Serve customers with care, love and dedication.
- Offer wide range of beverages choices suitable for everyone.

### **Vision**

- Guarantee for the best customer service in town when customers' satisfaction is the staff's priority.
- Build a brand identity among competitors in the market
- Become the best coffee shop choice with affordable price and good service in the local

### **Objectives**

- Reach the target of at least 100 customers per day
- Reach the profit goal of sixty million vnd per month (around 2550EUR)
- Obtain at least 100 loyal customers and maintain the rate of 20% re-visit customers
- Become the favorite destination for coffee lovers and young people who love minimalism
- Meet the demand of customers and optimize customers' satisfaction
- Gain trust and maintain good relationships with related business partners

Establishing a coffee shop is a potentially profitable business, particularly in developing country with dynamic business environment like Vietnam, proven in rising number of brand-new coffee shops opened in a short time. Although there are many choices of coffee shops in town, customers' demand is still unsatisfied. However, in business, risks are inevitable. Here are some predicted circumstances that might happen when opening a coffee shop

### **Legal procedure**

The author believes that legal process is an important issue in determining the existence of the coffee shop. As mentioned above about the legal procedure of establishing a small business in Vietnam. The entrepreneurs should take good care of legal aspects and be well-prepared with all related business certificates as well as registered brand before doing first steps of building the coffee shop. Some people underestimate this step and rapidly start opening coffee shop without caring about legislation and when unexpected problems occur, they probably have to face a lot of trouble or even have to close the business.

### **Location**

Entrepreneurs cannot rush in choosing a venue for coffee shop. Because of particular business characteristics, coffee shop's venue should be located in crowded area, better near offices and markets depends on market segmentation and scale. However, one-way streets should be avoided because customers can pass the place without knowing its existence. 80% of people will not turn around to visit. Streets with narrow pavement also should not be on the potential list as there would be no space for parking. Think of the efficiency of location before deciding to do the business there. One more thing is about the landlord, it is vital to have a detailed careful contract with landlord and keep good relationship with them.

### **Financial management**

Opening a business means dealing with a huge amount of finance work. Start-ups usually cope with trouble in managing money when first time establishing a business. Entrepreneurs should get familiar with real estate rent, design, staff, construction cost, interior and utensils expenses, running business costs, payback period, bookkeeping...etc. and turn for advices from experienced people or experts in the field. To avoid lose uncontrolled money, start-ups should do a bookkeeping recording every single cost spent for the business and it is recommended to start with minimal expenses as much as possible. Moreover, to save cost, entrepreneurs must seek for reasonable material sources from reliable partners. It is required many thorough researches in many aspects to have a controllable financial management.

## 4.2 Idea concept

In this session, based on the theory of idea concept and product development above, the author goes through particular business concept of this coffee shop including Product, Uniqueness and Sale channels in association with market segmentation as the main goal is to have a comprehensive evaluation of the business idea and find potential target customer groups.

### **Product**

As mentioned earlier and after analyzing product development theory and considering all important aspects, the coffee shop decides to serve customers with wide range of high quality beverages from coffee to healthy smoothies and some light snacks so that the coffee shop will become favorite destination for everyone at all ages. Traditional and European style coffee will be the main product lines of the coffee shop with premium coffee of Vietnam. The products are able to satisfy the conditions of being fast, fresh and fit. All products are researched based on customers' wants and needs, varying in tastes for everyone. The menu could be temporarily described below



FIGURE 4. The coffee shop's menu (Designed by author)

The menu is still on process of improving, probably it will add more products on it for various choices from coffee to smoothies and snacks

### Uniqueness and benefits for customers

The coffee shop will be designed in modern and cozy Scandinavian interior style with warm light, white-brown tone and some vintage decoration, books and flowers. Main characteristics to demonstrate the shop will be elegance, simplicity and friendliness. The author expects to create a little Nordic in the heart of tropical climate land. The shop will decorate a lot of green plants in order to bring a fresh air and peaceful atmosphere for visitors. Founders also guarantee to reduce plastic, start using friendly-environment materials, reuse and recycle. Customers will absolutely have an interesting experience with the best customer services and premium drinks in the soft European music with affordable prices. The staff is well-trained and professional, working with passion and care, promising to make customers feel comfortable and respectful every time they visit the shop. Especially, there is many upcoming promotions for customers to keep them up-to-date and boost the popularity simultaneously. One of them is membership cards and coupons collecting marks every time customers come to the shop and come back for more. Moreover, there will be separated smoking areas so that the shop can keep the clean air for everyone including children.

### **Sale channels**

In terms of sale channels, the primary method of doing business is probably selling directly to customers at the coffee shop. Before launching, it is important to define the timing for grand opening the location, which is going to be in festive season. The author desires to build a medium place but spacious enough for customers to come and enjoy the atmosphere with favorite drinks here. Currently, the author has not thought of activating delivery service yet but it is promising to launch soon in the future.

## 4.3 Business feasibility

Feasibility analysis plays an important part in business idea development process. It will focus on market segmentation, basic financial prediction for a secure foundation for the business in the future. This part is implemented for the purpose of determining if the business idea is compatible with business model for a successful venture.

### 4.3.1 Market segmentation

Based on the theory of market segmentation definition above, secondary data analysis of Vietnamese habits in chapter 2, and personal perceptions and observations, the author conducted a small study about potential target customers below

#### **Demographics**

**Population distribution:** the shop is supposed to locate near universities, offices, supermarkets in a crowded and popular two-way street, here is Nguyen Chi Thanh street, one of the main lines of the city.

**Age distribution:** Even though the author is ambitious to design a coffee shop suitable for everyone, the primary architecture of the shop is modern, simple yet sophisticated European style, usually preferred by young generation who loves minimalism and European culture and design. Those customers are also willing to try out new enjoyable places to hangout daily after school and work. Officers and businessman also might find this place ideal for business meeting or working as the main theme increase concentration and give inspiration. Therefore, the main age that might dominate in the market is young people from 18 to 35.

**Sex:** The coffee shop's concept and design is made for every gender, especially those who love Nordic culture and its aesthetic beauty.

**Family status:** The coffee shop's concept could be suitable for family meeting and children, but not a main target as the author wants to maintain the peaceful and quiet atmosphere in the shop.

**Education level, Occupation and Income:** As mentioned above, students, white collars, businessman and young people with stable and high income will be targeted as they share the same preference and tastes. Those people are willing to pay for relaxing services with a little extra.

## Psychographics

Lifestyle: Those people who are interested in trying out new things, minimalism lifestyle, like the feeling of serenity and simplicity, enjoy reading books and learning European culture, or just simply love coffee can fall in love with the coffee shop's concept.

Personal behavior: People who look for peace after hard-working tiring day to escape from reality, both introvert and extrovert, treasure simple things, relaxing time and love minimal decoration as well as those who are quiet, subtle, delicate are warmly welcome to join us in the place.

Buying style: The specific consuming behavior will be reviewed later. This category also has influence on deciding market segmentation as there are many people who frequently spend money on trying new things without thinking. It is a buying habit for no specific reason. Those are usually described as open-minded and adventurous. Young people are also targeted for impulsive buying habit but the challenge here is that it is hard to keep the loyal ones.

To sum up, after analysing, it can be seen that the primary market target is young people from 18 to 35, who are students, officers, white collars. They come to visit coffee shops for many reasons, mostly for the need of communicating, hanging out, relaxing or enjoying coffee and other drinks. The most crowded and suitable time for those customers are early morning for coffee, and mostly the evening from 19:00 to 21:00, when they finish a work day and stay around 1 to 2 hours approximately. To satisfy this group of customers, the staff must take good care of services, excellent and fast-serving beverages as well as space. They will request some basic requirements such as:

- Is the coffee shop convenient and well-decorated?
- Are the drinks and services worth the prices they pay? Is it affordable?
- Is the customer service good? Is it fast and dedicating?
- Is the staff helpful?
- Are those beverages well-made and various?

Young people are somehow easy to please but if there are any trouble or problems happening, probably they will never visit the place again, and spread bad words about the place mouth to mouth or on the internet, which definitely brings the business down. And because of the characteristics of this group, it is quite hard to keep them loyal with the coffee shop as adolescents tend to change their mind often and want to try new things. They are biased and unpredictable. However, If the entrepreneur can fulfill those requirements and satisfy their demands, he can be confident about the products, services and values provided, which helps increase the chance of making customer come back for more.

### 4.3.2 Basic finance estimation

Obviously, every venture needs to have capital to be established and survive in the market. Here the author will estimate fundamental need of capital for the opening of the coffee shop. The follow-

ing table shows the basic financial management and investment the author plans for the future coffee shop. These are just personal forecast for references based on market price of materials and expenses in Vietnam.

TABLE 1. Investment for establishing the coffee shop

<b>Expenditure description</b>	<b>Cost in EURO</b>
Location rent deposit + first month rent	4400
Constructing, designing	7500
Facility for coffee making, utensils	1200-1500
Raw materials	1000
Promotion, banner, tickets	1500 (budget)
Legislation document and procedure	300
Staff	400
<b>TOTAL</b>	<b>16100</b>

TABLE 2. Predicted monthly operating cost

<b>Expenditure description</b>	<b>Cost in EURO</b>
Rental fee	2000
Raw materials	1000
Staff	1050
Electricity, water and internet	178
Advertising, promoting in the first month	500
<b>TOTAL</b>	<b>4728</b>

Based on the estimated calculation of expenditure cost and first month spending, the investment capital needed to operate the coffee shop and survive in the first month is at least 20828 EUR. Currently, the only investment source of the coffee shop comes from the author's personal fund with the help of family. In case the author is in shortage of capital, another plan is seeking for outside investment. The business plan and its operations will be modified accordingly to the opinion of the majority. Any investors that contribute to the establishment of the coffee shop will have the share of stock in the coffee shop.

#### 4.4 Market analysis

##### 4.4.1 Market entry

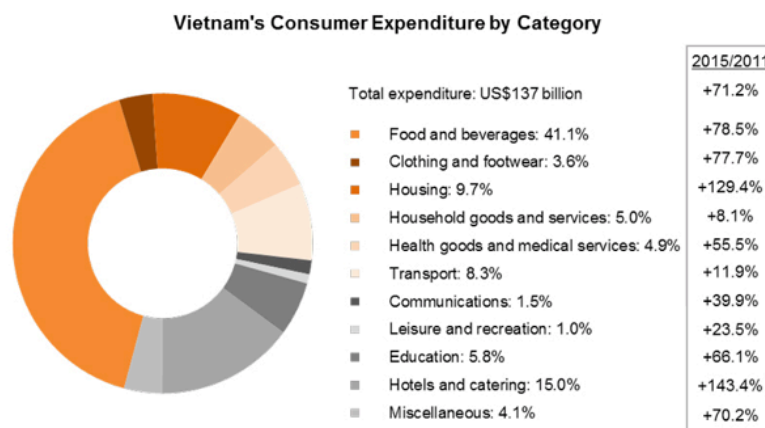
When all the stages of preparation have been implemented well, the business idea can be ready to penetrate the market. Obviously, market entry is a crucial step, as the entrepreneur will launch and operate the business in practice. It is the time to decide if the business idea can actually exist, survive and flourish in reality. To have a higher percentage of successful penetration, the founder must

carefully research on market, customer's behaviors, timing, promotion strategy and distribution before start selling product to consumers. Besides, the author believes that there should have preparation for unexpected circumstances and many scenarios to handle problems occurred. The entrepreneur must be confident on the ability of delivering values to customers, by understanding thoroughly what customers want and need. In this case, the embodiment of value that the author is confident to give customer is creating a unique Scandinavian environment and develop a Nordic cultural nest for people who love experiencing its beauty. Moreover, customers can enjoy premium coffee with reasonable prices and perfect service by passionate and well-trained staff.

#### 4.4.2 Market strategy

##### Consumer behavior

With the theory mentioned above, some personal observations, perspectives and the analysis of customer segmentation, the author has drawn some conclusions about consumer behavior in Vietnam, which is useful for the marketing strategy in the future. At first, for external variables, Vietnamese buying behavior is affected by culture, specially the living habit in society. Vietnamese consumers are generally "Ethnocentric", which means being loyal to several local brands (A.S.Louken 2014). People here also love using mouth-to-mouth approach to introduce any products because of living together and reliability feature in society. Consumers tend to choose products due to prices and discounts with free samples. Mostly women will be in charge of going shopping for the whole family and for themselves personally. Men usually go out for business purposes or hanging out. When Vietnamese people go to coffee shop, they go together with family or friends, they rarely enjoy being outside alone. In terms of internal factors, young people are active and open-minded, who tend to adapt new trends and try something new, whose demands of enjoy wellbeing and good things is also much higher than old generation. Whereas, old people are loyal and stick to their favorite brands no matter what happens. The urban citizen with stable and good economic circumstances are also able to spend more for their entertaining and relaxing demands while rural people would rather save money for their children. People in the age of 18 to 30 have more free time to go visit places and enjoy new cultures. More details will be found in market segmentation.



Remark: 2015 figures. All percentages are calculated in US dollar terms.  
Source: Euromonitor

FIGURE 5 Vietnam consumer expenditure by category (HongKong Trade Development Council, 2017)

It can be seen clearly from the figure that Food and beverages accounts for the highest percentage of 41.1% in total expenditure. It can be assumed that Vietnamese are willing to spend money on food and beverages rather than other stuff. This buying habit comes from culture as cuisine is a significant feature in Vietnamese culture.

In the era of internationalization, buying behavior of Vietnamese has been developing more dramatically than just basic demands and interests. It has been raising up to another level of diversity due to vision and taste of an industrialized country. It shows clearly in increasing demands of new apartments and buildings, electronic devices, luxury brands, online shopping and transportation. People are paying more attention to their personal well-being and agree to spend more on making themselves pleasant and happy with shopping and relaxing services.

The author aims to target young people for the future coffee shop because youngsters share many similarities with the coffee shop's features and the author herself is a youngster looking for new places to go and explore every day.

#### **4Ps Marketing Mix**

In addition, every efficient venture requires a detailed operation plan for marketing activities. Here the author decides to conduct the 4Ps. First is some brief description of the 4Ps. The tool was first expressed by E.J.McCarthy in the book "Basic Marketing – A Managerial Approach". 4Ps refers to Product, Place, Price, Promotion

The purpose of 4ps is to identify the marketing mix, including 4 most influent aspects in business before introducing products and services to the market. From the consumer behavior implementing above, here is a analyzed 4Ps

#### **Product**

As mentioned earlier, one of the coffee shop's motion is to diversify beverages, enhance customer service to satisfy customer's demands in all ages. Therefore, the staff will keep on researching for new products and innovating current ones with strict requirements about quality. In association with the help of experts in food and beverages as well as the staff's creativity, the coffee shop's products are promising to give customers big surprise on quality and decoration. In the meantime, beside focusing on coffee, the coffee shop will launch new series of healthy drinks as demand for living healthy of people has been raising lately.

#### **Service**

Guarantying the best quality of customer service is the staff's top priority in the development of the coffee shop. Customer service is the second important aspect among reasons of choosing coffee shop of customers. Specially, for some customers such as white collars, foreigners, a professional



service is dramatically vital to decide if they will return or not. The staff identifies the three criterions in serving customers

- Following up and keeping good relationship with customers with professional and friendly service and try to satisfy every demand as much as possible.
- Create a comfortable environment for meeting, hanging out, or studying and working.
- Making beverages fast for customers, especially the groups of officers.

### **Price**

Price probably has a significant effect on people's choices on purchasing. It is considered to be a priority when choosing what to buy. Although the quality and service competition has become more dominating than pricing, still it has an important role in marketing and business. Therefore, in every development stage, the staff always strive for better pricing strategies.

- **First stage**

In the opening stage, the coffee shop decides to use the "Penetration market price" due to the popularity of coffee shops in the local. The staff proposes a reasonable average price, following the local market price for customers, then from the standard, different pricing will be determined for each kind of drink. The goal of this stage is to survive and guarantee the positive reaction from customers.

In this stage, cost-based pricing is applied with simple formula:

$$G = Z + m$$

G: price

Z: cost of one product

m: predicted profit

The expected profit is 25% for each product.

The staff will follow the purchasing every day to decide if there is an increase in expenses to adjust the price accordingly.

- **Second stage**

Discount on amount: The coffee shop will apply the score ticket for customers. For every eight batch of beverages, customers will be given one for free. This strategy is proposed with expectation of attracting customers to come back for more.

Discount on fixed time: The store allows 20% discount for customers from Monday to Wednesday at 10:00 – 12:00. The reason behind is that based on observation, the author realizes this is the least popular time for visiting coffee shops.

### **Place**

The coffee shop operates in Danang city, which is a coastal dynamic developed city with the majority of young people. The author tries the best to find a venue located in a clean environment, near civilized resident area and offices with pavement. This location is considered to be quite possible for ventures when there are also some businesses around.

## Promotion

TABLE 3. Promotion plan

Type of advertising	Activities
Newspaper, magazines	Advertising on magazines with coffee shop's images and discount coupons
Flyers, leaflets	Giving flyers in front of high schools, offices...
Social media	Creating coffee shop's Facebook page and Instagram account for promoting and ordering online Updating information about promotion and discount programs daily Creating relationship with customers by interacting online Investing in photoshoot for products
E-commerce	Connecting with reporters of food and beverages Facebook page and app for an introduction article Appearing on recommendations of those pages
Word of mouth marketing	Applying 10% discount for sharing Facebook page and tagging friends and checking in together at the location.
Promotion programs	Providing score tickets for one free drink after every eight purchases Allowing 20% discount for customers from Monday to Friday at 10:00-12:00 Holding festivals, occasions and decorating the coffee shop in such events as Halloween, Christmas, New Year...
Customers' feedbacks	Try to collect customers' feedback through social media, feedback sheets in order to listen to customers' opinions and improve products and services accordingly and reasonably



FIGURE 6. Promotion material (Designed by the author)

## 5 BUSINESS MODEL CANVAS OF A SCANDINAVIAN COFFEE SHOP IN VIETNAM

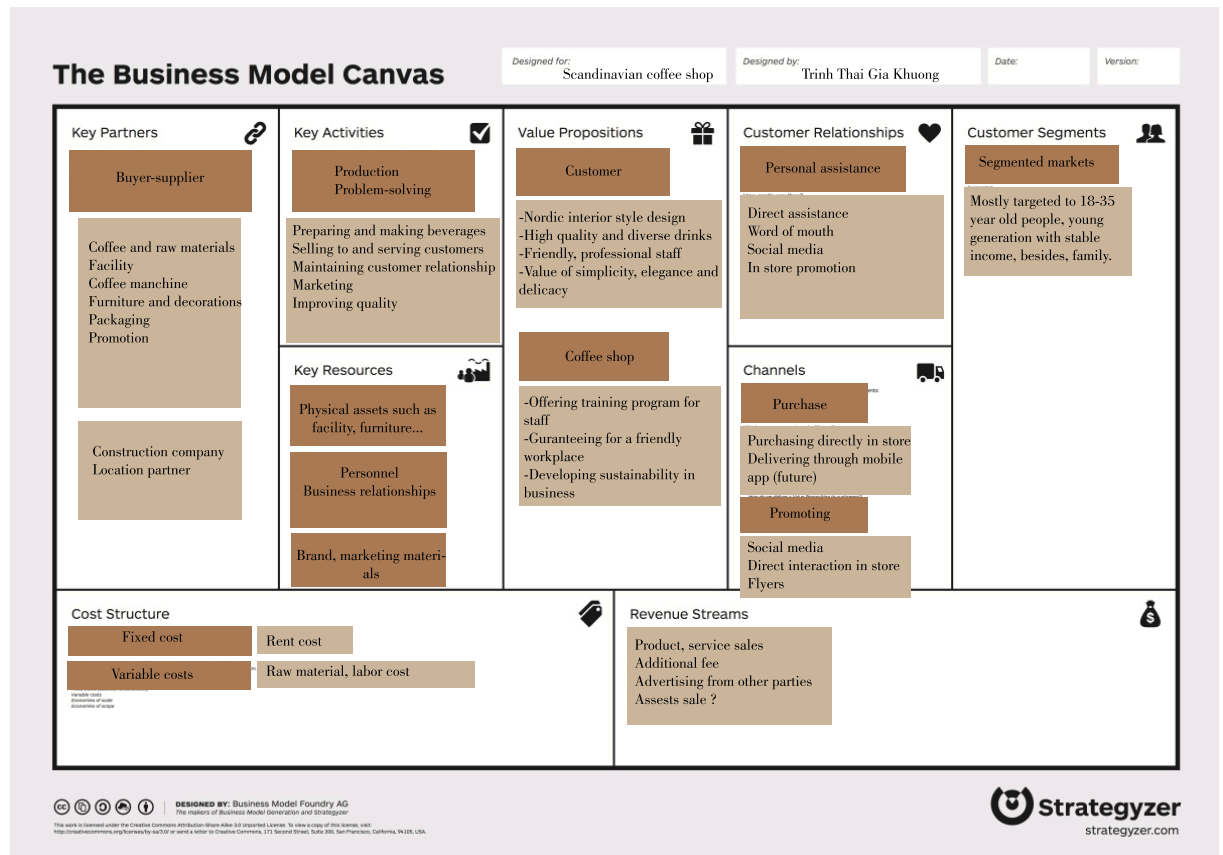


FIGURE 7. Business Model Canvas applied in the coffee shop case

The Business Canvas Model will be applied in this session in order to give a comprehensive sum up of the company targets when opening a coffee shop. The author thinks that the model will help investors have an overall look about company's main activities, primary resources, target customers, all costs and others to approach the profitable goal. Moreover, it contributes to the proposal of appropriate business strategies.

## 5.1 Key Partners

The success of coffee shop can be partly determined by choosing reliable business partners. One of the coffee shop's priority is to provide customers with qualified products made with passion and from a reliable partner to assure food safety, freshness and obtain sustainable development. For coffee, the company decide to make partnership with Trung Nguyen Coffee, a trustable, national leading coffee brand in Vietnam. Regarding raw materials, Vietfresh and Vinmart are chosen to do the business as they gain good reputation of providing clean, fresh and authentic materials in the market. In terms of interior design, the coffee shop wants to purchase from Jysk Vietnam, official Jysk brand founded in Nordic area. The author loves the elegance and sophistication in Jysk design and specially, this brand mostly design interior for Nordic houses. The author believes only the brand from Nordic can meet the requirements of the coffee shop and brings the Scandinavian taste to the

place. Other parties for the coffee shop's establishment are coffee facility company, packaging, printing service, promoting service company, construction company and location landlord. Those names are in reference are Epicure Vina for coffee machines and other facilities, Quang Minh printing for packaging, Moc Mien company for promoting service, Dong A company for constructing. Still working on location.



FIGURE 8. Main partners in furniture, raw materials and coffee

## 5.2 Key Activities

The coffee shop needs a proper plan of key activities for easy follow and implementation. It will consist of production and problem-solving. However, the first thing to concern is taking care of legal procedure and licensing if needed. It takes time for paper work so make sure to do this months earlier. Main activities of the coffee shop probably are making beverages, selling drinks and services in the finest, which belong to production part. In the meantime, a well-operated business need a good management, therefore, the management work must be supervised everyday to keep up with the daily job and take care of other unexpected stuff happening. Next, marketing activities are also important as it spreads the reputation of the coffee shop in a mass scale. Promoting and marketing campaign will be conducted due to the marketing strategy and particular direction of the coffee shop. Simultaneously, the coffee shop needs to do Research and Development work for a solid and sustainable development as well as for quality improvement by taking the coffee trends, new products, promotion for attracting customers...etc. Improving quality of the coffee shop is done through interacting and getting feedback from customers. Moreover, the staff also plays a crucial part in the

success of the coffee shop as they represent the image of the place. Therefore, a well-done training program for the staff is a must. Giving support, training is a part of sustainable development, which is essential for the future grow. The coffee shop also cares about social activities and environment related actions for a better future.

### 5.3 Value Propositions

In terms of customers, the coffee shop guarantees to provide those benefits, those are also considered to be the coffee shop's **competitive advantages**

- Nordic interior and design style
- Various choices of drinks especially European coffee style
- Dedicated and caring customer service
- Aesthetically beautiful decoration for photoshoot
- Value of enjoying the simplicity, minimalism lifestyle

The coffee shop's staff will put their feet in customers' shoes to understand deeply what clients truly want and demand. The author will strive to give customers a peaceful and comfortable atmosphere in a Nordic space, served with good drinks and snacks, chilling music by excellent staff. It is promising to help customers relax after a hard-working day, and for those who are in love with Scandinavian design and culture, to come and enjoy the space. Together with tempting promotion programs, customers will have good experience when visiting the coffee shop.

Moreover, for a sustainable development, the founder also guarantees to give staff training program, decent salaries appropriate to the staff's contribution and a fair friendly workplace. Furthermore, the coffee shop complies with protecting the environment by reducing plastic, starting using friendly-environment materials, reusing and recycling. Regarding of people responsibility, the coffee shop will give staff a professional training program before officially working in the place. During the working period, there will be double pay for festive occasions. The founder also promises to contribute to the development of society by raising funds, doing charity and helping the poor in the local. Regarding the coffee shop, the most important value after all is having a good sustainable development plan for a solid position in the market, rising awareness of brand identity and profit generation.

### 5.4 Channels

As reviewed in chapter 3, there are five channel phases to go through. The first phase, awareness, is when customer first knows about the coffee shop. Therefore, the effective channel here could be social media such as Facebook page, online advertisements, Instagram together with relatives and friends' sharing about the coffee shop.

The second and third phases are evaluation and delivery, which also mean purchasing phase. This is the phase when customers come and try the drinks and services here. The main platform that the

coffee shop runs in is at the venue. Customers are encouraged to purchase products directly at the shop and enjoy the unique atmosphere as well as special service here. The staff is willing to serve customers and hope to bring their experiences to a new level of satisfaction. However, the author knows clients are sometimes too busy to stay at the shop but still want to have coffee here, so, the delivery service through mobile phone and app will be operated soon in the future after grand opening of the shop.

The final phase is after-sale, also time for follow-up promotion. The main channel the author wants to dig deep in is social media as the dramatically development of internet nowadays. The primary method will be interaction through Facebook page with updated information about the place, in the meantime, emergence of the coffee shop Instagram with good and well-taken coffee photoshoot for promotion. For a more effective promotion channel, flyers will be made and given at universities and offices in the local.

## 5.5 Customer Relationships

Managing a good relationship with customers is not an easy job. The business will focus on personal assistance, which means direct communication and interaction to customers in store. The staff is always available to customers for any help needed. Good service will be spreaded and bring good image to the business. In term of promotion, in the first phrase, it is important to offer clients with score tickets to get one free drink after every 8 time of drinking beverages here. Moreover, they will get 20% discount from Monday to Friday at 10:00-12:00. These approaches are believed to attract customers, increase frequency of visiting and maintain loyal ones. The promotion should be applied in some festive occasions such as Christmas season, Tet holidays...etc.

Keeping good connection in social media and word of mouth. Making customers satisfied and they will talk good and introduce the place to others.

## 5.6 Key Resources

According to Osterwalder (2013), the three most important factors performing value propositions and key activities are human, physical assets and knowledge assets. Regarding human, the coffee shop needs good managers, well-trained staff and special interior design of the coffee shop. Any successful coffee shop needs a passionate and professional staff. The staff is the spirit of the shop, making products and communicating directly with customers to serve them, therefore, a good training session is extremely important. The staff will be trained proficiently about the coffee shop's core values, mission, products making, materials, serving skills, cleaning skills, improvising, communicating with both Vietnamese and basic English so as to serve customers confidently. Another key resource is interior style. The author will invest time and finance in choosing the most suitable furniture for an actual Scandinavian style, the main unique point in creating an impressive image in customers' head as well as local market. Business relationships are important as it helps bring out connection in many fields. It might be helpful in some cases, such as changing suppliers through introduction.

The physical assets include furniture, decorations, coffee making machines and other utensils used at the shop. Those assets are easily obtained and used in long time. The intellectual resources are brand, marketing materials and campaign, drink recipes, knowledge of managing a coffee shop.

## 5.7 Customer Segment

The market the coffee shop aims to serve is segmented market for young generation. A detailed market segmentation and Vietnamese consumer behavior analyses can be found earlier. Based on the market segmentation implemented above, in short, the coffee shop will focus on the range of customers from 18 years old and upwards. The group includes student, working people, white collars, primarily. The table below shows details of customer segment and ways to approaches.

TABLE 4. Customer Segment

<b>Age</b>	<b>Occupation</b>	<b>Marketing approaches</b>	<b>Demand</b>
18-25	Student	Social media E-magazines	High
25-35	Working people	Social media Internet Magazines, newspaper	High
>35	Working people Family	Internet Advertisements Magazines	Medium

Besides, all coffee addicts, culture lovers are welcome to the coffee shop.

## 5.8 Revenue Stream

The main revenue will be generated by customers' purchases on beverages. Coffee will be the core products of the coffee shop. The primary groups of customers expected to maintain the revenue about 45% out of total are students and officers. Additional fee will be charged for delivery products which will be introduced in near future. Besides, the advertising fee from other parties are charged due to the scale of the advertisement.

## 5.9 Cost Structure

Operating costs are included fixed costs, raw materials, promotion cost, staff, outsourcing and infrastructure costs. The furniture and decorations cost only spend when establishing the coffee shop then they can be used over and over again. Besides, extra costs are quite a problem in the beginning of building and preparing the place. When the cost will be recorded and calculated into the product prices. This part will be clarified and calculated in the financing table every month.

## 6 RESULTS, SUGGESTIONS AND CONCLUSION

### 6.1 Results

There were two objectives set for the thesis; first is to analyze the possibility of the idea and evaluation of coffee industry in Vietnam through idea development process, second is to create the Business Model Canvas for the coffee shop. After conducting the business development process and the Business Model Canvas, it can be seen that this kind of business still has potential in the market, which is suitable for small start-up with limited capital. The demand of customers is still increasing day by day, desiring something new and unique for entertaining and relaxing. Besides, Danang city is a young dynamic city with growing market for operating a coffee shop with Scandinavian theme. The business idea is to build a unique Nordic space, serving customers with good drinks and professional service that can attract big number of customers visiting, especially young generation, which can be profitably possible. However, more researches about market, data collection must be done if the business comes to reality. The summarisation below shows the questions proposed and answers found out during the progress.

#### **What is the Scandinavian style coffee shop and its concept?**

The coffee shop will be designed with Nordic interior style and decoration in the cosy and elegant atmosphere. The author expects to create a little Nordic in the heart of Vietnam for coffee lovers and culture explorers to come and enjoy the space. The concept will focus on the living style of minimalism, delicacy, good drinks, chilling music and excellent customer service.

#### **What's the current situation of coffee industry?**

Although the market is competitive, customers' demand is still rising rapidly, young people looking for new, unique, styling destinations for relaxing, checking in and hanging out. Therefore, the chance of successful penetration is possible if the founder has special concept and run the business well. The market is potential, opportunity is huge and the door is opening for start-ups.

#### **Will the idea be possible and popular in Vietnam?**

The percentage of young Vietnamese people who are open-minded, extrovert and adventurous is rising, Vietnam is getting more internationalizing and integrating, so, an idea of a Nordic style coffee is feasible to establish in Vietnam, with a proper careful penetration business plan.

### 6.2 Suggestions for future

The main objective of the thesis is to generate a business idea and its process of operating a Scandinavian style coffee shop in Danang city. The thesis has conducted sufficient steps to develop unique business concept and explore its potential for running in such a competitive market.



During the thesis process, the author is illuminated with much knowledge of business idea generation and approaches to bring the idea into reality. As mentioned above, after considering all the aspects of developing business idea, the author believes that the coffee industry is still potential for start-ups, this business idea will be possible to implement and will earn a position in the market, even though the competition is tough with the emergence of international brands such as Starbucks and big domestic coffee chains like The Coffee House. The author also realizes apparently, challenges always go together with opportunities, therefore, the author would like to propose some suggestions and notices before starting doing the work in practice.

First of all, the thesis only focuses on generating business idea and its process, so, it is not a complete business plan. Therefore, it can be considered to be a solid and basic background for conducting a careful plan for the coffee shop in the near future, which cannot guarantee the success but obviously can increase the chance of efficient entry.

Secondly, from author's perspectives, a good staff and good services are the first conditions to determine if customers are willing to come back or not. The staff represents the coffee shop, communicate directly to customers and delivers core competences for customers. In other words, they are the face of the coffee shop. Therefore, a preliminary training program for staff should be considered to carry on, showing the profession in training, as well as guiding the staff with the coffee shop's missions, visions, job description, working attitude and customer services. People responsibility is also a core value in managing a business, so, possessing a good team can run the business smoothly.

Before starting doing the work in reality, it is recommended to do the market researches more carefully for not only entering the market but also building a brand identity for a strong grow in the future, which is dramatically important in this era.

Besides, finance management should be paid much attention as it plays a determining role in the success of a business. The founders have to know where the money goes, so, every cost from material, operation, promotion, expenses, capital investments should be recorded clearly, by a reliable accountant.

It is beneficial to have a meeting every month or short period of time to follow up the business activities, checking on the problems, reviewing mistakes, finding solutions for improving as well as updating new trends on coffee, adding and eliminating products if necessary then proposing business strategies for next term. Simultaneously, revising the company's mission, vision and making sure to stay on the right track and doing as planned. Moreover, a detailed implementation schedule and monitoring process is advised to conduct in order to check up on staff's working progress and having corrections immediately if problems occur.

### 6.3 Reliability and limitations

Although the thesis is conducted based on trusted public materials and sources analysis, there are some factors that weaken the reliability of the results.

Initially, the crucial aspect that decreases the reliability of the results is that there was no primary data collected in this thesis process. Even though the ideas and deduction might be accurate, there were no collected or interviewed statistic and data to support the ideas in the thesis, which makes some phases quite subjective. The statements and ideas were sometimes affected by author's personal perception and perspectives as well as experiences. Therefore, it is suggested to do the further primary research data if the business is approved to be done in reality.

Secondly, it was difficult to find accurate, up to date and academic resources as the analysis was implemented based on secondary researches and data. Most of the materials of the analysis come from online sources which cannot be guaranteed about the reliability. However, the author has carefully selected and picked the sources with caution. It can be trusted that the materials come from legit sources such as decent newspapers or government sites.

### 6.4 Conclusion

As mentioned before, this thesis aims to develop business idea of a Scandinavian style coffee shop in Danang city, Vietnam. During the working process, the author applied business knowledge earned in 4 years studying Business in Savonia University of Applied Sciences in association with personal perspectives and experiences in 18 years growing up in Danang city, Vietnam. Moreover, the thesis cannot be completed without the kind help of Savonia UAS supervisors. The author herself is a youngster who is keen on hanging out in coffee shops and specially loves the interior design of Scandinavian area. That is the main reason for this thesis. The first chapter is about thesis objectives, background, research for idea development to describe the foundation of the study. Then the study of coffee industry in Vietnam, its coffee culture and consuming demand as well as Scandinavian concept have been reviewed as a base to give an overall understanding about the uniqueness of Nordic design, high demand in coffee of customers and the reasons why the author pick this topic. After that, theory of business idea development process has been examined carefully before applying hypothesis into reality parts. Here come the important tasks, generating the idea, analyzing the feasibility of this venture, defining its concept including core values, products, services, then proposing market approaching strategy for future penetration, last but not least, implementing Business Model Canvas as a useful sum up of the whole business idea for investors and future establishment of the coffee shop.

The coffee shop's core competitive advantages are unique Nordic atmosphere with beautifully aesthetic interior design, peaceful and subtle space, high quality and diverse beverages with excellent customer service. The author believes that the thesis has fulfilled its responsibility in studying the possibility of the business idea, creating core values of brand, analyzing the demand of customers in coffee industry and conducting detailed business idea development process for a thorough preparation of a Scandinavian style coffee shop establishment in the near future. When a good business plan is done, the author could think of the success of the coffee shop, how far it can go and its position in the near future.

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