ASSOCIAÇÃO DE POLITÉCNICOS DO NORTE (APNOR)
INSTITUTO POLITÉCNICO DE BRAGANÇA

"Business Planning as a Tool of Development of a Successful Manufacturing Company"

(Case of "Coffee Roasters" LLC)

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Final Dissertation submitted to *Instituto Politécnico de Bragança*

To obtain the Master Degree in Management, Specialization in Business Management

Supervisors:

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Siarhei Krycheuski

Bragança*, *June 2018

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Abstract

Belarus coffee market is constantly growing and developing. According to Euromonitor International data coffee consumption per capita is one of the biggest in Europe. The demand for high quality and specialty coffee has increased more than twice during the last two years. Along with big coffee importing companies, many new companies launch their own coffee roasting factories, specializing in high quality service and product.

This study is based on the work of “Coffee Roasters” LLC company, which specializes in coffee production and sales in Minsk, Belarus. Since 2014 the company uses production line and facilities of another coffee roasting company. This causes certain difficulties concerning first of all pricing policy, especially in the field of additional value chain, competition and further growth of the company.

In the conditions of constantly increasing competition, strategic management and planning are essential for a business to be successful on domestic market and increase the market share. In case of “Coffee Roasters” LLC, company faces additional competition and may face possible pressure from the side of the lessor in the close future.

This study contains market and company research in order to collect information and deliver appropriate and sustainable market strategy, competitive business model as a part of business plan development.

Business plan development has proven to be a good instrument for assessing necessary information and for company development. As a result of the research a new business model showed significant advantages over the current one. Attracting some additional investments by Coffee Roasters is seen as a successful financial instrument for future development.

Keywords: business plan, strategic management, coffee production, financial planning, business model.

Resumo

Na Bielorrússia, o mercado de café encontra-se em constante crescimento e desenvolvimento. De acordo com os dados do Euromonitor International, o consumo de café per capita neste país é considerado como um dos maiores de entre os países Europeus. Nos últimos dois anos verificou-se, inclusivamente, que a procura de produtos especiais e de alta qualidade mais do que duplicou. Neste contexto novas empresas de torrefação de café surgiram, em parceria com grandes empresas importadoras de café, para colocar mercado produtos e serviços de alta qualidade.

Neste trabalho é analisada a empresa "Coffee Roasters" LLC. Esta empresa, localizada em Minsk, Bielorrússia é especializada na comercialização de café. Desde 2014, ano em que a empresa teve o seu início, que a empresa recorre a empresas de torrefação de café para produzir os seus produtos. A subcontratação dos serviços de torrefação a outras empresas origina dificuldades na definição da política de preços, na cadeia de valor, bem como em termos competitivos e de crescimento adicional da empresa.

Num contexto de concorrência de mercado cada vez maior, a gestão estratégica e o planeamento são ferramentas essenciais para que uma área de negócio seja bem-sucedida permitindo inclusivamente aumentar a sua quota de mercado. No caso particular da "Coffee Roasters" LLC, a empresa depara-se atualmente com concorrentes adicionais e poderá também ter de lidar, num futuro próximo, com possíveis pressões do proprietário do edifício onde está sediada a empresa.

O estudo realizado neste trabalho tem por objetivo reunir as informações necessárias para a elaboração de uma estratégia de mercado adequada e sustentável permitindo a elaboração de um modelo de negócio competitivo.

O desenvolvimento de um plano de negócios tem mostrado ser um ótimo instrumento para recolha e avaliação de todas as informações necessárias ao desenvolvimento de uma empresa. Como resultado deste trabalho podemos referir que o novo modelo de negócios analisado mostra ter vantagens significativas em relação ao atual. No entanto a necessidade de atrair investimentos adicionais é considerada pela empresa como um instrumento financeiro fundamental para alcançar futuros sucessos.

Palavras-chave: plano de negócios, gestão estratégica, produção de café, planeamento financeiro

Аннотация

На протяжении последних лет, белорусский кофейный рынок постоянно растет и развивается. В соответствии с анализом, проведенным “Euromonitor International”, потребление кофе на душу населения в Республике Беларусь является одним из самых высоких в Европе. За последние два года, спрос на высококачественный кофе, а также кофе класса «спешелти» увеличился более чем в два раза. Наряду с компаниями импортерами кофе, на рынке появляется множество новых компаний занимающихся обжаркой кофе и специализирующихся на высоком уровне сервиса и продукции.

За основу для данной работы была взята деятельность компании «Кофе Ростерс», которая специализируется на производстве и дистрибуции кофе в Республике Беларусь. Начиная с 2014 года, компания использует производственные линии и помещения другой компании, что вызывает определенные трудности касающиеся, прежде всего, ценовой политики и, в особенности, цепочки ценности продукции, а также рыночной конкуренции и дальнейшего развития компании.

В условиях постоянно растущей конкуренции, стратегический менеджмент и планирование являются неотъемлемой частью для успеха и увеличения доли на внутреннем рынке. В случае с ООО «Кофе Ростерс», компания может оказаться в условиях дополнительной конкуренции и возможного давления со стороны арендодателя.

Данная работа посвящена созданию бизнес-плана как инструмента для дальнейшего развития компании основывающегося на исследовании кофейного рынка и самой компании с целью сбора и анализа информации для создания оптимальной и устойчивой стратегии развития, а также конкурентоспособной бизнес-модели.

Процесс разработки бизнес-плана доказал свою состоятельность как инструмент для анализа полученной информации и успешного планирования развития компании. В результате проведенного исследования, предложенная бизнес-модель обладает значительными преимуществами над существующей. Привлечение дополнительных инвестиций является инструментом для успешного дальнейшего финансового развития ООО «Кофе Ростерс».

Ключевые слова: бизнес-план, стратегическое управление, стратегический менеджмент, производство кофе, финансовое планирование, бизнес-модель.

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Abbreviations and / or Acronyms

BCG – Boston Consulting Group

CEO – Chief Executive Officer

CP – Competitive Position

CPM – Competitive Profile Matrix

DDP – Delivered, Duty Paid (Incoterms 2010)

EAT – Earnings after Taxes

EBIT – Earnings before Interest and Taxes

EFE – External Factor Evaluation

EPS – Earnings per Share

FP – Financial Position

IE Matrix – Internal – External Matrix

IFE – Internal Factor Evaluation

IP – Industry Position

LLC – Limited Liability Company

LLP – Limited Liability Partnership

MFRB – Ministry of Finance of the Republic of Belarus

MTC – Ministry of Tax Collection

NSCRB – National Statistic Committee of the Republic of Belarus

PESTEL – Political, Economic, Social, Technological, Environmental and Legal forces analysis

QSPM – Quantitative Strategic Planning Matrix

R&D – Research and Development

ROA – Return on Assets

ROE – Return on Equity

ROI – Return on Investments

ROIC – Return on Invested Capital

SMART – Specific, Measurable, Achievable, Realistic, Timely

SMM – Social Media Marketing

SO – Strengths - Opportunities

SP – Stability Position

ST – Strength - Threats

SWOT – Strengths Weaknesses Opportunities and Threats analysis

WO – Weaknesses - Opportunities

WT – Weaknesses – Threats

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Introduction

This Master thesis is dedicated to one of the most serious issues every business faces – the issue of strategic business planning as an instrument for further development. The first and probably the most important question regarding business planning is whether it is necessary or important for a company and why. Nowadays in constantly evolving market conditions it is almost impossible to bring a company to a significant success without initial planning, working towards realization of this program and further business development planning. Every manager or entrepreneur should critically assess the current financial situation of the company, as well as analyze available resources and further opportunities.

By conducting a business plan, it is essential to have a strategic vision of the future or existing venture. Therefore, in this work we will take into consideration all possible factors and risks that are common for this market segment, as well as analyze current business model and whether it is effective.

All the research conducted in this work will be based on the real operational data of “Coffee Roasters” LLC for the last years of operations. In constantly developing domestic coffee market strategic business planning is probably the main component of management which is represented in the form of plan development and its practical implementation, which afterwards will determine the future state of the company. The aim of this work is to build and analyze the business plan for a new coffee roasting plant, assess the costs involved in this process and determine the necessity of launching the own production line and its profitability in a long-term period over rental. In summary the goal is to analyze whether creating own manufacturing facilities and infrastructure is a strategically better option than having rented facilities.

This work is divided into five parts. In the first Chapter a review of literature on topics covered in this thesis, such as the nature and necessity of business planning is presented. The nature and the basis of planning and why it is important for the development of a company are also mentioned in this chapter. Chapter 2 covers the methodology of the conducted research, different methods of market and company research and business model analysis. A description of the company and the addressed problem are presented in Chapter 3. Chapter 4 can be considered the most important one as a new business model and plan for perspective development will be conducted. Chapter 5 includes a comparison analysis of the current business model and financials with new business model and proposed financials from business plan. Finally, some conclusions, limitations and further research propositions will be presented in Chapter 6.

1. Literature review

1.1. The theory of business planning. Strategic planning

The process of business planning takes central place in the activities of every company. Whether it is a creation of a new enterprise, development of products and technology or expansion of an existing business there should be an “economic idea” that has to be reasonably justified by calculation of the expected profit from the implementation of this idea into reality. The company’s current state as well as available resources and market conditions are evaluated to determine whether it is possible to realize the “economic idea”. Based on these indicators, one can formulate goals, objectives and consider the problems that may arise in future.

As far as this work is based on an already existing and working business model, the literature reviewed in this thesis concerns mostly business planning in context of existing firms.

Discussion about business planning as an essential component for company’s success and growth is going for decades. There is a vast amount on literature dedicated to business planning and meta-analyses trying to find the answer whether planning is a must-do for any business and in what form it should be presented and done.

“Business planning can take a variety of forms from the informal to formalized and carefully prepared plans” (Richbell, Watts & Wardle, 2006, p.497). There are a number of reasons for suggesting that business planning matters to the small firm. First, and most importantly, effective business planning is frequently seen as one of the important factors in business success (Burns, 2001; Kuratko & Hodgetts, 2004; Rue & Ibrahim, 1998). Many studies determine a positive relationship between business planning and performance which is moderated by different factors. The meta-analysis undertaken by Schwenk and Shrader (1993) argued that there seemed to be a consensus that planning was linked positively to growth, while Woods and Joyce (2003, p.191) were of the view that “the weight of research evidence points to the beneficial effects of planning on performance” (Richbell, Watts & Wardle, 2006, p.497).

Many authors distinguish business planning for new and already existing firms and how this process affects these establishments. Studies have proved positive relationship between business planning and planning outcome in the way of further improvements in performance. Increase in performance has been found in both established and new businesses, but still these results are affected by different factors. Both new and existing companies tend to informal and unstructured planning that often leads to the absence of written business plan and further indeterminacy. Finding the right approach for achieving companies and entrepreneur's goals is the main challenge. There is a tangible difference between starting company approach and the one of the already existing. Judging by the studies, business planning in established companies is more effective and has more positive outcomes, as far as on the stage of planning these companies already have records of financial and operational data that has been achieved in market competition, demand and strategic positioning, which effectively support planning. Issues concerning new companies include its organizational structure and processes, as well as absence of previous data. "Planning allows more rapid decision-making than actuation without prior planning since information gaps can be anticipated and closed, assumptions can be tested without expending the resources, resource flows can be optimized, and bottlenecks can be avoided. Planning implies the specification of goals and fosters the identification of effective steps to achieve these goals. Planning enables firms to control goal achievement" (Brinckmann, Grichnik & Kapsa, 2010, p.27; Evans, 2016).

On today's highly competitive markets, companies are in constant search for better and more beneficial strategic ways to sell their products and services. Thinking about business plan as an instrument for achieving goals in the company, we should definitely mention where these goals arise from. Every plan has its aim, the most wanted outcome of this planning work. As mentioned above, being more effective in functioning companies, business plan often relies on existing data, operational information and surely experience of the Chief Executive Officer (CEO). Strategic management and strategic planning are a part of successful business planning that occurs from analyzing all mentioned in specific market conditions and competition and are used for implementation and management of a strategic direction of a firm. "Business planning involves the prediction of future conditions, a determination of effects that future conditions will have on the firm, the development of strategies in light of evolving environmental conditions, and an assessment of the expected outcomes of these strategies" (Brinckmann, Grichnik & Kapsa, 2010, p.28).

Development of strategic plan is always futuristic in nature with the main aim to find a sustainable advantage in an already existing business. It reveals the direction for the company to achieve its goals (Brunings, 2018). "A strategic plan is, in essence, a company's game plan. Just as a football team needs a good game plan to have a chance for success, a company must have a good strategic plan to compete successfully" (David, 2011, p.6).

Financial part of business planning is thus one of the most important parts. High-performing firms tend to do systematic planning to prepare for future fluctuations in their external and internal environments. Firms with planning systems more closely resembling strategic-management theory generally exhibit superior long-term financial performance relative to their industry (David, 2011).

The last but not least is that whether it is a new business or an experienced firm seeking additional investments, business plan is the minimum required document for bank or any professional investor. Getting bank finance is not easy and one should make a clear roadmap for bankers. A well-prepared written business plan represents your belief in your business idea and makes it easy for investor to understand why he should invest in your project (Gumpert, 1997, pp.120-147).

1.2. Business model. Renovating the business model

By analyzing a vast amount of literature on business planning and development of a company it becomes possible to understand the strong interconnection of all business layers. Business planning is a tool that serves to implement the strategic decisions. Latter emerge from understanding the current business situation and business model. Following three processes establish basic business layers:

- Planning level – strategic layer
- Architectural level – business model layer
- Implementation level – process layer

If we think about these three steps as a circle, it becomes possible to understand that business model is the basis for both strategic decision-making and further implementation. “In general the purpose of creating a model is to help to understand, describe, or predict how things work in the real world by exploring a simplified representation of a particular entity or phenomenon. Thus in the case of a business model the model (i.e. representation) shall help to understand, describe and predict the "activity of buying and selling goods and services" and "earning money" of a particular company” (Osterwalder, 2004, p.14). In the same work, Osterwalder describes business model as “an abstract conceptual model that represents the business and money earning logic of a company” and as “a business layer between business strategy and processes”. Furthermore he defines several types of business models such as abstract, operating and scenario business models.

As far as business model takes central place in any company it is affected by outer environment in the form of different factors (etc. social, legal) and forces. Competitive forces define the strategic sector in a firm. Latter is translated on a business model. Further evaluation of business model gives information if a particular strategy was successful. Thus business model and strategy talk about similar issues but on different layers. Changes in the business model will lead to organizational questions and the probability of further changes in its structure as well. A good understanding of the infrastructural side of business model leads to a better optimization of organizational side of a venture. Besides the named above elements business model is under constant pressure by such external factors as customer demand, competitive forces, technological change and social or legal issues (Osterwalder, 2004).

In his dissertation, Osterwilder (2004) defines business model as an effective tool for a company and managers to analyze the business logic of their firm in several areas. The complexity of the firm can be visualized and therefore become understandable for everyone. A better understanding is a good basis for managers to communicate and share the perspective ideas. Further analysis of company's business logic is the second area. Business model can be measured, observed and compared what afterwards bring us to the management area where strategic planning occurs with its further implementation. The last area of business model contribution is the possible future development of the company. "I believe that the business model concept can help foster innovation and increase readiness for the future through business model portfolios and simulation" (Osterwalder, 2004, p.21).

1.2.1. Renovating the business model

Another issue concerning strategic development of a company and its effectiveness is the necessity of changes in existing business model or sometimes even its total renovation. A group of authors from Boston Consulting Group argued that business model innovation is especially essential in times of instability and increasing market competition. It becomes a competitive advantage if constantly cultivated, sufficiently supported and explicitly managed. This innovation can address many different subjects and lead to new opportunities such as lower the costs of ownership for the customers or improving the value chain. Business model innovation may be sufficiently more challenging than process or product innovation but it shows its positive effect and greater returns comparing to that of product innovation even after several years (Lindgardt, Reeves, Stalk & Deimler, 2009). There are many ways to transform the business model. "Extracting the Brand Value by Extending the Business Model" is especially valuable for this work as Lindgardt, Reeves, Stalk and Daimler (2009) propose three basic steps for a successful business model innovation. The first arise from understanding the current business model state, choices and how they go along with the latest industry trends. Second step shows how we implement the new business model idea and whether it should be established separately or embedded in the existing business. The last one states that the innovation process should be systematically managed so it can become an advantage on a continuous basis. "For companies that have yet to achieve the performance they are looking for, there may be no better time than now to launch new business models or transform the old ones" (Lindgardt, Reeves, Stalk & Deimler, 2009, p.7).

1.3 Analysis of current situation and competitiveness

For a good business modeling and further successful business planning it is essential to have a vision of the company. However what is more effective is to have this vision from all possible angles. Situation and competitiveness analysis should be done in order to understand how well your company is performing right now comparing to others. What factors affect its work most? Allison and Kaye state that looking at your programs in the context of the environment and of other players in your field is central to creating sound strategy and a sustainable business model (Allison & Kaye, 2015). "Situational analysis is said to be a process where applied market research and other observations lead to a structural marketing plan and reveal whether it is effective. This analysis helps to make a realistic assessment of operating business and basically is divided in external evaluation, for understanding of possible opportunities and threats, and internal evaluation, showing the current strengths and weaknesses of the firm” (Lorette, 2018).

Any company should be analyzed in the context of the surrounding external environments and of course inner environment as well. Audit gives understanding about current situation of the company both outside and inside. The necessity of environmental scanning is justified by constant changes happening on the market and their probability of having a great impact on firm’s work (Kumar, 2013).

The importance of understanding the environment for decision making using external factors audit is highlighted by David (2011), who argues that this process helps to undertake strategic steps, to take advantage of various opportunities factors and minimize risks on threats coming from outside. External forces are shown as the main component of external environment. They are divided into the following categories:

- Economic
- Social, cultural and natural environment forces
- Political, governmental and legal
- Technological
- Competitive forces

“Identifying and evaluating external opportunities and threats enables organizations to develop a clear mission, to design strategies to achieve long-term objectives, and to develop policies to achieve annual objectives” (David, 2011, p.62).

Porter (1998) in his work defines environment as too broad concept, giving more attention to analyzing industry in which the company competes. Structure of the industry is the key to the competition rules and possible strategies available for the firm operating in this environment. Since all the forces outside the industry affect all the players, company’s current competitive state can be analyzed by the ability of the firm to find a position where it can cope with those challenges. Proposed model of five competitive forces serves as an instrument for identifying the structural features of industries which determine the strength of competition. “Knowledge of these underlying sources of competitive pressure highlights the critical strengths and weaknesses of the company, animates its positioning in its industry, clarifies the areas where strategic changes may yield the greatest payoff, and highlights the areas where industry trends promise to hold the greatest significance as either opportunities or threats” (Porter, 1998, p.4). This approach is widely used for developing strategies in many industries. It can be successfully applied in both operating firms and ones that plan to enter the industry as for latter it can show possible financial attractiveness. David (2011) in his work puts Porter’s Five Forces model inside the Industrial Organization approach, which states that external factors play more vital role for firm competitiveness, by arguing that it prevent firms from entering weak or faltering industries in favor of industries attractive in a form of understandable external factors that prevail in them. It is based on the idea that firm performance depend on such properties as economies of scale, barriers of entry, product differentiation and economic forces (David, 2011).

Another essential instrument for understanding your company is internal audit. This analysis is considered to be of high importance by many authors. Swartz (2018) states that internal audit serves as an exploration of firm's competencies and competitive viability in the market. Conduction of this analysis serves as a basis for further strategic planning. A well-organized internal analysis gives an insight on any existing organizational weaknesses and objectives that are not being achieved. In the context of competitiveness, internal analysis is a helpful tool for determining how competitive company is in the industry. "An internal analysis will examine the effectiveness of your supplier network, customer loyalty and sales, providing important metrics you can use to amend your business strategies and become a stronger competitor in your industry" (Swartz, 2018). David (2011) in his work pointed out the importance of internal forces analysis as well. A special place was given to distinctive competencies, ones that are not easy to imitate, as a source for building competitive advantages and being a basis of company competitive strategy. It is said to be quite a complicated process in which the information should be gathered from all sectors starting from finance and ending in research and development. Comparing external and internal audits author argues that internal part provides more information on how firm's structure fits into the whole organization.

1.4 Business plan concept

Business plan is considered to be one of the most effective and important tools in business development process. "A properly developed and written business plan serves as an effective communication tool to convey ideas, research findings and proposed plan to potential investors. The business plan is the basis for managing the new venture" (Mascarenhas, 2009, p.1). It is said to offer an excellent opportunity to consider all the facts about project, helps to make proper strategic decisions and serves as a key tool to raise external finance. It should reflect thoughts and plans about the business, as well as include the key market aspects and business model, especially with financial part. Business plan should follow a logical flow in order to understand main idea, benefits and results with presentation of the results aimed on those who will be reviewing it. When aiming on attracting external resources it is very important to present financial projections. Business plan should contain a balance sheet, cash flows and projected profits and loss accounts. All the information should be as objective as possible. Even though the forecasting of the environment is a hard part, sales revenues projections should be shown realistic to be credible for external funders (Ernst & Young, 2001). It is essential that the goals set for the development of any business plan are smart meeting SMART objectives (Evans, 2016).

Berry (2000) in his work dedicated to development of a successful business plan defines it as any plan that works for business to look ahead, allocate resources, focus on key aspects and prepare for future opportunities. He gives several starting elements that one should consider while conducting effective planning. First, it should be simple with easy understandable contents. It is essential to make objectives of the plan together with actions and activities specific and measurable, just as financial part should be realistic. Realistic and practical business plan should contain milestones and deadlines for tracking the overall progress.

These are the basic characteristics for a perspective business plan, but while conducting a successful business plan one should also consider the appropriate formal structure. Different authors have comparably common views on the structure. Quite effective step that can be applied in a business plan is an opening paragraph which describes the rest of the section (Berry, 2000, p.51).

1.4.1. Executive summary and company overview

While almost all researchers agree that a good business plan should always start from a company overview, its vision and mission statements, Berry (2000) names this starting point as a "Mini-plan" with mission statement serving as a basis for defining a business concept. David (2011) argues, that even before that a vision statement should be considered, which being clear could provide a foundation for developing a comprehensive mission statement. Value of mission statement is seen by Drucker (1974) as a very important statement distinguishing one organization from similar ones and declaring firm's reason for being. Pointing out the question "What is our business?" is synonymous with asking the question "What is our mission?" This statement of purpose, company's beliefs and business principles show what and where an organization wants to be. "A business mission is the foundation for priorities, strategies, plans, and work assignments" (Drucker, 1974, p.61). Moreover, reports made by Business Week show that companies that have a mission statement prove to have a 30 percent higher return on finances than those that do not have one (Bloomberg Business Week, 1999; David, 2011).

Being a part of executive summary chapter, vision and mission statements are therefore not the only subjects of it. Ernst & Young (2001) points out that this part should also contain brief information about the aim of this business plan, the market where company operates, management and operations as well as financial projections, risks and required funding. Evans (2016) adds that in executive summary chapter it is important to add some short financial reports about operating margin and turnover for the previous year.

Next part of a business plan is agreed to be the description of a background for providing information about the company, its history and operations, but sometimes it is beneficial to provide a more deep information containing firm's strategy for further development too. Description may start with a brief information concerning company legal establishments, location, facilities and lease agreements. Value proposition and competitive edge proposition is necessary to understand how the company will maintain its work over time. Showing the company's competitive advantage and implemented strategy to maintain its competitiveness operating with different circumstances in summary proves to be important in this part as well (Evans, 2016).

Along with value proposition, a short description of firm's resources may also be important. This may include aspects such as: location and scale of main business infrastructure, notable landmarks, acquisitions, and in case with planning future expansion or even a start-up propositions for future physical assets, employees and management systems. If the plan is conducted in order to attract investors it is necessary to add a part with a detailed description of management team (Evans, 2016).

But what is more important is that during this phase one should provide the numbers that form the basis of company's cash flow in form of cash flow and balance sheet, text description and explanation for at least two past years. When we consider a start-up than a start-up table including all perspective expenses and explanation should be presented as well (Berry, 2000). At the same time full financial overview can be left for the latter stages with full financial analysis, as only sales and operating margin is the level of detail needed (Evans, 2016).

To sum up this part of business plan we show the essential checklist proposed by Evans (2016):

- The opener – the first paragraph of executive summary repeated
- Goals and objectives – according to SMART criteria
- Strategy – sustainable competitive advantage
- Resources – a timeline on resource build-up
- Basic financials – recent performance in sales and operating margin

1.4.2. Product and service

Third section of a business plan contains the description of firm's product and services. The main purpose of this part is to make it possible for a reader to understand the market and future opportunities for company's products and services. "This part of the process is much more important for a plan going to external readers, the banks or investors, than for internal plans. A complete business plan describes what you sell: either products, services, or both" (Berry, 2000, p.51). "Be market-led. Distinguish your product or service via a tabular comparison with competitors, by key market factors such as price, delivery time, quality, payback period, etc. Try to illustrate your ideas through diagrams as well as words" (Ernst & Young, 2001, p.7).

General aims of this chapter are widely covered in Berry's work (2000). He argues that while it is not always necessary to describe every product the company sells, a detailed description of main offerings should cover the points including costs, service, and what groups of customers this product or service is made for. It is a good idea to describe the products and services in terms of customer types and their needs. This part should also present information about competitive comparison of your products or services and how they are positioned on the market.

Another paragraph that is especially essential for companies that manufacture products is the sourcing and fulfillment section, where product, distribution and service costs with margin structures are shown. It is important for presenting this information to bankers or investors as it reveals the information about resource planning and vital materials sourcing. With some essential materials it is a good idea to look for some additional suppliers or alternative sources of materials.

Analysis of current technological base may be essential for companies when it is involved in assembly or manufacturing process or when technology of the product can enhance value for the customers. The last but not least in this stage is a presentation of future or upcoming products that might play enough important role in company cash flow for investors to understand them (Berry, 2000).

1.4.3. Market and demand

One of the most important parts it business plan, and especially if a plan will be reviewed by the possible financial backer, is market and its demand analytics. Investors should be convinced that the products and services of the company address the market and the clients. Is there enough space on the market for future growth? What makes the value for the customers and what influences them? We can consider several basic steps that should be reflected in market and demand analysis:

1. Market size
2. Market share
3. Market growth
4. Market share change

The most appropriate way of analyzing market size and growth is through a report, but sometimes it is impossible and a firm should try to perform it relying on personal knowledge. Market share analysis can be performed on the basis of market size and company sales information (Evans, 2016). Ernst & Young (2001) adds that this research is important as it demonstrate the understanding of company's target market.

Berry (2000, p.95) says that market segmentation can make a huge difference while reviewing market, customers and competition: "The market segmentation concept is crucial to market assessment and market strategy. Divide the market into workable market segments – age, income, product type, geography, buying patterns, customer needs, or other classifications. Define your terms and define your market". Simple market analysis can be made by estimation of number of potential customers and their growth in segments.

Market and industry analysis and overview can be a part of company's future strategy development and is outlined by David (2011) as a strategic tool. This idea is described in previous chapter 1.3 of this work concerning analysis of current situation and competitiveness.

1.4.4. Competition

While many authors omit this stage, going straight to strategy or financing, Evans (2016) argues that avoiding this information is a critical mistake and will lead to the loss of investors. Giving intentionally false or incomplete information about your competitors is another big mistake as it can be easily checked. As far as competitors will not give you any inside information, this section is based on any information you can find, including sales and data about main segments and divisions, sales growth over the last couple years, operating and profit margin if available, ownership, segments addressed and future plans (products, segments, customers). Location, facilities, personnel as well as physical assets, strategy and positioning on the markets should also be assessed. It is a good idea to describe the intensity of competition on the industry. Porter's Five Forces analysis can be defined as a best tool for analysis of competitiveness in the market. This process had been described in our previous section dedicated to strategy and external analysis. According to Porter (1998), the nature of competitiveness in a given industry can be viewed as a composite of five forces, namely:

1. Rivalry among competing firms
2. Potential entry of new competitors
3. Potential development of substitute products
4. Bargaining power of suppliers
5. Bargaining power of consumers

1.4.5. Strategy and its implementation

This part is mainly based on internal and external assessment, which helps to understand the basis for making and deploying strategic decisions. You have to be clear on your competitive position. The SWOT analysis can play an important role in this part. It is essential to point out the overall strategy avoiding long lists that have nothing to do with strategic focus (Berry, 2000). Evans (2016) has a very good coverage of this part in his book and points out the essential checklist on strategy development that strategy this stage should contain. Starting from the demonstration of the understanding of customer purchasing criteria and key factors and ending with presenting the key competitive advantages and sources in each segment. Presenting information on how your company plans to improve performance over the next couple years might be a good idea too. Value proposition is not defined obligatory for a business plan, but some words can be said about the value you bring to your customers (Berry, 2000).

1.4.6. Marketing, resources and operations

The whole different story is with marketing strategy. While Berry (2000) tries to cover this issue as a part of strategy stage, Ernst & Young (2001) puts it as a different part, Evans (2016) discovers issues concerning marketing as a part of Resources stage, we will consider it as a part of Resources chapter according to Evans, analyzing though information by all authors. According to Ernst & Young (2001) this part of business plan should explain all sales and marketing strategies. In their view, business model should be presented exactly in this part as well as necessary resources for strategy implementation. On the other hand Evans (2016) provides different sections that should be covered:

- Product – it's differentiation and key value
- Place – distribution channels and future prospects
- Price – how is price positioning related to competition

- Promotion – main ways of promotions and advertisement

This can be enhanced by Berry (2000) as he gives very detailed information on all this points (Berry, 2000, pp.148-149).

Resources section covers such issues as operations and capital expenditure and to be exact supplies, purchasing and further manufacturing, research and development and finally distributions, sales and customer support. This has not to be a broad and detailed section, in fact investor are more interested in a general view of this section. Basically it is a plan that covers all stages of manufacturing from the very beginning to profit and value share (Evans, 2016, pp.114-120).

1.4.7. Financials and forecasts

While being probably the most important part in business plan that is oriented on finding investments, funding requirements section should cover several financial issues. In summary it is the amount of capital needed, a timetable of its implementation, projected time to generate positive revenues and sometimes it is a good idea to think about exit routes as well (Ernst & Young, 2001). Financial analysis and future forecasts are of big importance according to Evans (2016). “Too much financial information can be worse than too little” – Ernst & Young (2001, p.11). Forecasts must be realistic and consistent, covering such topics as sales forecasts and margin forecasts, with funding roadmap coming right after (Evans, 2016). This section should cover a quite extensive list of issues. For a better understanding of future and current situation, history data is a good basis. Highlights of all spreadsheets and tables might come handy for the prospective backer of the firm:

- Sales and profit margins by main business segment
- Profit and loss account
- Cash flow statement
- Balance sheet

1.4.8. Risks assessment and opportunity

Both Evans (2016) and Ernst & Young (2001) agree that demonstration of understanding the underlying future risks has a powerful impact on investors, as understanding of possible risks shows that company looking for investments is aware of possible unfavorable situations and is prepared to assess them.

1.4.9 Conclusion

The final part of business plan, is where all the headlines from all paragraphs are presented in a form of coherent storyline. This information is seen to be punchy and catchy for the perspective investor. Executive summary introduced in the beginning may be a part of conclusion while developed at the same time, as by that moment company has a broader view on all subjects described throughout the business plan. The main aim for both conclusion and executive summary is to attract and convince investor that a company is worth financial backing (Evans, 2016).

2. Research methodology

2.1. Objectives of the study and Research Hypothesis

This work is dedicated towards company analysis, strategy development according to current situation and strategy implementation by conducting a business plan. Company analysis objectives include external and internal environment assessment, analysis of the coffee industry in Republic of Belarus and its potential for further development. The purpose is to analyze firm's current strengths and weaknesses and how it current business model fits into today's coffee market. According to current firm's state a strategic proposition will be made in order to strengthen company's position. The culmination of this work is the development of a business plan. The main aim of a business plan is a detailed roadmap for the implementation of strategic decisions. The outcomes of the business plan in a form of business model and financial projections will be compared to the current situation of the company in order to identify whether the ideas implemented in business plan will improve company's performance.

For the research hypothesis we argue that having own manufactory facilities, warehouse, equipment together with reducing the length of value chain and logistics is more profitable for a coffee roasting company in current market conditions and gives it a competitive advantage in a long-term period. Also, we will try to prove that combined coffee shop and roasteria is a more advanced type of manufactory.

2.2. Company situation analysis methods

Conducting company's current situation research is essential for estimation of current situation and further strategic plans development. To be able to conduct this research we have to make in chronological order. First of all, an analysis of environment and industry will be made. This part is going to be divided in several parts: PESTEL analysis, SWOT and Porter's Five Forces analysis.

PESTEL analysis is a tool used to identify external forces affecting the company such as political, economic, social, technological, environmental and legal factors. This analysis helps to identify forces that can affect the industry and the market where the company is operating in, thus identifying how they can affect the business too.

Political factors determine how the government and the policy it implies can affect company or industry in a way of fiscal, taxation and other policies.

Economic factors are those that affect economy. They may include, among others, raw materials costs, foreign currency exchange rates, employment/unemployment rates, etc.

Social factors help to understand current cultural and lifestyle trends, demographics and possible size of the customer market (in case with personal purchases).

Technological part of PESTEL analysis rates the technological level of industries, innovation, changes in digital and mobile technology, automation, research and development (R&D), etc.

The rest of the factors add additional information to classical PEST analysis in form of Environmental and Legal factors assessment. Environmental factors have become more popular over the last several years. They include climate, recycling, waste disposal and sustainability.

Finally, Legal issues of PESTEL analysis cover all legislation aspects that already or in the close future may affect business operations. It can cover such spheres as consumer law, employment, trade regulations and restrictions.

As far as it is impossible to get full information for conducting this analysis, we will consider in term of available information. The results of PESTEL analysis can form a good basis for the next external analysis – SWOT.

SWOT analysis is a basic analytical framework for company analysis that covers both external factors in the form of opportunities and threats, and internal factors such as strengths and weaknesses. It can become really important while searching for future external investments, as it bring to focus. Quite often SWOT is presented in a form of square that is divided in four elements. Splitting the information into quadrants it can provide a quick overview of company's current position.

Elements include strengths section distinguishing firm's competitive position among other competitors, such as strong branding, loyal customer base and other. Weaknesses section covers factors that stop company from performing at the top level or remain competitive. Parts that cover external factors include opportunities section, which refer to factors that can give the company a sustainable advantage and threats sections, where factors that can potentially harm the organization are presented.

Five-Forces Model can be an essential tool while assessing external competitive forces that may contribute or affect company's current business situation. First introduced by Michael Porter in 1979 this framework is widely used to review this forces arising from the industry and their possible impact. Moreover, this framework can define the overall attractiveness of the industry in terms of its profitability. Porter's five forces framework consists of competition powers such as threat of substitute goods and services, threat of established rivals, the threat of new entrants to the market and forces characterizing bargaining power of suppliers and bargaining power of customers. A graphical representation of Porter's framework is illustrated on Figure 1 below.

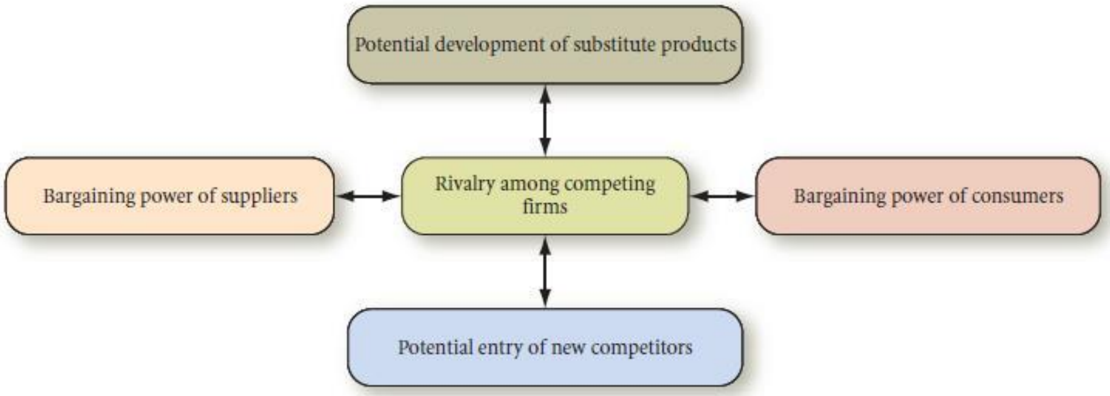

Figure 1. Porter's Five Forces Model

Source: David (2011, p.74)

In this thesis the graphical representation of estimated forces and their power ranking will be presented in a form of table for every force.

Major forces of this framework are affected by various elements that form the basis of their power on a company. In our work we will try to choose only those that have direct impact on coffee industry and market.

1. Threat of new entrants: barriers to entry, capital requirements, economies of scale, product differentiation, brand equity, switching costs, access to distribution channels, customer's loyalty to established brands, industry profitability and other.
2. Threat of substitutes: buyer propensity to substitute, relative price performance of substitute, buyer's switching costs, number of substitute goods available on the market, ease of substitution and availability of close substitute.
3. Bargaining power of customers: dependency on existing channels of distribution, buyer information availability, buyer price sensitivity, uniqueness of industry products.
4. Bargaining power of suppliers: firm switching costs, differentiation of inputs, presence of substitute inputs, supplier competition and other.
5. Industry rivalry: competitive advantage and innovation, online and offline companies' competition, advertising and marketing expense, competitive strategy and other.

Another internal company analysis tool introduced by Porter is a value chain analysis. This process is necessary to identify all primary and support activities of the company that add value to its product or service. Understanding this chain helps to reduce costs as well as to increase differentiation. Basic value chain consists of two parts with first covering company's primary activities and second covering all the support activities (see Annex 2, Figure A.1).

- Primary Activities - those which relate directly to product creation, manufacture, product or service sales and distribution to buyers or customers.
- Support Activities - those that help to enhance competitiveness in the industry and enhance the value of product or services.

This analysis matrix assumes two different approaches depending on market strategy a firm want to implement in the future: cost advantage and differentiation advantage. The basic aim of cost approach is to identify company's primary and support activities, importance and cost of them and whether any opportunities to reduce their costs exist. When company strives to create unique products and services a differentiation approach is applied. Steps of analysis in this case include the identification of value-creating activities or goods, evaluation of differentiation strategies and identification of the best sustainable differentiation. In our work we will choose the most appropriate approach after conducting external industry audit.

Financial statement analysis is an essential process in order to analyze company's financial health, performance and future perspectives. It is especially important for investors. The simplest financial review includes a horizontal and vertical analysis where data is compared in a chronological order. To understand full financial situation we will implement financial ratio analysis. This powerful tool has four elements: profitability ratios, liquidity ratios, leverage and activity ratios. In this work financial analysis will be adjusted to the needs of further business plan development, thus only main financial indicators will be reviewed.

Profitability ratios measure how firm manages its assets and expenses and possible rate of return:

$$Gross\ Margin = \frac{Gross\ profit}{Sales};\ ROE = \frac{Net\ Income}{Shareholders\ Equity};\ ROA = \frac{Net\ Income}{Assets};$$

$$Profit\ Margin = \frac{Net\ Profit}{Net\ Sales};\ ROIC = EBIT \times \frac{(1 - Tax\ rate)}{Invested\ Capital};$$

Liquidity ratios measure the ability of a company to pay debts:

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities};\ Acid\ Test = \frac{(Current\ Assets - Inventory)}{Current\ Liabilities};$$

Other situation analysis will be performed according to David's (2011) framework and will include Competitive Profile Matrix (CPM), External Factors Evaluation (EFE) and Internal Factors Evaluation (IFE) matrices and Grand Strategy Matrix.

EFE and IFE components are basically a SWOT analysis. Internal and External factors evaluation matrix was introduced by David in his work "Strategic Management" (David, 2011). The matrix allows to understand the factor's weight and rating in the industry showing whether it has major or minor strength. The IFE matrix analyses exactly ten strengths and ten weaknesses, with their total weight must be equal to 1.00.

Rating for the forces is given under 2 point system where 1 = major weakness, 2 = minor weakness, 3 = minor strength and 4 = major strength. Opportunities and threats are analyzed by EFE matrix absolutely the same way with the same overall weight but 4 points ranking system, where 1 = company's response to the external factor is poor, 2 = company's response to the external factor is average, 3 = company's response to the external factor is above average and 4 = company's response to the external factor is superior. Weighted score of both EFE and IFE form their ratings that will be further used in Internal-External Matrix. Overall score is result of rate that is multiplied by weight of a factor. Average score is 2.5, which means that low scores in external evaluation show that company is not prepared to meet the opportunities or defend against threats, while in internal evaluation it shows that company is weak in competition.

CPM or Competitive Profile Matrix is a strategic instrument that helps to analyze company competitiveness and performance of the company among closest rivals in the market basing on twelve critical success factors in the industry. Factors are analyzed judging by their weights which are industry-based. The overall weight sum should be equal to 1. The second indicator in CPM is rating which is assigned to every company's factor in a 4 grade system starting from 1 = "major weakness and ending with 4 = "major strength". The final score is achieved through the same calculations as in EFE and IFE matrix.

Grand Strategy Matrix is a powerful tool in developing alternative strategies and is based on four elements:

- Rapid Market Growth
- Slow Market Growth
- Strong Competitive Position
- Weak Competitive Position

All these elements are positioned in a four quadrant matrix which allows the identification of company's position and also helps to adopt further strategy based on current situation, growth and competitiveness of the firm and its market place. Company's divisions are analyzed in X and Y axis by nine grade scores. X axis represents company competitive position while Y axis shows level of market growth. Both parameters can be ranked from one to nine, meaning extremely weak or strong position and extremely slow and rapid market growth respectively.

Quadrant one shows that firm has a strong competitive position and flourishing with rapid market growth. In this situation it is necessary to concentrate on current operations, products and markets. In this case strategies like market penetration and market development should be implemented.

Firms or divisions that are falling in quadrant two can be characterized as having a weak competitive position while the market experiences fast growth, which means that they compete ineffectively. In this case the best option is to apply a horizontal integration strategy or divesture for lagging divisions.

Quadrant three reveals companies or their divisions that have a weak competitive position in slow growing industries. To avoid possible liquidation these companies must perform drastic changes in almost all areas of management. Business diversification or resources shifting should be considered as a possible strategy in this case. The worst case scenario is liquidation.

Finally, quadrant four represent companies having a strong position but are operating in a slow growing market. Possible strategies in this case are exploration promising growth areas and new opportunities in growing markets that have strengths and incite development in growing markets. Firms in this quadrant have limited funds requirements for internal growth and often have high cash flows due to their competitive position, thus the option of diversification can be considered (Kasi, 2012).

2.3. Methods of analyzing business models

The importance of business model assessment and the value it provides for company research and further strategic development was mentioned above and proved by various literature reports on this topic. First introduced by Osterwalder (2004) in his thesis and further developed in his work "Business Model Generation" in 2010, business model canvas is an ultimate tool for both analyzing businesses and for developing competitive strategies. It helps to assess main activities through a form of building blocks: key partners, key activities, key resources, value propositions, customer relationships, customer segments, channels, cost structure and revenue streams. Hypothesis proposed in this thesis will be proved or rejected firstly by performing current situation business canvas modeling and further comparison with the new business model which arise from proposed business plan. Comparison analysis of two business model canvases will be performed using SWOT technique described above but applied on business model canvas as proposed by Osterwalder (2010) in "Business Model Generation" (p.217). Business model SWOT reveals the overall rating of all nine business model blocks. All the parameters have strength of their affect from zero to five. Additionally, we will count Weakness and Threats parameters as negative, and introduce the average parameter that will show the overall rating of the block. In this work we propose to graphically portray SWOT ratings through a diagram. To get a clear view on business models comparison, the differences between old and new business model are matched in a new diagram overview that shows the results of both evaluations. When both bars are close together there is almost no difference between the parameters. If the score of one of the blocks of business model is lower than the score of that another model, the difference bar shows whether it is a positive or negative difference. Based on this analysis it will be possible to decide if the benefits of a new business models will lead to the improvements in company's business and what strategic steps in specific areas should be done to improve the situation.

2.4. Sources of information

All actors of the performed analysis like suppliers, producers, traders, providers of services and customers were the main sources of information. Their data was acquired through price lists requests. Primary data was collected through household survey, field observations and also through focal group discussion within Coffee Roasters Company. Secondary data was obtained through open source research, publications, different articles, reports, publications, journals, books, internet materials and other publications. Statistical and other market information was mainly obtained from governmental organization’s online publications, such as National Statistic Committee of the Republic of Belarus (NSCRB), Ministry of Finance (MFRB), Ministry of Tax Collection (MTC) and other.

3. “Coffee Roasters” LLC – Case Study

3.1. Brief history and current business situation of “Coffee Roasters” LLC

“Coffee Roasters” is a Limited Liability Company that was established on April 2014 in Minsk, Republic of Belarus, and is operating in the field of coffee manufacturing and sales. Company specializes in high quality coffee roasting and its further distribution, and is one of the first Belarusian companies that started to roast and sell specialty coffees. The company operates mainly in business-to-Business (B2B) and e-commerce segments. Business to business segment is represented mostly by Hotels Restaurants and Cafes (HoReCa) field with various coffee shops, cafes, restaurants and bars. The second field is primarily internet sales through company web catalogue at www.coffeelife.by. Coffee Roasters Company is currently operating in Minsk, across its region and some other regional cities in Belarus.

3.2. Current business situation problem

Since 2014 firm uses production lines, import logistics, raw materials warehouse and other facilities of another coffee roasting company. As an additional revenue stream company can offer such services as coffee equipment service and professional barista trainings. For the last couple years quality coffee market experienced sufficient growth as a result of vast marketing processes initiated by coffee companies. Those policies were mainly aimed at cafes, coffee shops and regular customers that buy coffee for daily home use. As a result, the amount of coffee roasting companies and especially small ones like “Coffee Roasters” LLC has increased at least twice. Bigger manufactories that possess the most advanced equipment base remain the same with tendency of small companies to break away and launch their own production lines. Moreover, the “Kings” of coffee industry – companies that have long imported well-known coffee brands and that mostly operate through retail segment have noticed their slight market share loss and as a result are looking to entering high quality single origin coffees segment as well (Lavazza and their Tiera!® line, Barista with TOP line, etc.). All mentioned above has led to an increase in industry competition and forces our company to seek for further development paths. Due to increasing demand and population awareness of high quality coffees this niche still remains attractive.

3.3. Current business model

This section is dedicated to the review of Coffee Roasters LLC current business model, with such elements as: customer segments, value propositions, customer relationships, key partners, key activities and key resources, channels, revenue streams and cost structure. Current business model canvas is represented in Table A.1, Annex 1.

Customer segments of Coffee Roasters Company can be described as diversified, as currently company operates with both businesses and regular clients. Regular clients can be divided in two groups: e-commerce customers and indirect retail sales. Business clients can also be divided in HoReCa segment and office B2B segment.

Company concentrates its value proposition on high quality product and services. The first one is achieved by production of fresh roasted coffee and its delivery in most convenient and fast way to final customers. Service is being positioned with individual approach which is appreciated by customers as they strive for uniqueness of their businesses and way of life.

Customer relationships are carried out through company's call center, social media and website. Relationships with regular customers are very individual with regular meeting with B2B clients and contacting with regular clients at the delivery moment. Company tries to be open and almost all regular clients know most of Coffee Roaster's employees.

Key partners are represented first of all by manufacturing company that lends its equipment to Coffee Roasters, as well as producers of supporting goods for the final product. AutoLight Express is company's main partner in regional logistics. Other partners include various firms operating in internet promotions, exhibitions, etc.

Coffee Roaster's key activities include coffee roasting / packaging and its further delivery. Supporting activities are educational services for business clients and their personnel, coffee equipment maintenance. Company tries to implement various marketing and promotional techniques but is limited in marketing budget.

Key resources that Coffee Roasters possesses are quite limited due to the fact that basically company operates in selling segment which does not need any facilities while manufacturing field is limited and requires only intellectual and human resources.

Channels section of Coffee Roasters business model consist of online store sales as well as distribution to HoReCa, small retail stores and offices.

Revenue streams major is coffee wholesale. E-commerce, equipment sales and educational services are among other streams of capitalization. E-commerce is the most perspective segment as based on the Coffee Roasters and competitor's statistics, the demand for high quality coffees among regular customers is growing.

Cost structure consists of fixed and variable costs. First ones include employees, taxes, transportation and administrative expenses. Raw materials, operating expenses, marketing form variable costs of the company.

4. Business Plan development for a new manufactory

4.1. Executive summary

- Problem and business opportunity
- Vision and main mission of the company
- Proposition
- Brief history of Coffee Roasters LLC
- Critical milestones / roadmap
- Financial projections and funding requirements

4.1.1. Problem and business opportunity

The main purpose of this business plan is to conduct and substantiate strategic steps for developing an own coffee roasting manufacture as well as a new business model with further analysis of possible benefits over the existing operations. One of the points of launching an own production plant is to avoid unnecessary risks as now company is tied up to the lending company, which is also the supplier for most raw materials. Current problem is associated with increasing competition in coffee industry while company has insufficient resources for implementation of cost strategies which dominate the market. Due to these circumstances Coffee Roasters consider strategies towards development of its own manufactory and decreasing initial costs of operations.

Even though for the last couple years coffee market in Belarus has experienced growth which is based on the increase of coffee consumption and coffee culture in Belarus, with over two times increasing popularity of coffee-to-go (Euromonitor International, 2017; Burdonova, 2016), domestic coffee market still lacks quality products and service. Company’s operational history shows that two out of four coffee shops or café projects are unable to survive even through the first year of functioning.

It may be caused by several reasons:

- Lack of management and marketing knowledge and skills of firm's owners. Available capital does not play the only valuable role here, while understanding target audience, customer's needs and choosing the right location are crucial for this business.
- Quality management is one of the other issues in cafes' operations. While definition of café as well as coffee shop arises from word "coffee" itself (Oxford Dictionary), the amount of attention paid to the main product is not sufficient as most of the places still operate with low quality cheap coffees.
- Customers that are curious about domestic product usually have little or no knowledge about its production cycle as most manufactures are closed for their eyes.

4.1.2. Vision and main mission of the company

Coffee Roasters aims to become customer's choice for affordable high quality coffees.

"Through our everyday work we strive to deliver the product of opportunities. Our strong belief is that making the ultimate coffee taste and quality experience possible anytime & anywhere helps you take more from every day".

4.1.3. Proposition

Management main goals are to improve company's competitive market position through improving current operations and developing competence strategies leading to sustainable advantages. As the company strives towards quality products and service, vertical development opens up great opportunities towards strategy implementation. Company has already done some steps towards vertical development by opening a brand associated coffee shops in Minsk.

With an own manufactory it would be possible to remove additional elements in the value chain and thus increase profitability by decreasing raw materials costs. An own production facilities possess several important benefits besides the already mentioned, such as advanced quality control, better logistics, access to various suppliers of packages, green coffee and other materials.

Coffee Roasters team relies on its more than four years of experience in coffee manufacturing and industry operations, which will allow building and sustaining a successful business model and acquiring strategic competences.

Café-roasteria is considered to be a more advanced manufacturing model being a combination of both coffee shop and roasteria with benefits of additional revenue streams and product promotion. Additional value will be generated through building a unique image of the company which will be the first in the industry to integrate its customers into the production process by opening an exemplary manufacture. With the increasing demand for high quality specialty coffee, Coffee Roasters will fill a specific market niche, backed up by mass-market operations. Company's appeal is aimed towards discerning coffee drinkers that value high quality and affordability. To achieve its aims Coffee Roasters has defined three essential keys to success:

1. Acquire and roast the best available coffee beans from around the world, developing a high-end technological process
2. Become of a top notch customer service organization that exceeds customers and partners value expectations
3. Implementation of strict financial and operational management

4.1.4. Brief history

Coffee Roasters LLC is a coffee roasting and distribution company operating in Minsk, Republic of Belarus since April 2014. Company was formed by people who were in love with coffee and aimed to introduce new quality standards for Belarus coffee market.

For years of operating company's main goals were to import and roast the best coffees for the domestic market. Since its foundation Coffee Roasters has been using rental manufacturing equipment and facilities to produce and distribute coffee under its own brand "Coffee Life Roasters".

Since its opening, company has increased its production volumes in over three times, becoming one of the leading specialty coffee roasters in Belarus. Last two years revenues ended in +121% and Gross profit over +170% which shows a positive dynamics of development. The most recent financials are represented in Table A.2 and Table A.3 in Annex 1. Coffee Roasters positioning has generated a positive image among customers from all segments for high quality coffees and excellent service.

4.1.5. Critical milestones / Roadmap

Technical and operational roadmaps of Coffee Roasters Café-roasteria include the following steps:

Quarter 4, 2018 – Acquiring strategic alliances and arrangements with equipment and best raw materials suppliers; arrangements with potential wholesale customers

Quarter 1, 2019 – Acquisition of desired facility for future establishment; remodeling and preparatory works, administrative reconciliation

Quarter 1, 2019 – Launch of new website, online services and marketing campaign

Quarter 1, 2019 – Manufactory equipment installment, start-up and adjustment works

Quarter 2, 2019 – Manufactory, services and café launch

2019 – Operations, production volume build-up, results analysis and further strategic steps

4.1.6. Financial projections and funding requirements

Coffee Roasters LLC seeks loans for a new café-roasteria project totaling 120,569 € in order to purchase equipment and inventory, raw materials, rent or acquire facility as well as perform further renovations and improvements and finally provide necessary working capital. Payback period is estimated less than 2 years.

4.2. Background

Coffee Roasters Company was established in 2014 as an Individual Entrepreneurship legal entity. This form of entity allowed company to initially reduce costs arising from taxation, administrative expenses and legal issues. In 2017 due to operations increase and vertical diversification firm additionally established Limited Liability Company “Coffee Roasters”. This expansion allowed the company to successfully establish a development in coffee shops segment which positively affect the brand image making it possible to operate with retail networks and thus open new revenue streams. Currently company resides in Minsk city center with main production facilities situated in Minsk region.

Rapid development and increase in production volume started after firm’s key partnership with AVD Production Company which is the Belarus’ leading coffee company. Their production and R&D base was used to increase volume and thus acquire big and perspective customers. Since 2014 Coffee Roasters competitive edge has been its human resource and intellectual base, as there were no more than 10 specialists in coffee roasting. Fresh roasted high quality coffee has always been the main value proposition. This was achieved by on-demand production to ensure ultimate coffee freshness and decrease possible financial risks as company policy was aimed towards prepaid shipments.

Operating combined enterprise requires highly qualified management staff in both fields of operations. Nowadays company’s human resource is sufficient enough to operate in coffee shop, manufactory and logistics fields. All employees have sufficient knowledge and longtime practice for operating perspective establishment, previously being involved in HoReCa general operations management, oil and its derivatives sales and logistics as well as manufactory and coffee quality control fields.

4.2.1. Value chain analysis

Current situation of Coffee Roasters value chain can be called a very simplified, as generally the company is working on rental powers and facilities. It positions itself as a coffee manufacturer, integrating its staff in a rented manufactory. All the costs which occur before final product, e.g. facilities and equipment rent, additional labor force and operations, are inserted into final product price. Thus the company takes off itself all the responsibility for initial logistics, contracting, warehousing, etc.

This on one hand simplifies all operations, but on the other hand pose a high dependence on lending contractor and thus high risks. The value chain matrix can be found under Figure A.1 in Annex 2.

Primary activities:

1. Inbound logistics

Inbound logistic in Coffee Roasters LLC case is very simple and limited. As far as all raw materials and other consumables are ordered and delivered by manufacturing company that lends its capacities for coffee roasting, firms inbound logistics is limited to package and it's components transportation to the manufacturing facility for further packaging of roasted coffees. Coffee machines and grinders is another part of inbound logistics operations and are usually delivered on DDP terms according to Incoterms 2010.

2. Operations

Main operations in Coffee Roasters consist of coffee roasting process, which is held once or twice in a week according to customer's preorders. Before and after roasting coffee is checked for quality followed by further individual and group packaging.

3. Outbound logistics

Outbound logistics includes primarily transportation of ready products from manufacturing facilities to company office or straight to customers. Regional logistics is usually carried out through main office warehouse with further outsourcing to freight companies.

4. Marketing and sales

This part of operations is the most extensive and includes branding which is the result of constant graphical design improvements, social media and internet positioning as well developing overall company image with existing and potential customers through quality service and product. Distribution channels currently are mostly direct and internet sales. Company is working towards increasing possible distribution channels especially through regional partners. Introduction of new products, services is of big importance for the company as it increases the overall value. This is a complex process preceded by extensive coffee or goods research and quality control. As a part of policy the company applies wholesale discounts for most potential and loyal customers.

5. Service and support

Service procedures are vague and may include various issues concerning coffee, its preparation and equipment due to individual approach policy. Company outsources serious malfunctioning equipment issues, and costs of basic equipment service are included in price of products. Firm also provides educational services for clients and their employees in coffee field. All the orders are submitted online and a call-center is working five days a week. Customers can choose any delivery place as free door-to-door delivery is a part of company policy.

Support activities:

1. Infrastructure

Accounting and finance control as well as public relations and general management form the infrastructure part of company's value chain. Quality assurance is performed on every stage of operations starting from manufactory and continuing to the final product delivery and in case with B2B segment till final product preparation. All the operations are coordinated from corporate office in Minsk, Belarus.

2. Technological development

Introduction of new products is the main aspect in this field of activities as Coffee Roasters strive to order and roast the best coffee beans from around the world. Decisions are made on customer reviews as well. Currently, the company experiences several limitations in technological development as the rented equipment base is technologically outdated.

3. Human resource management (HRM)

HR management is quite limited as Coffee Roasters is a small business and currently does not have a necessity constant recruitment of new employees. As a part of services proposed to B2B customers, company performs services of finding and training new baristas or other employees in HoReCa field. Weekly meetings are a part of company culture, where besides regular reports every employee has a freedom to tell their suggestions or thought about company operations.

4. Procurement

Company orders coffee equipment, package stickers and promotional materials directly from distributors or manufacturers. For raw materials and green coffee beans, company outsources procurement, but takes part in its selection and volume determination.

Vertical development brings business operations on a whole new level, where current activities will be supplemented by more advanced additional fields such as:

- Logistics
- Warehouse management
- Production management
- Research and Development
- Risk management
- Advanced financial and credit management

4.2.2. Financial analysis

It is essential to understand current financial basis to form perspective investments projections. Previous funding of Coffee Roasters was mainly based on founders own capital and revenues reinvestments. Positive aspect of this way of funding is company's independence from banks or side investors, thus giving more freedom in policies, strategies, decisions implementation and of course financial interest distribution. The only negative aspect of self-financing is the generally slow development, caused by insufficient capital for marketing, equipment, etc. Nevertheless, current company’s assets have increased by 377% in 2017 operational year compared to year 2016. Company started to acquire professional equipment as well invested in vertical development by opening own coffee-to-go points, which are a good source for surplus value. Last two financial years are presented in Table A.2 and Table A.3 (Annex 1) and indicate that Coffee Roasters LLC has sustainable growth ending with an over two-time increase of cash flow.

Revenue increase is associated with the attraction of new customers, especially in wholesale B2B segment. Unfortunately, together with previous indicator, company face an increase in costs of goods sold. Operating in conditions of economy of scale and due to dependence on raw materials supplier it is currently impossible to significantly improve cost situation. Nonetheless, it can be successfully solved by using possible market opportunities and developing manufactory independence. Generally high interest expense and net income of the company shows that even in disadvantageous and dependence conditions company’s operations remain quite profitable and promising.

4.3. Product and service

4.3.1. Product

For the years of operations, Coffee Roasters’ main concentration and core competencies are associated with coffee. Efforts towards producing best coffees form the foundation of business model and further development strategies. Production cycle starts with the selection of finest green coffees from main coffee growing regions: Africa, Latin America and Asia. Coffees are traded on Berlin stock market and distributed by large wholesalers. Biggest green coffee suppliers reside in Russian Federation and are represented by such companies as SFT Trading and KLD Coffee Importers. Coffee Roasters chooses finest coffees that are not older than one year. Coffee is roasted weekly after customer’s orders collection, this guarantees its freshness and reduce warehouse costs associated with over roasting. Main benefits of fresh roasted coffees are its aroma and taste qualities, which is its main advantage over mass-market or imported coffees which spend time in warehouses, during transportation, etc. These conditions can have a negative impact on a product as climate and transportation conditions may harm the product final characteristics.

Coffee Roasters portfolio includes more than 10 types of coffees that can be divided into two groups: single-origin coffees, represented by 100% arabicas and coffee blends, which can be arabica blends or arabica blended with robusta. Single-origin coffees are highly appreciated by regular customers and are mostly sold through e-commerce (online store, social networks). B2B buyers of single-origin coffees are represented by third-wave coffee shops, which specialize in high quality coffees brewing. Coffee blends are used mainly in HoReCa segment to satisfy client’s needs in affordable high quality coffees. Coffee Roasters has competency in developing its own unique coffee blends with the possession of a qualified R&D and production specialists.

Among other distinguishing features of Coffee Roaster's coffee can be called its unique design. Competition with well-known brands showed lack of product design individuality, while most buyers choose the product by its package since it is impossible to brew it right away. Product design is aimed on visualizing coffee's origin, aroma and flavor in bright and colorful way making shopping experience customer-friendly. Packages include 1 kilogram, which is mostly used for wholesale, as well as 500 and 250 gram packages, which allow customers to experiment and acquire coffee accordingly to weekly or monthly consumption. Packaging approach is aimed towards preservation of fresh roasted coffee quality properties.

4.3.2. Service

High quality customer service has always been Coffee Roasters' top priority. Delivering best shopping experience and delivering ultimate value that exceeds customer's expectation is of major importance to the company. Top service starts from operational basis, which means that company chooses only trustworthy and reliable partners to ensure on-time deliveries, product quality and price stability. This helps to prevent possible risks both for Coffee Roasters and its clients, and ensure stable operations. Coffee Rosters service can be divided in two categories: business-to-business service and business-to-client service.

B2B service is aimed to meet the needs of coffee shops, cafes, retailers and wholesale buyers. It is quite vide field of work, which starts with coffee orders and delivery. Every week call-center accepts orders from all customers, with delivery time and place specifications. This helps company to effectively organize and manage delivery logistics. Coffee Roasters also ensures that company's product is correctly and qualitatively delivered to the final customer. Free initial education and practical services are proposed to every new business customer, to ensure that coffee is brewed according with quality standards. Other service activities to business partners include equipment rental and maintenance, education in HoReCa operations field, product branding and special additions emission. Additional possible service being at the same time an additional revenue stream is rental of coffee roasting equipment to other businesses interested in small-batch coffee production.

E-commerce is Coffee Roasters second operational field with services in online order acquiring, call-center consultations and door-to-door delivery. Company main goal is to increase internet sales through its website and social media. Maintaining leading position in search engines query is achieved through professional website administration, Social Media Marketing (SMM) and context advertisements that hit the target audience. Order automation and customer-friendliness are two basic pursued objectives to enhance company's service in internet sales segment. Delivery service policy aims towards convenient shopping experience. All orders are collected and processed two times per week. Coffee roasting process takes place Monday through Friday. Customers can either pickup coffee from the closest coffee point location or expect an on time home delivery the next day after roasting.

4.3.3. Café-roasteria as a more advanced manufacturing model

Combination of coffee shop and customer-open manufacture is innovative for the industry, as by far it has no analogues in Belarus. Regular manufactory and coffee shops have several drawbacks comparing to combined model:

- Guest closed, as the potential customer has no clue how coffee roasting process is organized
- Do not generate additional product or buyer value
- Current coffee shop situation can be described as lacking uniqueness or significant differences

Café-roasteria value chain model can significantly back up financial operations by both attracting new buyers through the coffee shop, and thus cover possible risks of manufactory as well as increasing cash flow. One of the most beneficial moments arises from marketing model that is unique and innovative on the market, as Coffee Roasters will integrate coffee drinkers into the whole cycle, starting from roasting process and ending in their cup.

Located in the city center, project will become customer's choice for coffee and lunch breaks and coffee-to-go, by having competitive advantage even from positioning itself. Main target audience can be described as people looking towards quality products and service throughout the day, with accents on morning, lunch breaks and after-work hours. Main benefits of Coffee Roasters café-roasteria are:

- Uniqueness of business model
- Guest integration into the process
- Certain consumables autonomy
- Top notch products and service
- Financial self-support
- Higher profit margins through product conversion

Guest integration into coffee roasting process will be achieved through production openness, as it will be possible to see all operations through the glass-wall that separates café from production facilities. Everyday coffee roasting process will cover the needs of café as well provide coffee for retail sales. Additional equipment will be located so that the guests can try any coffee from Coffee Roasters' assortment range. Café-roasteria will be positioned on the market as a third wave coffee shop, meaning high quality service, the use of fresh roasted specialty coffee together with additional brewing methods such as Aeropress®, pour over V60, chemex, etc. Daily operations of Café-roasteria are represented by:

- Hot and cold drinks sourcing
- Basic snacks and meals with further opportunity of more advanced kitchen production
- Retail coffee sales
- Coffee roasting and packaging

Additional value will be achieved by running brand showroom with cuppings and lectures held every month. The overall operations are aimed towards increase of customer value, domestic product image improvement and company’s positioning on the market. Future working conditions, regulations and operational staff is following:

- Open every day from 7 a.m. until 23 p.m.
- 5 baristas with 8 hour working shifts, 2 or 3 people on the same shift
- Roasting department working everyday

Café-roasteria is seen to have from 80 guests per day during cold season and grown up to 130 guests per day during hot season, with average bill expected to be 3 euro per person.

Further development is associated with differentiation strategy, which is backed by constant feedbacks acquired through the coffee shop. Vertical development strategy is based on opening a large network of cafes and coffee points throughout the country.

4.4. Market and demand

4.4.1. Coffee market in Belarus

Belarus’ coffee market experiences sustainable growth. Domestic companies slowly gain the overall market share. Fast development of e-Services has a positive impact on coffee e-commerce as customers tend to prefer more convenient way of purchasing goods. Judging by head of Deal.by e-commerce platform’s research (Marinich, 2018), the size of Belarusian e-commerce market may grow to $1.5 billion a year with over four million people having at least once bought something online. While operating in Minsk city café-roasteria has a potential market of over 1 million people as total population hits almost 2 million people and is increasing every year.

Café and coffee shop market has developed rapidly for the last years as well. While company plans on start its operations in Minsk city, further review will analyze local situation. Restaurants and cafes industry is quite saturated, while coffee shops market, which specializes in coffee as a main product, is quite new. While neighboring countries such as Lithuania, Poland and Ukraine already has third wave coffee shops, Belarus’ companies just started to work on quality. The overall share of cafes / coffee shops, restaurants and bars in Minsk is represented on Figure 2 below.

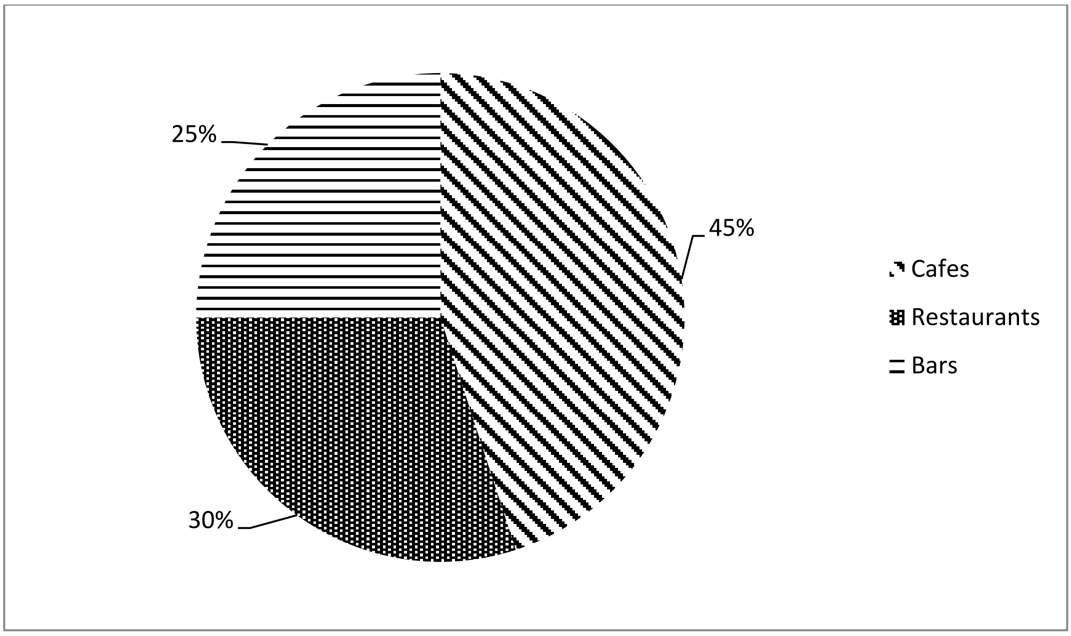

Figure 2. HoReCa Market Shares in Minsk

Source: Author’s own elaboration

Based on company operational information, only 1 to 5 percent of all HoReCa enterprises use specialty coffee in their work. This shows great opportunity in further development of specialty and high quality coffee sales. Judging by MASMI report (MASMI, 2017), over 4% of Minsk citizens visit cafes or restaurants every day, over 8% visit 2-3 times a week, while 11.3% have 1 time visits, which is 23,3% each weak and approximately 466.000 people. Over 30% of respondents mentioned coffee shops and over 42.2% mentioned cafes among their visit choice. Overall situation shows opportunity in acquiring competitive advantage over companies by providing high quality service and product in café-roasteria as well as further development of branded coffee shop chain.

4.4.2. PESTEL analysis

“Coffee Roasters” LLC is officially a trading company as far as it does not own any manufacturing facilities or powers, but it may be affected by all the political, economic, social and legal issues that concern coffee industry.

Political

Nowadays Belarus is one of the few countries where political factors are reflected in contracts under force majeure section. Political impact on coffee and retail industry generally is moderate with features common for any industry, such as taxation and fiscal policies. There is a certain instability in new policy implementation, as sometimes it can be introduced overnight and sometimes the policies implemented are poorly designed and cause huge difficulties in operations. This may lead to serious losses, especially for importing companies. In what concerns to green coffee imports and other raw materials associated with coffee, the import duty is absent. Recent year governmental policies tend to ease operating conditions, especially for small businesses and individual entrepreneurs. It is a common situation when while in one field of operations policy regulations are stable the policies implemented in other fields nullify all previous achievements. Bureaucracy that is another quite common issue, especially when business has to deal with governmental sector. Company has to face fierce governmental bureaucracy during all legal processes.

Economic

The overall local economic situation in Belarus is quite complicated and has a great impact on every industry with coffee industry being not an exception. Generally coffee market has a tendency to growth and Belarus is listed among world's leading coffee drinking countries. Purchasing power of buyers is greatly affected by their income level. For the last two years situation in this field is getting worse, especially in the public sector. In February 2018 the nominal gross average earnings in Belarus were BYN 850.4 (National Statistic Committee), which is approximately 338.5 €. High quality coffees are generally more expensive than sublimated or mass market coffees, sometimes in three or even more times. This also affects wholesale segment as coffee shops owners request price reduction while trying to propose affordable prices for their guests. Foreign exchange rates have always played important role too, moreover due to close economic relationship and Trade Union with Russian Federation, Belarusian ruble is dependent on Russian ruble – USD exchange rates as well. Coffee Roasters is working on raw materials imported mainly from Russian green coffee wholesaler which is operating in USD. High inflation risks and thus unstable exchange rates often lead to margin and profit loss. 2017 inflation rate was 4.6% with 10.6% in 2016. The overall inflation rate for the last five years is 71.43%. Since its foundation in 2014, company has been working mainly on own capital without attracting bank credits. One of the reasons is high bank interest rates as well as refinancing rates. Foreign economic trends mostly affect local market due to complicated Russian Federation economic situation, with trading policies and embargos implemented both towards and by Russia.

Social

Belarus coffee market has experienced sustainable growth of coffee market over past few years. Belarus is listed thirty second among all countries in coffee consumption, with average 0.482 cups of coffee per day per capita. 149 000 thousand of 60-kilogram coffee bags were consumed in 2014. 51.3% of consumers preferred to buy instant coffees, while 44.8% made their choice towards natural coffee and 3.8% towards natural grain coffee (Euromonitor International, 2014). Customer habits have a tendency to change towards the demand for higher quality products. It is supported by mass popularization of coffee culture through a vast amount of coffee shops and cafes that open every day. Lifestyle has undergone some changes in past years with more people dedicating their time to coffee consumption during the day. Belarus is a member of Specialty Coffee Association (SCA) since 2016, which main aim is coffee culture popularization and quality control. Every year SCA Belarus holds national coffee championship even which is a qualifier for the world cup as well as a forum for coffee manufacturers, coffee shop owners and coffee consumers.

The biggest percent of coffee sales goes through various retail chains, but there is a tendency for e-commerce growth while customers find it more convenient to purchase something online with to-the-door delivery. High quality and specialty coffee can be mostly obtained only through e-commerce and company's websites. Due to the technological gap between generations, population group that is over 40 years old prefers physical purchases to internet ones. Thus, internet sales lose a great amount of perspective customers. Existing competition in retail stores makes getting to the shelves a really complicated process.

Regular customer gets information about the product from advertisements as well as by seeing the product and its promotion in store. Nowadays, social media plays an important role in customer attitude to a product. Moreover, it is common to believe in other customer reviews or comments.

Unfortunately, Belarus experiences a generally negative attitude to the domestic product. People tend to prefer well promoted world known brands or even some cheaper imported alternatives, rather than buying domestic product. This does not concern diary or basic necessities products though. Recently, a better attitude is given to so-called "craft products", which are known to be made in small amounts. People believe that this makes production process be netter controlled and thus a more quality product at the output. Small companies, especially coffee roasting firms, try to concentrate attention on this issue and making it a competitive advantage in marketing.

Technological

Overall technological development of coffee market in Belarus is quite high, especially in HoReCa segment. Cafes and coffee shops mostly demand a free coffee making equipment from coffee vendors, which should be hi-tech. This coffee machines and grinders are highly expensive which causes coffee vendors to spend thousands of BYN on equipment only.

Less than half coffee roasting companies have their own manufacturing powers and facilities, thus most work is done using rental equipment. As the high quality coffee market is still in its development stage, most coffee roasting companies do not have financial opportunity to get high end machinery, as it is quite costly, should be imported with high customs tax.

Marketing and promotional technological environment is very well developed, with main promotional channels of social media, contextual advertising. Large companies with substantial budget for marketing can spend thousands on TV advertisements and promotions across the country. Research and development process is quite complicated in the field of production, thus mainly ongoing in marketing and distribution fields. Patent, intellectual property and trademark protection sector is currently in its development stage and very unstable.

Environmental

Ecological legislation in Belarus is quite undeveloped and even though Ministry of Natural Resources and Environmental Protection develops new programs in the field of waste recycling, technological control, realization of these programs leaves much to be desired. Nevertheless, Belarus has extensive legislation in food hygiene, epidemiology and its registration fields. All coffee products have to undergo obligatory registration and control in Republican Center for Hygiene, Epidemiology and Public Health, where they are tested for various parameters.

Today's customer value is moving towards ecologically safe and organic products. Healthy lifestyle is becoming a new trend. In 2013, in Minsk, was opened a new retail chain store "Green" TM, whose vision is to provide organic products with minimum content of harmful substances and that will be available in one store. Their chain experiences fast growth and is now represented in almost every city. Many manufacturers and coffee importing companies are trying to bring or roast organic coffees as the demand is increasing.

Legal

Employment legislation currently affects the companies in the way of additional taxation. Taxation is divided in two groups: tax that is paid by employer and taxes paid by employees. In fact, most employees want to see net income, so everything above that is paid by employer and includes income tax 13%, social tax 34 +1% and insurance tax 0.6%. Average bank commission for these transactions is 0.8-1.5%. This means that if average salary is 850.4 BYN or 362.59 € (National Bank exchange rate as for June 4, 2018) as mentioned above, firm has to pay additional 425 BYN or 181.21 €, which is approximately 50%.

Customer protection is guaranteed by government and by Belarus Consumer Rights Protection Society. Antimonopoly field remains mostly unregulated with governmental policy aim on support of governmental companies, which are not presented in coffee industry.

4.4.3. Porter's Five Forces framework

Porter's Five Forces analysis reveals the most relevant external factors that affect businesses in the exact industries. In Coffee Roasters' Five Forces analysis main focus is on analyzing the coffee industry starting from suppliers and ending with coffee shops and cafes as well as regular coffee buyers. The environment and forces of this industry affect company both directly and indirectly. Porter's Five Forces will be reviewed in Annex 1, Table A.15. Five competitive forces were analyzed through a group discussion during company weekly sessions. Table 1 below represents conclusions and possible further improvements.

Table 1. Belarus coffee market Porter's Five Forces analysis

Power	Level	Comments
Threat of substitutes	High	Regular buyers tend to experiment with products and search for something new it becomes easy to substitute, as there are plenty available products sometimes with a better price. B2B buyers prefer stability, quality and are not tolerant to mistakes. In case with specialty coffees, there are some close substitute goods, but overall not more than 15.

Industry rivalry	Medium	Coffee market having an average saturation and barriers to entry has a medium level industry rivalry. Promotions are not costly but still require medium level investments. Most of the industry players do not have overwhelming sustainable advantages and the industry is mostly in equal conditions, but some of the rivals are working towards it.
Threat of new entrants	High	Even though coffee market is economy of scale and big brands dominate the industry, the threat of new entrants is still high. The market experiences high growth and attract more and more companies. In case with coffee selling the cash-back period is quite short, this is another “pro” for entering the market. What concerns specialty coffees, growing trend for craft products start to bring new players as they try to roast the coffee.
Bargaining power of customers	High	Coffee industry is represented by both small buyers that get coffee mostly in retail shops or through internet and large customers such as coffee shops and cafes. Most of them however are very price sensitive, especially B2B clients that does not specialize in high quality coffees. In both B2B and B2C sectors dependency on distribution channels is either low or nonexistent. In e-commerce though free and fast home delivery plays an important role and overall service can be vital to maintain customer’s loyalty.
Bargaining power of suppliers	Low	Suppliers bargaining power is low as there are plenty different suppliers possessing substitute goods with low switching costs and similar distribution channels. This can be used for a manufacturing company to increase savings on raw materials as far existing industry is an economy of scale.

Source: Author’s own elaboration based on Porter (1998)

4.4.4. Internal and External Matrix. SWOT

Internal-External matrix will be used to evaluate Coffee Roasters LLC firm’s internal and external environment and reveal whether the company can compete against its threats and take advantage of possible opportunities with the strengths it possesses. Detailed description, overall scores and ranks of strengths, weaknesses as well as opportunities and threats can be seen in Annex 1, Table A.4 and Table A.5. The SWOT matrix includes propositions for SO, WO, ST and WT strategies.

The total score of internal assessment is 2.42 which indicate that company has an average internal position and does not fully take advantage of its strengths or to cover the weaknesses. As for the external evaluation the total EFE score is 1.95 which means that company’s response to possible opportunities and defending against threats is weak.

4.4.5. Competition

HoReCa market is becoming more saturated as well, with new companies opening every month. Unfortunately, many cafes close each year too. This may be caused by several reasons and first of all due to unprofessional management. HoReCa market has high bargaining power of customer's and substitution risks. With market moving towards quality service, management fails lead to the loss of customers and further bankruptcy. Main competition between companies usually occurs around the most advantageous location with the biggest traffic, which is considered to be in city center.

4.5. Strategy and its implementation

While café-roasteria is considered to be the most advanced and competitive business model, this section will be separated in two parts in order to deliver strategy for manufacture and coffee sales, which have operational history, and coffee shop itself being a start-up or further step in Coffee Roaster's development.

4.5.1. Competitive position

In order to be clear, how proposed business will stack up against existing competition in the industry it is important to identify critical success factors of coffee manufacturing and sales as well as company's current state with propositions made for the next years. "Coffee Roasters" LLC Competitive Profile Matrix reveals company performance comparing to its closest rivals. In this analysis firm was analyzed with "ImmaStar Company" LLC and a Group of companies "SORSO". CPM analysis (Annex 1, Table A.6) revealed that total weighted score of Coffee Roasters being 2.35 is lower than that of every rival with 2.6 for ImmaStar Company and 3.37 for SORSO. Latter is considered the biggest competitor with outstanding performance in almost every aspect of market operations. In order to improve situation Coffee Roasters should consider different market strategies implemented according to SWOT, Five Forces and other situation analyses. CPM comparison diagram can be seen in Figure 3 below.

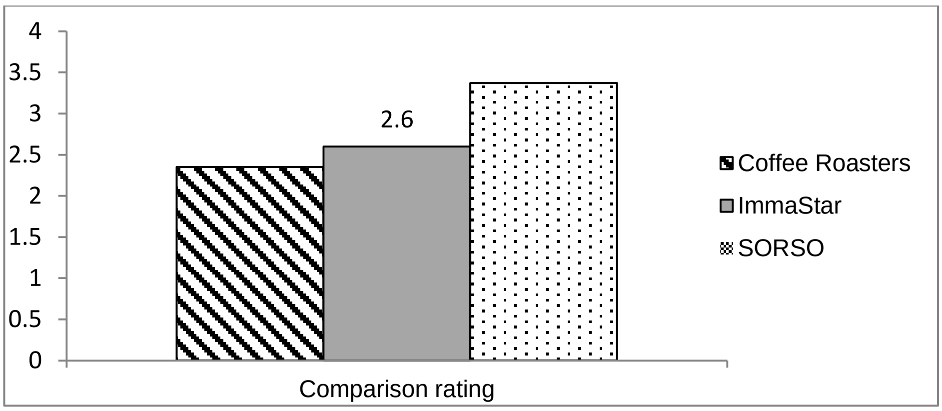

Figure 3. Comparison diagram of "Coffee Roasters" CPM analysis

Source: Author's self-elaboration.

4.5.2. Strategy and implementation

Further strategic development is aimed towards implementation of cost leadership strategy that can be applied through vertical integration model. Value and revenues increase is associated with the reduction of raw material costs, while own coffee shops chains pose additional revenue streams and margin increase. Additional competence will be achieved through marketing, more effective management and future innovations.

Cost leadership will be achieved through Coffee Roasters' plans to use its vertical development model to acquire sustainable advantage by further development of own distribution channels. Own manufactory and raw materials supply chains will decrease unit costs, thus either increase margins in wholesale and e-commerce segments, or decreasing prices for products served in coffee shop. In current market conditions this can play an important role especially in with possible intense local competition. Attracting customers or buyers from different financial classes, as a result of more competitive pricing policy, is one of the important advantages in the complicated domestic economic environment.

Company plans to apply differentiation strategy on its product range, by working with the best suppliers. Assortment range and pricing is considered to be a decisive factor for a long-term productive cooperation. This decision is justified by several market forces and trends analysis:

- Buyer's propensity to substitute, due to their desire to experiment and try new products;
- Medium level of product differentiation on the market comparing to overall coffee variety;
- Buyer price sensitivity is considered quite high, thus product range should include both affordable and expensive products;
- Relatively low switching costs with high suppliers' saturation.

Further strategies are also proposed to improve current situation of Coffee Roasters manufactory operations:

Strength-Opportunities strategies

- Use vertical development to open an own production line and new distribution channels in order to satisfy the need of growing market;
- Become customer's choice for coffee by offering the best service and best quality product;
- Use the uniqueness of product range and its design to increase sales in B2C segment and e-commerce;
- Develop retail distribution channels with the use of company's adaptability to market circumstances.

Strength-Threats strategies

- Maintain company's policy towards quality improvement of product and service to increase market share among imported products;

- Develop vertical integration in order to prevent seasonal fluctuations;
- Develop an own manufactory to prevent possible competition outcomes and remove additional elements in value chain;
- Get access to the best raw materials distributors to maintain crop availability and reduce production costs.

Weaknesses-Opportunities strategies

- An own production line is a possibility to avoid supplier and production dependence;
- Achieve financial stability by increasing B2C and B2B sales in growing domestic market;
- Improve regional logistics by developing new distribution channels and partnerships;
- Introduce new products and services to satisfy high buyer concentration ratio.

Weaknesses-Threats strategies

- Avoid exchange rate dependence by increasing total production volume and importing raw materials in bigger volumes;
- Get a professional lawyer and keep hand on pulse on all legal issues in the Country;
- Diversify production and supplier chains in order to minimize risks;
- Hire experienced professionals in marketing field.

4.5.3. Grand Strategy Matrix

In its current state Coffee Roasters LLC has five departments or fields of operations. GSM chart can be seen in Annex 2, Figure A.2. Main place takes bean coffee wholesales which yield over 80% of all returns. Coffee wholesale is a fast growing market where company experiences problems with tough competition from its rivals. Current company competitive state cannot be called strong and company competes ineffectively as the company falls into the second quadrant of GSM.

Another operational field is e-commerce or B2C coffee sales. This market has experienced fast and steady growth over recent years, as more clients prefer the convenience of online purchases and to-the-door delivery. While not bringing most profits to the company, e-commerce field is quickly developing with more customers coming every day. Company’s operations here can be competitively stronger than its rivals and thus can be assigned to first quadrant. As well as educational programs where company has advantage due to well trained and experienced employees.

Fourth field of Coffee Roasters operations is related to commercial coffee equipment sales. This includes all machines necessary for coffee shops and cafes operations. Demand for high quality professional equipment is growing almost together with wholesale segment as every new firm on the market needs it. Belarus market has several distributors of foreign equipment manufacturers and mostly work by pre-orders. Since reselling itself is not a financially complicated process, the competitiveness in this field is almost equal to one of rivals with the difference that it is impossible to bear long financial installments that are preferable by some clients. Regarding all mentioned above, this segment can be assigned between second and third quadrant.

A lagging behind segment is retail coffee sales, which can be assigned to third quadrant as company currently has no significant retail distribution channels. Retail sales are presented only by one retail chain that is not a target for selling coffees and specializes in alcoholic beverages sales and two small coffee and tea shops.

In accordance with the analysis, the situation of Coffee Roasters LLC is not critical but requires some serious rethinking and changes in management as well as a strategy development. Retail segment lags behind every other operational field. Investments should be found towards implementation of new strategies, reinforce lagging segments, such as wholesale and increase marketing on good performing ones like e-commerce sales to make them “cash cows”.

As far as demand for high specialty coffees is increasing, Coffee Roaster’s main competitive edge for its perspective café-roasteria is seen in high quality service which will be achieved through permanent control of the whole operational chain. Positive image for the coffee shop will arise from current positioning as the company recommended itself as a quality supplier with top-notch service and consistency of products quality. Guests will get a unique visit experience, which is the key success factor in Minsk HoReCa. A unique idea for business model will be combined with surprise effect to win strategic time and move further with perspective development strategies.

4.6. Marketing, resources and operations

Overall market trends supports Coffee Roasters’ plan. Growing demand for high quality and specialty coffees will substantiate marketing strategy and plan. Coffee Roasters’ Target Markets are divided into primary markets and secondary markets.

Primary markets

1. High volume coffee brewing companies
   - Coffee shops
   - Cafes
   - Restaurants
2. Retail chains
   - Supermarkets
   - Small chain stores

Secondary markets

1. Own coffee shops chain
2. E-commerce

- www.coffeelife.by web-site sales
- Social media sales
- Partners and other coffee websites sales

Marketing strategy in high volume coffee consuming businesses will concentrate on cost leadership Nevertheless produced coffee products will be positioned as "specialty and high quality made affordable". The main communication and promotion channels in this segment will be implemented through:

- Active sales
- Marketing policy implemented for clients
- Generating positive brand image

Retail chains main channels include: in-store promotions, as well as internet, Social Media Marketing (SMM) and radio promotions to increase covered audience. Any new product is given a so called "test-period" during which it is important to reach positive sales numbers, thus in-promotions are aimed towards active attraction of buyers.

Considered a secondary target market, café-roasteria will be positioned as a place for ultimate coffee experience aiming to become guest's choice for coffee in Minsk and one of the best coffee shops in Belarus. Marketing will be aimed towards generating this image mostly through internet and social media. Internet promotions are considered to be a field for attracting first customers. Choosing right location for perspective café-roasteria is a key success factor for attracting and holding new guests. Cooperation with Specialty Coffee Association of Belarus is considered to attract coffee lovers and professionals, as company plans to run coffee cuppings as well as seminars, presentations and competitions.

Marketing strategy for e-commerce segment will include:

- Contextual advertising
- Partner websites adds
- Use of Google and Yandex services
- News websites promotional publications
- Content management, company blog
- SMM will be built on groups and communities, cross marketing, direct commercials, use of opinion leaders and influential marketing as well as surveys and feedbacks.

Special attention is paid to product design and positioning. Products under "Coffee Life" brand mean "products for life". Design used for packages is bright, juicy and is associated with taste and aroma qualities.

4.7. Financials and forecasts

Company further development of an own coffee roasting manufactory and opening it together with café requires certain investments. Company sees debt financing as more appropriate for future development. Total finance needed for accomplishing the proposed business plan is about 120,569€, and consists of cash needed for establishing manufacture and café-roasteria, pre-launch activities and purchases and first month fixed and variable costs. Detailed description is given in Table A.7, Annex 1.

4.7.1. Sales and margin forecasts

With current financials represented in financial section of company background chapter, Coffee Roasters ended 2017 with 120% increase in the revenues, over 68% increase of interest payments and was intensively acquiring new equipment, which ended in 377% total assets increase**.**

By acquiring independence from additional segment in product value chain, Coffee Roasters plan to both increase margins and become more cost competitive. Table A.8 in Annex 1 shows proposed prices and sales margins for the product range. Coffee shrinkage of 18% should be considered due to production cycle, so initial price per kilo has 18% increase plus costs of packaging.

As slight margin decrease should also be expected, as additional price discounts may be used for high volume buyers. Additional information on first year planned coffee purchases are presented in Table A.9, Annex 1. First purchase will be extra in order to plan next month purchase regarding to sales and situation plan. Starting with average of 500 kg of coffee roasted in January, Coffee Roasters plan to increase roasting value up to 1400 kg by the end of first year.

Coffee sales forecasts

Coffee Roasters plans to increase its wholesale, retail and e-commerce segments by approximately 159% in amount of roasted coffee and average revenues from coffee sales. Additional operations are considered secondary and thus all accent will be on café-roasteria and manufactory boost. First year monthly coffee values and revenues are presented in Table A.10, Annex 1.

Coffee shop operations are considered to be independent from manufactory and should cover its own costs. Additionally, coffee shop is considered to financially back manufactory in case of unfavorable situations. Table A.11 in Annex 1 shows approximate revenues of coffee-shop with monthly average guests and daily average bills.

Market based sales forecast

Café-roasteria sales are market based and both coffee shop and manufactory will experience rapid growth during first year. Further periods sales depend on market trends, economic situation and of course competition and success of marketing. A more detailed representation of first and second operational years can be seen in Table 2 below.

Table 2. First and second year proposed revenues

	1 year growth, %	1 year revenues	2 year market demand growth, %	2 year likely growth, %	2 year revenues
Manufacture	159	€ 185995	5	100	€ 371990
Coffee shop	-	€ 94640	7	10	€ 104104
Total		€ 280635			€ 476094

Source: Author’s own elaboration.

4.7.2. Income statement

Income statement presented in Table A.13, Annex 1 shows a positive dynamics with first year revenues ending over 280,000 € and proposed second year revenues ending over 476,000 € with 69% growth. First year Net Income can cover 142% of necessary yearly interest expense of a bank loan. This means that break-even point is less than the proposed three years. Second year Cash and Equivalents have an increase of 85% thus generating full coverage of bank loan during the second year with 30,710 € of Retained Earnings for Coffee Roasters LLC by the end of the year. Balance sheet covering 2 years of operations is presented in Table A.14 of Annex 1.

4.7.3. Breakeven point and payback period

Bank loan is being taken for 3 years with 8.7% per annum, thus being 3,817 € payments per month. Regarding to perspective first year revenues / total costs analysis (see Table 15, Annex 1), breakeven point is estimated in June of the first year of operations, when company's balance will exceed 19,195.26 € revenues per month.

Payback period (T) for attracted investments can be counted by the following formula:

$$T = \frac{attracted\ investments}{average\ profit\ inflow\ per\ period}$$

Thus, payback period for Coffee Roasters perspective café-roasteria is:

$$\frac{€\ 137{,}451}{\left(\frac{€\ 174085}{24\ months}\right)} \times 12\ months = 1.58\ years$$

4.8. Risk assessment and opportunity

Main risk that should be considered when opening a new establishment with the help of loan capital is bank interest that paid from the first month of operations. Thus company should plan to cover those costs in case of negative or insufficient balance during first couple months of operations. In case with Coffee Roasters 12,000 € are being set as safety capital in unfavorable circumstances.

5. Presentation and analysis of the results

5.1. Café-roasteria business model

Being presented in Table A.16, Annex 1 key activities of Coffee Roasters' café-roasteria business model are represented by coffee roasting, supporting activities with a new addition of café operations. Value propositions are formed by high quality coffees and assortment range, high quality service which is now provided both in B2B / B2C segments and in brand's coffee shop. Highly qualified staff ensures that service and product in café will exceed guest's expectations. Prospective key resources are backed by manufacturing resource which is a part of company's core competency.

Human and Intellectual resources will remain one of the company's strengths. New channels include online store, HoReCa and retail companies, as well as café-roasteria and coffee point chain. Revenue streams include such activities as coffee wholesale, e-commerce and coffee shop sales which form the basis of cash inflow for the next 2 years. Additional revenue streams considered are equipment sales, educational services and manufacture rental to other companies. Customer relationship is now carried out through café-roasteria, which is supposed to become a place for coffee cuppings, meetings and become a coffee hub for the community. E-commerce and Wholesale relationship remain the same, with addition that now perspective clients and buyers can see and interact with coffee roasting process. Customer segments include B2B segment, e-commerce and café-roasteria guests, which may become potential buyers as well.

Customer segments are backed by coffee shop guests, which now are considered to be the target audience. Previous segments remain the same and include: HoReCa and office clients, retail stores, e-commerce which includes clients from website and social networks.

5.2. Comparison analysis

5.2.1. Business models comparison analysis

To answer the question whether old business model is more beneficial over currently existing one it is necessary to compare all nine building blocks of every model. Osterwalder (2010) SWOT comparison model results presented summarized in the Table A.17, Annex 1. Summary of business model comparison is presented in Table 3 and Figure 4 below.

Table 3. SWOT comparison of business models

	New business model	Old business model
Strengths/Weaknesses	3.82	0.93
Threats	-1.56	-3.11
Opportunities	3.75	1.88
Overall rating	**2.00**	**-0.10**

Source: Author's self-elaboration

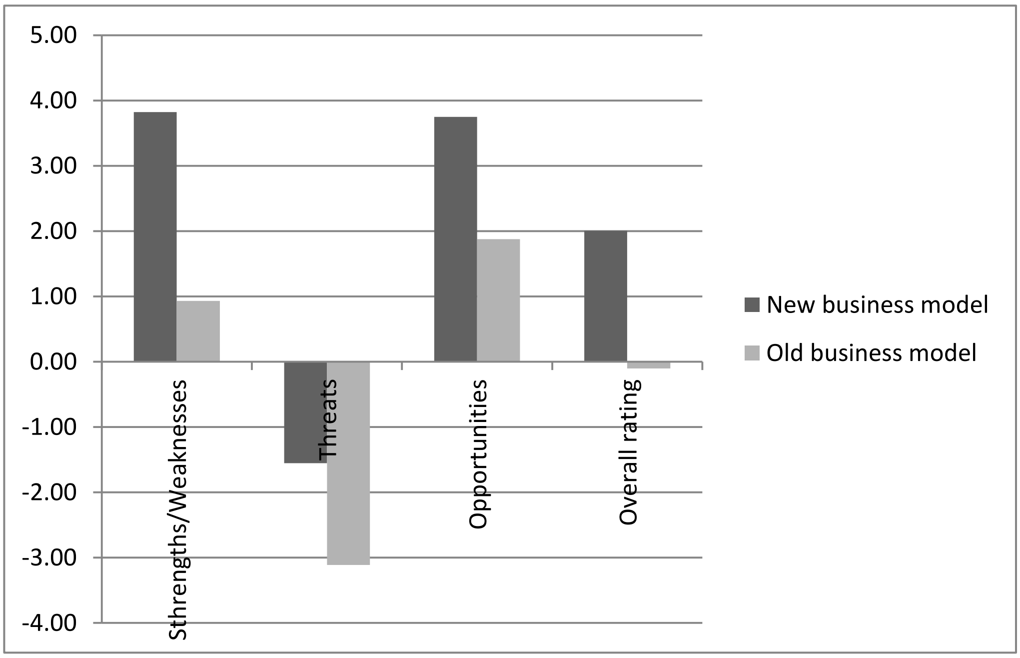

Figure 4. SWOT comparison diagram of business models

Source: Author's self-elaboration

Major strengths of café-roasteria business model are in margins, synergy between products and services and channels integration. New positioning is aimed towards increasing brands strength and image of the company. New business model will allow company to gain major competitive advantages in costs and infrastructures. Channels integration is planned to be implemented through the coffee shop and further chain of coffee points.

While some risks of threats such as better price and margin value by competitors, possibility of threats to the quality of Key Activities reduce, there are still some threats that at least remain the same, such as future market saturation, possibility of partner collaboration with competitors and competition intensification.

On the other hand new business model will bring definitely more opportunities than the current one. Café-roasteria and further coffee point chain allows to generate recurring revenues by converting regular coffee packages sales into much more marginal coffee shop service. Independence and decrease in value added chain may lead to serious costs decrease. Additional customers' needs may be better satisfied through new communication channels.

5.2.2. Financial indicators analysis

Profitability ratios measure how firm manages its assets and expenses and possible rate of return:

$$Gross\ margin\ (\%) 1\ year: \frac{€\ 185{,}526}{€\ 280{,}635} = 66\%;\ Gross\ margin\ 2\ year: \frac{€\ 285{,}876}{€\ 476{,}094} = 60\%$$

Gross margin for first and second years represent that Coffee Roasters retain 0.66 € and 0.60€ respectively from each 1€ of sales.

$$ROE\ (\%) 1\ year: \frac{€19{,}582}{€\ 13{,}658} = 143\%;\ ROE\ (\%) 2\ year: \frac{€\ 17{,}052}{€\ 111{,}186} = 15.3\%$$

Return on equity for future operating years shows very high percentage in year 1 this proves profitability of the future enterprise in case of constant action plan requirements. High ROE percentage is also common for new ventures and this fact should be taken into consideration. Second year low percentage is associated with coffee roasting equipment, that being fully paid out goes under equity on the balance sheet.

$$ROA\ (\%) 1\ year: \frac{€\ 19{,}582}{€\ 151{,}109} = 12.9\%;\ ROA\ (\%) 2\ year: \frac{€\ 17{,}052}{€\ 202{,}820} = 8.4\%$$

Return on Assets indicates how successful company uses its assets to generate revenues. Current percentage indicates that in case of proper business plan fulfillment Coffee Roasters plans on effective conversation of investments into net profit.

$$Profit\ Margin\ (\%) 1\ year: \frac{€\ 19{,}582}{€\ 280{,}635} = 6.7\%;\ Profit\ Margin\ (\%) 2\ year: \frac{€\ 17{,}052}{€\ 476{,}094} = 3.5\%$$

Profit Margin ratio of café-roasteria perspective establishment shows that for the first two years Coffee Roasters plans to get a net income of 0.067 € and 0.035 € out of every 1 € of sales. Profit Margin ratios will increase as soon as company will finish its loan payments.

$$ROIC\ 1\ year: \frac{€\ 71{,}399\ x\ (1-0.2)}{€\ 137{,}451} = 41.5\%;\ ROIC\ 2\ year: \frac{€\ 114{,}686\ x\ 0.8}{€\ 91{,}634} = 100\%$$

Return on Invested Capital ratio indicators show that business generates good returns on invested capital with tendency to growth and ability to pay back to investor during first two years.

Liquidity ratios measure the ability of a company to pay debts:

$$Current\ Ratio\ 1\ year\colon \frac{€\ 65{,}399}{€\ 45{,}817} = 1.43;\ Current\ Ratio\ 2\ year\colon \frac{€\ 122{,}344}{€\ 45{,}817} = 2.67$$

Current ratios for both years of operations prove that company is able to pay for its current obligations, showing a good perspective financial health of future enterprise.

$$Acid\ Test\ 1\ year\colon \frac{€\ (€65{,}399 - €1{,}000)}{€\ 45{,}817} = 1.4;\ Acid\ Test\ 2\ year\colon \frac{(€\ 122{,}344 - €\ 2{,}000)}{€\ 45{,}817} = 2.62$$

Being one of the most important ratios for perspective investors, Acid Test shows positive results for both operational years and proves that the future venture will have sufficient resources to cover its immediate liabilities.

Income statement comparison shows significant increase in both revenues and net income as first year growth is planned to reach 159% increase. Loan payments should be taken into consideration, but as payback period is estimated in 1.58 years, further net incomes will significantly rise.

6. Conclusions, limitations and further research lines

Conclusions

Business planning itself is a very wide field of study which can cover market analysis, financials, value chain, company basic operations, strategy research and development and many other areas. While assessing specific business cases managers should choose only necessary case-correlating instruments of business planning. Planning has proved itself very informative and useful as it helps to assess market and industry analysis, analyze company's current external and internal environment and how company operates in it making it simpler to understand actual drawbacks and further development strategies.

This work was aimed towards assessing Coffee Roasters' current situation in a quickly changing domestic market conditions with increasing competition. All business ideas and perspective strategies development of the company are based on seeking an opportunity to develop innovative business model based on production and raw materials independence. Since the company has already been operating on the market for four years the main problem to tackle is whether the proposed ideas are worth implementing from the financial and value perspective.

Market research serves the main instrument for appropriate decision making and strategy development. In this work we proposed a comprehensive analytical approach to be able to reveal the main forces that influence the company and the market it operates in:

- PESTEL
- Value Chain analysis
- Five Forces analysis
- SWOT
- Competitive Profile analysis
- Financial Analysis

This, together with Business Model analysis served as a basis of developing a business plan.

PESTEL analysis revealed the current conditions that should be taken into consideration such as possibility of being affected by government regulations and possible bureaucracy. Current legislation in the employment field should also be considered as of a part of future costs for the company. Social factors are one of the most important for Coffee Roasters LLC as the company seeks its future development in HoReCa and B2C segment. The increasing percentage of natural and bean coffee consumption will play a crucial role for the coffee market and the company. Though, work towards popularization of coffee culture and brand image must be performed.

The simplicity of current value chain possesses both positive and negative issues. Introduction of new business model will lead to a more complicated value chain structure, but at the same time will minimize possible risks associated with facilities and raw materials dependence.

Coffee Rosters should consider current Five Forces as mostly high, in case with substitution, new entrants and bargaining power of consumer's threats. Increasing industry rivalry should be taken as another signal for developing strategic advantages.

Internal and External evaluation, being a part of conducted business plan, made it possible to propose sustainable SWOT strategies for future development, such as:

- Use vertical development to open own production line and new distribution channels in order to satisfy the need of growing market;
- Develop an own manufactory to prevent possible competition outcomes and remove additional elements in value chain;
- Get access to the best raw materials distributors to maintain crop availability and reduce production costs;
- Introduce new products and services to satisfy high buyer concentration ratio;
- Become customer's choice for coffee by offering the best service and best quality product;
- Avoid exchange rate dependence by increasing total production volume and importing raw materials in bigger volumes;
- Diversify production and supplier chains in order to minimize risks.

One of the most important parts of this work is financial comparison analysis, which reveals that company can reach better financial indicators in a close future. This reveals that Coffee Roasters can successfully operate with attracted investments from banks or private investors.

A successful market and company analysis being implemented as a part of business plan helped to develop sustainable and innovative strategies, propositions and to renovate the existing business model. Being innovative for Belarus market, café-roasteria business model showed benefits and strengths in almost all fields, such as: cost and revenue, value proposition, infrastructure and customer relationship.

Business planning is a tool for successful business development:

- Market analysis helps to assess all the possible forces and factors that affect the company;
- Development of a successful strategic advantage is achieved through constant analysis of company's competitive state and the market it operates in;
- Innovation driven business models help to achieve sustainable advantages and add value to company's operations and product.

Café-roasteria as a more advanced and beneficial business model for Coffee Roasters LLC:

- Current market conditions are perfect for the development of café-roasteria, as coffee industry experiences growth and there are no similar projects implemented;
- Café-roasteria model is innovative for Belarus market which is beneficial for company's brand image, increases its strength on the market and raises the value of Coffee Roasters' products and services**;**
- Café-roasteria business model is integrated in both manufactory and HoReCa markets adding revenue streams from both sectors**;**
- Coffee Roasters LLC will benefit from own manufacture in form of gaining costs and margin advantages, gaining strengths in value propositions and customer relationships as well as minimizing risks relevant for current operations;
- Coffee Roasters LLC has a good chance to succeed on Belarus coffee market with its innovative business model, sustainable advantages and attracted investments as it will quickly reach the break-even point and the payback period is relatively small.

Further research lines

Coffee Roasters has to build a detailed roadmap with indication of essential milestones, KPI's and deadlines for their accomplishing in order to make this project successful.

As far as the company plans to renovate and operate on attracted loans, it is very important to achieve financial indicators presented in the financial section. Thus, financial analysis and research should be conducted throughout the payback period.

Business planning is a constantly developing and evolving mechanism that should be applied not only for investment attraction or launching of a start-up project, but also for constant external and internal audit as far as market conditions and competition may change any time.

Limitations

Market research is based on open source information. Some information was acquired through resources that summarize and represent statistical data performed by analytical companies, as far as original information is only paid. Data representing competitor companies is acquired through author's observations, or through insider reports.

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ANNEXES

ANNEX 1

TABLES

Table A.1. Current Business Model Canvas

Key Partners	**Key Activities**	**Value Propositions**
<u>ImmaStar Company:</u> Roasting equipment rental Package and packaging <u>AutoLight Express:</u> Transportation Delivery	<u>Coffee manufacturing:</u> Coffee roasting Coffee packaging Coffee sales **Supporting activities** Equipment maintenance Educational services	<u>High quality product:</u> Fresh roasted coffee Specialty crops Assortment range <u>High quality service:</u> Convenient and fast delivery Individual customer approach Educational services
Key Resources		**Revenue Streams**
Human resource Intellectual		Coffee wholesale Educational services E-commerce Equipment sales
Customer Relationships	**Customers Segments**	
<u>E-commerce:</u> Automated online orders Call-center Online and live feedback <u>Wholesale:</u> Individual approach Business meetings Exhibitions	<u>Business-to-business</u>: HoReCa Offices Retail stores	<u>E-commerce:</u> Website sales Social networks sales

Source: Author's own elaboration based on Osterwalder (2010).

Table A.2. 2016 and 2017 income statement

Income Statement	**31/12/2016**	**31/12/2017**		**Percent Change**
Revenues	€ 39,698	€ 87,388.8	↑	120.13%
Cost of Goods Sold	€ 22,445	€ 40,381	↑	79.9%
Gross Profit	€ 17,253	€ 47,008	↑	172.46%
Operating Expenses	€ 4,534	€ 21,720	↑	379%
EBIT	€ 12,719	€ 25,288	↑	98.82%
Interest Expense	€ 9,865	€ 16,651	↑	68.79%
EBT	€ 2,854	€ 8,637	↑	202.62%
Tax	€ 2,105	€ 4,608	↑	118.9%
Non-Recurring Events	€ 150	€ 630	↑	320%
Net Income	€ 899.4	€ 4,659	↑	418.22%

Source: Author's own elaboration

Table A.3. Balance Sheet for 2016 and 2017 operational years

Balance Sheet	31/12/2016	31/12/2017		Percent Change
Assets				
Cash and Equivalents	529 €	8,339 €	↑	1,476%
Accounts Receivable	200 €	1,676 €	↑	738%
Inventory	1,600 €	1,700€	↑	6%
Other Current Assets	50 €	260 €	↑	420%
Total Current Assets	2,379 €	11,974 €	↑	403%
Property Plant & Equipment	1,000 €	4,310 €	↑	331%
Goodwill	0	0		0%
Intangibles	50 €	60 €	↑	20%
Other Long-Term Assets	0	0		0%
Total Assets	3,429 €	16,344 €	↑	377%
Liabilities				
Accounts Payable	700 €	9,198 €	↑	1,214%
Other Current Liabilities	0	0		0%
Total Current Liabilities	700 €	9,198 €	↑	1,214%
Long-Term Debt	900 €	3,220 €	↑	258%
Other Long-Term Liabilities	0	0		0%
Total Liabilities	1,600 €	12,418 €	↑	676%
Equity				
Common Stock	0	0		0%
Retained Earnings	1,628.8 €	3,326 €	↑	104%
Treasury Stock	200 €	600 €	↑	200%
Paid in Capital & Other	0	0 €		0%
Total Equity	1,829 €	3,926 €	↑	115%
Total Liabilities and Equity	**3,429** €	**16,344** €	↑	377%

Source: Author's own elaboration.

Table A.4. Internal Factor Evaluation matrix. Strengths and Opportunities

	Strengths	Weight	Rating	Weighted Score
1	High quality of the product	0.12	4	0.48
2	Individual customer approach	0.09	4	0.36
3	Research and Development	0.02	3	0.06
4	Effective local logistics	0.03	3	0.09
5	Strong ties with HoReCa community	0.07	3	0.21
6	Unique design	0.07	4	0.28
7	Unique product range	0.01	3	0.03
8	Quality control	0.03	3	0.09
9	Adaptability to the market	0.01	3	0.03
10	Vertical development	0.05	4	0.20
	Weaknesses	**Weight**	**Rating**	**Weighted Score**
1	Troublesome regional logistics	0.03	2	0.06
2	Production dependence	0.10	1	0.10
3	Supplier dependence	0.03	2	0.06
4	Financial instability	0.06	1	0.06
5	High buyer concentration ratio	0.10	1	0.10
6	No retail distribution channels	0.05	1	0.05
7	Insufficient marketing budget	0.10	1	0.10
8	Insufficient transportation resources	0.01	2	0.02
9	Insufficient amount of personnel	0.01	2	0.02
10	No active patents	0.01	2	0.02
	Total IFE Score	**1.00**		**2.42**

Source: Author’s own elaboration based on David (2011).

Table A.5. External Factors Evaluation matrix. Opportunities and Threats

	Opportunities	Weight	Rating	Weighted Score
1	High growth of domestic coffee market	0.08	3	0.24
2	Sales increase in B2C segment through e-commerce	0.08	2	0.16
3	Become customers choice for high quality coffee	0.02	3	0.06
4	Constant growth of HoReCa segment	0.04	1	0.04
5	Low or medium differentiation of coffee products on the market	0.01	1	0.01
6	Introduction of new products	0.03	1	0.03
7	Introduction of new services	0.05	3	0.15
8	New distribution channels through vertical development	0.08	2	0.16
9	Development of retail distribution channels and partnerships	0.08	1	0.08
10	Launch of own production	0.06	2	0.12

Table 8 (continued)

	Threats	Weight	Rating	Weighted Score
1	Constant changes in Legislation and Tax Policy	0.03	2	0.06
2	Exchange rate instability	0.07	1	0.07
3	Competition increase	0.10	2	0.20
4	Chance of being kicked off by the outsource manufacturer	0.04	1	0.04
5	Product rejection by the customers due to customer's habits	0.03	3	0.09
6	Attitude to national products	0.03	4	0.12
7	Seasonal market fluctuations	0.07	2	0.14
8	Substitute products	0.08	2	0.16
9	Equipment failure	0.01	1	0.01
10	Coffee crop failure	0.01	1	0.01
	Total EFE Score	**1.00**		**1.95**

Source: Author's own elaboration based on David (2011)

Table A.6. Competitive Profile Matrix

		Coffee Roasters		ImmaStar Company		SORSO	
Critical Success Factors	Weight	Rating	Score	Rating	Score	Rating	Score
Successful promotions	0.1	1	0.1	3	0.3	4	0.4
Production base	0.12	2	0.24	4	0.48	4	0.48
Customer satisfaction	0.09	3	0.27	2	0.18	4	0.36
Brand reputation	0.08	2	0.16	2	0.16	4	0.32
Variety of distribution channels	0.08	1	0.08	4	0.32	3	0.24
Marketing capabilities	0.1	2	0.2	2	0.2	3	0.3
Access to key suppliers	0.06	3	0.18	3	0.18	3	0.18
Customer loyalty	0.08	4	0.32	2	0.16	4	0.32
Market share	0.08	2	0.16	2	0.16	3	0.24
Product quality	0.1	4	0.4	2	0.2	4	0.4
e-commerce development	0.09	2	0.18	2	0.18	1	0.09
Price competitiveness	0.02	3	0.06	4	0.08	2	0.04
Totals	**1**		**2.35**		**2.6**		**3.37**

Source: Author's own elaboration based on David (2011).

Table A.7. Funding requirements specification

Capital equipment list	Cost, €	Monthly fixed costs	
Manufactory equipment		Rental	1500
Coffee Roaster Diedrich IR12	41300	Services	300
Cyclone	8750	Communal expenses	400
Heat sealers (x2)	330	Salaries	3400
Weight / filling machine	1000	Fees	500
Heavy duty grinder	3970	Marketing	2000
Shop grinder	2290	**Total**	**8100**
Barrels	250	**Café-roasteria first month Variable Costs**	
Cupping equipment	200	Transportation	500
Used delivery vehicle	4000	Raw materials	4524.1
Coveralls	200	Utility costs	850
Industrial furniture	400	Manufacturing inventory	50
Coffee package (1 year)	1100	Coffee shop inventory	50
Computer and office equipment	2500	Food and drinks	1000
Coffee shop equipment		Package	300
Espresso coffee machine	3000	Coffee-to-go inventory	30
Coffee grinders (x2)	1500	Syrops	55
Thermo pot	250	Coffee	300
Coffee accessories	400	**Total**	**7659.1**
Tableware	1000		
Cashier equipment	2500		
Refrigerator	720		
Bar fridge	980		
Icemaker	570		
Showcase	600		
Dishwasher	2000		
Bar furniture	3000		
Coffee shop furniture and design	4000		
Coffee roaster installation	1000		
Installation works and renovation	5000		
Total	**92810**		
Safety Capital	12000		
Total launch-up and first month costs, €	**120569.1**		
Total costs with 3 year bank loan 8.7% per annum, €	**137451**		

Source: Author's own elaboration

Table A.8. Proposed coffee sale price and average margin

Coffee sales margin (1kg)	initial cost, €	final cost of good, €	sale price, €
Brazil Santos FC 19	5.3	6.49	19
Mexico Chiapas	7	8.496	19
Burundi	8.7	10.502	20
Ethiopia Sidamo	8.05	9.735	20
Brazil Santos 14/16	4.35	5.369	15
Rwanda Ngoma	8.2	9.912	21
Cuba Serrano	8.55	10.325	21
Paganini	6.8	8.26	19
Uganda Drugar	4.1	5.074	14
Donizetti	7.2	8.732	19
Columbia Condor	6.25	7.611	20
Brazil Yellow Bourbon Fazenda Sertao	6.75	8.201	20
Average price		8.23	18.92
Average margin, €			10.69
Average margin, %			57%

Source: Author’s own elaboration

Table A.9. First year planned green coffee purchases

Coffee beans purchase	Price, €	Kg/bag	January	February	March	April	May	June	July	August	September	October	November	December
Brazil Santos FC 19	5.3	59	2	1	2	2	3	2	3	3	4	4	4	4
Mexico Chiapas	7	69	2	1	1	1	1	1	1	2	2	2	2	3
Burundi	8.7	60	1	1	1	1	2	1	2	2	2	2	2	2
Ethiopia Sidamo	8.05	60	1	1	0	1	1	1	1	1	1	1	1	1
Brazil Santos 14/16	4.35	59	1	1	1	2	2	2	3	3	3	4	4	4
Rwanda Ngoma	8.2	60	1	1	0	1	0	0	1	1	0	0	1	1
Cuba Serrano	8.55	60	1	1	1	0	1	1	1	2	2	3	3	3
Paganini	6.8	30	1	1	1	2	2	2	2	2	3	3	3	4
Uganda Drugar	4.1	60	1	1	2	2	2	2	3	3	3	3	3	4
Donizetti	7.2	30	1	1	2	1	2	2	2	2	2	2	3	3
Columbia Condor	6.25	35			1	1	1	1	2	2	2	2	3	3
Brazil Yellow Bourbon	6.75	30									1	1	2	2
cost per month			4524.1	3728.35	3747	4453	5525	4690	6739	7734.6	7961.75	8731.4	9860.65	10793.65

Source: Author's own elaboration

Table A.10. Proposed coffee sales revenues year 1

Roasteria	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Coffee sold, kg	553.5	448.54	501.02	598.6	720.78	623.2	896.26	1002.04	1050.42	1148	1275.1	1405.48
Coffee sold revenue	10372.18	8377.94	9010.16	10719.86	13090.48	11187.26	16112.18	18220.4	19065.82	20824.72	23391.3	25622.54
Average price, €	18.7	18.7	18.82	18.82	18.82	18.82	18.82	18.82	18.92	18.92	18.92	18.92
1 year coffee sold												10222.94
1 year revenues, €												**185995**

Source: Author's own elaboration

Table A.11. Proposed coffee shop revenues for year 1

Coffee shop	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Average Bill, €	2	2.1	2.25	2.4	2.5	2.6	2.75	2.8	3	3.05	2.9	2.5
Average Guests per day	80	90	95	95	95	110	125	130	135	130	110	95
Average Daily revenues	320	378	427.5	456	475	572	687.5	728	810	793	638	475
Month revenues,€	4480	5292	5985	6384	6650	8008	9625	10192	11340	11102	8932	6650
1 year revenues, €												**94640**

Source: Author’s own elaboration

Table A.12. First year revenues and costs

	January	February	March	April	May	June	July	August	September	October	November	December	Year
cost of goods, €	5909.05	5113.35	5131.8	5838.45	6910.15	6075.45	8123.55	9119.55	9346.75	10116.4	11245.65	12178.65	**95108.8**
Operating expense	9350	9018.148	9554.7532	9690.835	9707.192	9113.083	10116.78	9556.542	9434.493	9512.568	9543.75	9528.939	**114127.1**
Coffee shop revenues	4480	5292	5985	6384	6650	8008	9625	10192	11340	11102	8932	6650	**94640**
Roasteria revenues	10372.18	8377.94	9010.16	10719.86	13090.48	11187.26	16112.18	18220.4	19065.82	20824.72	23391.32	25622.54	**185994.9**
Total, €	14852.18	13669.94	14995.16	17103.86	19740.48	19195.26	25737.18	28412.4	30405.82	31926.72	32323.32	32272.54	**280634.9**
Balance	-406.87	-461.558	308.606801	1574.575	3123.138	4006.727	7496.854	9736.308	11624.58	12297.75	11533.92	10564.95	71398.98

Source: Author’s own elaboration

Table A.13. Income statement for year 1 and year 2

Income Statement	Year 1	Year 2		Percent Change
Revenues	€ 280,635	€ 476,094	↑	69.65%
Cost of Goods Sold	€ 95,109	€ 190,218	↑	100.00%
Gross Profit	€ 185,526	€ 285,876	↑	54.09%
Operating Expenses	€ 114,127	€ 171,191	↑	50%
EBIT	€ 71,399	€ 114,686	↑	60.63%
Interest Expense	€ 45,817	€ 91,634	↑	100.00%
EBT	€ 25,582	€ 23,052	↓	-9,89%
Tax	€ 6,000	€ 6,000		0.00%
Non-Recurring Events	€ 0	€ 0		0.00%
Net Income	€ 19,582	€ 17,052	↓	-12,92%

Source: Author's own elaboration

Table A.14. 1 and 2 years Balance sheet

Balance Sheet	year 1	year 2		Percent Change
Assets				
Cash and Equivalents	62,899 €	116,344 €	↑	85%
Accounts Receivable	1,500 €	4,000 €	↑	167%
Inventory	1,000 €	2,000 €	↑	100%
Other Current Assets	0 €	0 €		0%
Total Current Assets	65,399 €	122,344 €	↑	87%
Property Plant & Equipment	85,710 €	80,476 €	↓	-6%
Goodwill	0 €	0 €		0%
Intangibles	0 €	0 €		0%
Other Long-Term Assets	0 €	0 €		0%
Total Assets	151,109€	202,820 €	↑	34%
Liabilities				
Accounts Payable	45,817 €	45,817 €		0%
Other Current Liabilities	0 €	0 €		0%
Total Current Liabilities	45,817 €	45,817 €		0%
Long-Term Debt	91,634 €	45,817€	↓	-50%
Other Long-Term Liabilities	0 €	0 €		0%
Total Liabilities	137,451 €	91,634 €	↓	-33%
Equity				
Common Stock	0 €	80,476 €	↑	
Retained Earnings	13,658 €	30,710 €	↑	125%
Treasury Stock	0 €	0 €		0%
Paid in Capital & Other	0 €	0 €		0%
Total Equity	13,658 €	111,186 €	↑	714%
Total Liabilities and Equity	151,109 €	202,820 €	↑	34%

Source: Author's own elaboration

Table A.15. Michael Porter's Five Forces Analysis

Threat of substitutes.	**Comments**	**Factor power**		
		3	**2**	**1**
B2B buyers propensity to substitute	B2B buyers attitude towards changing the brand or product in case of product absence or due to personal attitude	are not loyal and tend to substitute quite often	mostly loyal and substitute only in critical conditions	stay loyal
			2	
B2C buyers propensity to substitute	B2C buyers attitude towards changing the brand or product in case of product absence or due to personal attitude	are not loyal and tend to substitute quite often	mostly loyal and substitute only in critical conditions	stay loyal
		3		
Relative price and quality substitute goods	The amount of substitutes with the same average price and similar quality	more than 15 substitutes	1-15 different substitutes	no substitutes
			2	
Buyer's switching costs	How costly is it to substitute for a customer	substitute product is cheaper	substitute product has the same price	substitute product is more expensive
		3		
Level of product differentiation	What is the level of differentiation between products on the market	companies sell similar products	products are standardized by key qualities but have different advantages	products of various companies significantly differ from each other
			2	
Total power		**12**		
5 points		Low level threat of substitution		
6-10 points		Medium level threat of substitution		
11-15 points		High level threat of substitution		

Industry rivalry	**Comments**	**Factor power**		
		3	**2**	**1**
Amount of existing competitors	The higher the amount of competitors on the market, the higher the competition and possible market share loss	high level of market saturation	average market saturation (3-10)	small number of competitors (1-3)
			2	
Barriers to entry in the industry	When barriers of entry are high it is hard for a new company to enter the market	high barriers of entry	average barriers for entry	high barriers of entry
			2	
Level of advertising expense	When advertising costs are high in the industry, competitors with higher level of financing have a better opportunity for promotion	high level	medium level	inexpensive advertising
			2	

Table A.15 (continued)

Competitors sustainable advantages / innovation and patents	Sustainable advantage is one of the key values.	patents and sustainable advantages are in the hands of rival company	the industry is generally in equal conditions	our company has patents / sustainable advantages over others
			2	
Total power		**8**		
4 points		Low level of industry rivalry		
5-8 points		Medium level of industry rivalry		
9-12 points		High level of industry rivalry		

Threat of new entrants	**Comments**	**Factor power**		
		3	**2**	**1**
Economy of scale	The bigger production company volume the less the price of raw materials and costs of company expenses per good produced.	non-existent	several companies	Economy of scale
				1
Brand equity	When well-known brands dominate the industry it becomes harder for new companies to enter	no well-known brands or dominating companies	50% of the market is controlled by 2-3 big companies	more than 80% of the market is controlled by 2-3 big companies
				1
Industry profitability	The more profitable the industry, the more attractive it will be to new competitors	highly profitable market	industry profitability is similar to other industries	low margin industry
			2	
Capital requirements	New companies experience troubles entering industries with high capital requirements and long recoupment period	low (cash back period of 1-3 months)	medium (cash back period of 6-12 months)	high (cash back period more than 1 year)
			2	
Access to distribution channels	When it is hard to get to your target audience the industry becomes less attractive	free and easy access to distribution channels	access to distribution channels requires certain investments	limited access to distribution channels
			2	
Government policy	Government can limit or close any possibility to enter the industry by implementing licensing, limit access to raw materials, regulate market price and other policies.	There are no limitations from the government	there is slight interference into the industry by the government	the whole industry is regulated and limited by the government
			2	
Willingness of companies to reduce prices	When operating companies a willing to reduce prices in order to maintain their market share it can be a significant barrier for entering the market.	companies will not reduce the prices	major players will not reduce the prices	willing to reduce prices when somebody tries price dumping
		3		

Table A.15 (continued)

Level of market growth	The higher level of market growth, the more attractive this industry becomes to perspective entrants.	high or growing	maturity	stagnation or declining market
		3		
Total power		**17**		
8 points		Low level threat of new entrants		
9-16 points		Medium level threat of new entrants		
17-24 points		High level treat of new entrants		

Bargaining power of customers	Comments	Factor power		
		3	**2**	**1**
Buyer concentration to firm concentration ratio	If the supplying industry has a large number of small operators and buyers are few and large, then customers are more concentrated than sellers. Many fragmented buyers cannot affect profitability since losing a few customers isn't critical.	More than 80% of customers are represented by big companies	Industry is differentiated with both large and small customers	Fragmented customers and few and large suppliers
			2	
Buyer price sensitivity	When customers are price sensitive they will tend use more of their bargaining power. While being price sensitive the opportunity to search for a lower-price product increases	Over 80% of customers are price sensitive	Over 50% of customers are sensitive to price	Not price sensitive
		3		
Degree of dependency upon existing channels of distribution of B2C buyers	The higher the degree of dependency is the lower chance of customer to substitute the product	Customers are not dependent on existing channels of distribution	distribution channels play secondary role in customer value	Very high dependency on distribution channels
			2	
Degree of dependency upon existing channels of distribution of B2B buyers	The higher the degree of dependency is the lower chance of customer to substitute the product	Customers are not dependent on existing channels of distribution	distribution channels play secondary role in customer value	Very high dependency on distribution channels
		3		
Buyer switching costs	Significant buyer switching costs - products not standardized and buyer cannot easily switch to another product	Products are similar and the switching cost is low	Most of the products are differentiated making it not easy to switch	High switching costs
		3		
Total rank		**13**		
5 points		Low bargaining power of customers		
6-10 points		Medium level bargaining power of customers		
11-15 points		High bargaining power of customers		

Table A.15 (continued)

Bargaining power of suppliers	**Comments**	**Factor power**	
		2	**1**
he concentrated position of suppliers	Concentration of suppliers is a situation where market participants are dependent on a single or a small number of suppliers.	Monopoly or few suppliers	Industry has competition and various wholesalers
			1
Lack of substitute of suppliers' product	The lack of substitutes for the product strengthens the bargaining power of suppliers, making them leaders in their industry.	Lack of substitution	Availability of substitute products
			1
Costs of switching suppliers	When few large suppliers dominate the market, switching from one to another may require long time and more capital	High switching costs	Low switching costs
			1
Strength of distribution channel	When every supplier has its own unique distribution channels valuable by customers, their bargaining power increase	Customers are dependent on exact distribution channel	Distribution channels are similar
			1
Total rank		**4**	
4 points		low level of suppliers bargaining power	
5-6 points		medium level of supplier bargaining power	
7-8 points		high level of supplier bargaining power	

Source: Self-elaboration by Author based on David (2011)

Table A.16. Café-roasteria business model

Key Partners	Key Activities	Value Propositions
Roasting equipment suppliers	Coffee manufacturing	High quality product
Package suppliers	Coffee roasting	Fresh roasted coffee
AutoLight Express	Coffee packaging	Specialty crops
Transportation	**Supporting activities**	Assortment range
Delivery	Equipment maintenance	High quality service
SFT Trading	Educational services	Convenient and fast delivery
Green coffee	Coffee shop operations	Individual customer approach
	Import and export	Educational services
		Café-roasteria events
Key Resources	**Channels**	**Revenue Streams**
Human resource	Online store	Coffee wholesale
Intellectual	HoReCa and Offices	Educational services
Coffee anufacture	Retail shops	E-commerce
Café-roasteria	Café-roasteria	Café-roasteria sales
	Coffee points chain	Equipment sales
Customer Relationships	**Customers Segments**	
E-commerce	Business-to-business	E-commerce
Automated online orders	HoReCa	Website sales
Call-center	Offices	Social networks sales
Online and live feedback	Retail stores	Café-roasteria
Wholesale		
Individual approach		
Business meetings		
Café-roasteria as a coffee community hub		
Exhibitions		

Source: Author's self-elaboration based on Osterwalder (2010)

Table A.17. Business models SWOT comparison analysis

New business model	Old business model	New business model	Old business model
Strengths and Weaknesses			
Cost / Revenue		**Value proposition**	
Margin strength		Value propositions' alignment with customer's needs	
+4	+1	+4	+2
Revenues predictability		Synergies' strength between products and services	
+4	+3	+5	+2
Recurring revenues streams and repeat purchases		Customer's satisfaction	
+3	-2	+5	+2
Revenue streams diversification		**Customer interface**	
+5	-1	Customer churn rate	
Revenues priority over expenses		+3	+1
-3	+3	Customer base segmentation	
Predictability of costs		+3	-1
+3	-2	New clients acquisition	
			Table A.17 (continued)
Cost structure is matched to the business model		+5	+1
+3	+3	Channels efficiency	
Cost-efficiency of operations		+4	+1
+4	+1	Channels reach strenght	
Economy of scale benefits		+3	+3
+5	-2	Channels integration	
Infrastructure		+5	+1
Ease of replication of Key Resources for competitors		Channels relation to Customer Segments	
+4	-1	+4	+2
Predictability of resources		Customer relationship	
+3	-2	+5	+5
Efficiency of Key Activities execution		Customers switching costs	
+4	+3	+3	-2
Ease of Key Activities replication		Strength of the brand	
+5	-2	+5	-2
Execution quality		**Average strengths/weaknesses**	
+5	+5	**3.82**	**0.93**
Relationship with Key Partners			
+4	+4		
Threats			
Value proposition threats		**Cost / Revenue threats**	
Availability of substitution goods		Margins threat by competitors / technology	
-2	-4	-1	-4
Better price and value by competitors		One revenue stream dependence	
-1	-4	-2	-3
Infrastructure threats		Future unpredictability of costs	
Disruption possibility in supply of certain resources		-1	-3
-1	-3	Possibility of faster costs growth over revenues	
Possibility of threats to resources quality		-1	-2
-1	-3	**Customer interface threats**	
Possibility of threats to key activities		Soon market saturation	
-1	-3	-3	-3
Possibility of threats to the quality of key activities		Competitors ability to threaten the market share	
-1	-4	-3	-4
Danger of losing partners		Speed of competition intensification on the market	
-1	-2	-3	-3
Possibility of partner's collaboration with competitors		Competitors ability to threaten Channels	
-3	-3	-1	-4

Certain partners dependence		Danger of customer relationship deterioration	
-1	-3	-1	-1
	Average threats	**-1.56**	**-3.11**
Opportunities			
Value proposition opportunities		**Cost/Revenue opportunities**	
Possibility to generate recurring revenues by converting products into services		Possibility of one-time revenues replacement with recurring revenues	
+5	+1	+3	+3
Possibility of better integration of products/services		Creation of new revenues streams	
+5	+2	+3	+2
Additional extensions for Value Propositions		Possibility for prices increase	
+4	+2	+2	+1
Satisfaction of additional customer's needs		Possibility for costs decrease	
+3	+2	+5	+2
	Average opportunities	**3.75**	**1.88**

Source: Author’s own elaboration based on Osterwalder (2010)

ANNEX 2

FIGURES

Support Activities	
Infrastructure	Accounting
	Finance
	Public relations
	Quality assurance
	Administrative tasks
	General management
Technological Development	Introduction and testing / cupping of new coffees
	Feedback from customers
Human Resource Management	Customer's personnel trainings
	Managing employees
	Conducting weekly meetings
	Freedom of thoughts and ideas
Procurement	Acquisition of coffee equipment
	Package and brand design
	Raw materials acquisition outsource
	Typographical works / printing
Primary Activities	
Inbound Logistics	Package and coffee stickers
	Coffee brewing equipment
Operations	Coffee roasting
	Coffee packaging
Outbound logistics	Transportation from manufactory to office
	Delivery to customers
Marketing and Sales	Branding
	Design
	Distribution
	Discounts policy
	Introduction of new products
	Social media and website advertisements
	Social media and blogs
	Direct selling
Service and Support	Coffee equipment service
	Online orders
	Home delivery
	Individual approach
	Educational services

Figure A.1. Coffee Roasters Value Chain

Source: Author's own elaboration

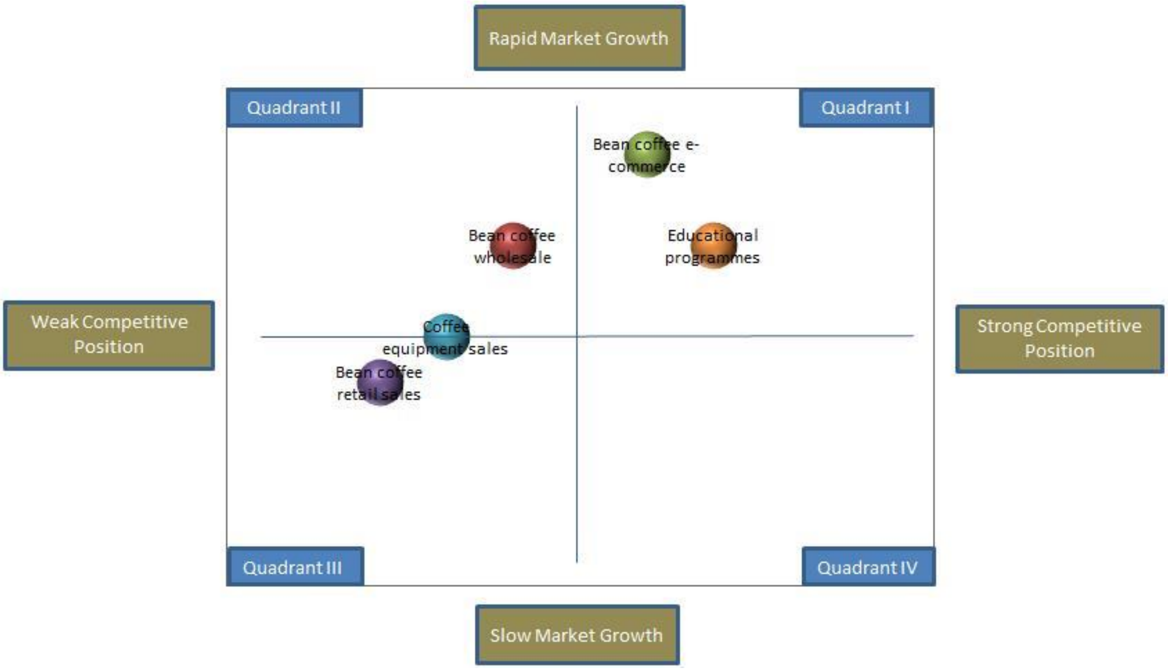

Figure A.2. Grand Strategy Matrix

Source: Author's own elaboration based on David (2011)

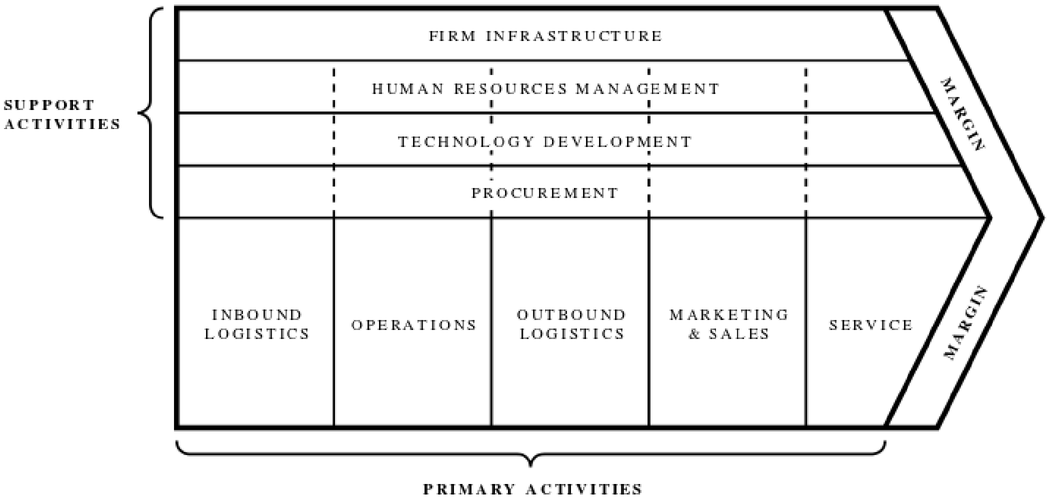

Figure A.3. Value Chain Matrix

Source: Author's own elaboration, based on Porter (1998)