

BUSINESS MODEL GENERATION USING BUSINESS MODEL CANVAS ; A CASE STUDY OF MARKOFF COFFEE ROASTERY CO., LTD.

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Abstract

This independent study is an inductive method on Appreciative Inquiry basis which aims to generate a business model for specialty coffee roasting business. The researcher collected data from consumers, customers, staffs, producers, processors, farmers, business owners along with specialists and experts from many related sciences using purposeful sampling. Data mining and digesting processed on the basis of Appreciative Inquiry Theory which composes of Discovery, Dream, Design and Destiny combined with business model generation using Business Model Canvas technique.

The researcher analyzed discussions of the business conceptual framework and ideas with business

partners together with the data collected: to design, create, and develop a business model for specialty coffee roasting business. Of which later on the model had been carried out to a business model innovation. The application of a business model canvas then led to an establishment of an actual tangible business named Markoff Coffee Roastery Company Limited which serves niche market demands on specialty coffee segment.

In entirety of the study and the development of the business model to the concrete business, the researcher has learnt that there is no such thing as a perfect pattern for a successful business model generation or instant formulae for sustainable business. As today's business competitive circumstances require constant innovation, the executives must unceasingly re-evaluate their organization's business model. Modern managers must become adept to ambidextrous thinking: Exploiting their current business model whereas exploring alternative business models. In this age of expeditious change, organizations must adapt to survive. And wise leaders would be able to lead the organization towards their destination.

Keyword : Business model ,Canvas Value Proposition Design ,Coffee Micro-Roaster



INTRODUCTION

“Coffee” is one of the world’s most famous beverages with a long history behind. Evidences have revealed human’s relation with coffee drinking behavior in the fifteenth century since human first discovered a stimulative effects of coffee in Yemen, Arabia and Northeastern Ethiopia. For centuries, coffee drinking culture had been spreading from Muslim’s world to Europe, across continents to America, Indonesia and all over the world.[1] [2] [3]

Coffee is a drink prepared by brewing of roasted coffee beans, which were processed from the seeds of coffee cherries. Coffee were largely consumed with the averages of over 2.25 billion cups per day all over the world, while coffee plants could only be cultivated in around 70 countries, in the equatorial regions called “Bean Belt” that have optimal climates and environment.[4]

Coffee culture has been evolved a lot in the latest century. Human have more knowledge and understanding of coffee art and science which effected with consumers’ behavior to have more complexity and more appreciatively meticulous ways of drinking.[5] According to the statistics, coffee is one of the most value agricultural commodities that only export value alone already exceeds 35,000 million U.S. dollar/year. [6]

Thailand is one of the countries that are fortunate enough to be on the Bean Belt regions. Over a century of coffee cultivation, Thailand’s coffee farming sector reflects an unfavorable supports from the government and related organizations which results in lack of development and now walking a long way behind neighboring countries like Vietnam and Indonesia. Thailand coffee business sector values over 30,000 million Baht/year with a growth rate of 10% each year. People in Thailand consume over 70,000 tons of coffee per year but this figure is still a lot less when we calculated into a per capita, Thai people drink the average of 200 cups/person/day comparing with developed countries like Japan and the U.S.A. that have the averages of 500 and 700 cups/person/day respectively. One thing noticeable is that those countries that coffee culture has expanded, evolved and grown they all have a numerous development relating with specialty coffee sector. No one would say Thailand coffee business sector is uninteresting. But what would make Thailand coffee business sector jump into another era, the world market leaders pointed that Thailand must focus on specialty coffee sector. [7]

Distinctively, look at the world’s most famous specialty coffee organizations like Specialty Coffee Association of America (SCAA) and Specialty Coffee Association of Europe (SCAE), they have been established over 30 years with a collaboration from coffee enthusiasts world wide while Specialty Coffee Association of Thailand (SCATH) have just founded in the beginning of this year, and that is about how far we are from other countries in the global scale.

BACKGROUND AND INSPIRATION

Markoff Coffee is a small coffee-related organization which runs by a young Thai-blooded business man/ coffee enthusiast named Mr.Rachanon Ma. Rachanon has been walking down the road of coffee business world for about a decade after he had found himself undeniably fell in love with coffee and wants to create change in Thailand coffee business segment. He has been

dedicated his time and resources for a development and better understanding of coffee with passion driven. Once he reached the point where Markoff Coffee Shop can stand by itself he is ready to step up to another level, coffee roasting. Even though, there are a long way from coffee beans to coffee brewing and every little step effects the value stream that streaming down to the cup for consumers. Coffee roasting process is one of the most vital procedures that can flip coffee value like chalk and cheese and vice versa. Rachanon visions the next step of the evolution in Thailand's coffee business sector that micro-roasters and specialty coffee development must play a major roles.

Zenith: Mind Terrace is a small creative business development organization runs by myself with helps from some co-creators and friends. I personally interested to investing in a business start up in food and beverages segment especially in a coffee sector since I have been growing up traveling and being in a western circumstances. I have seen how grow the coffee business is in a global scale. I have experienced seeing how coffee have been blended and being an essential composition in human's everyday life.

A ringer in my mind keep asking me how could coffee business in Thailand jump to a better scenario. I do love coffee a lot but I seldom drink coffee in Thailand because I had found that despite how Thailand has coffee shops scattering in almost every corner, yet they barely meets my satisfaction, until once I found Markoff Coffee Shop down a tiny alley in my hometown.

Mr.Rachanon Ma is happen to be my school senior that I have been a familiar with for a long time. To see him passionate about coffee and build his own brand up on his way is really inspiring. His eye- catching business management style was marked to my interest. And one day I was blessed enough to have asked by Rachanon to co-create a new business from his mindful plan, then we invest together and found a company called Markoff Coffee Roastery which would serve niche market demands on specialty coffee segment. With a goal to develop and make fame of Thai specialty coffee to the world.

Nonetheless, a good business idea and a good business model are not the same thing. As a result, Zenith: Mind Terrace envisioned how important a good business model is and suggested we should generate a good business model using business model canvas technique.

QUESTIONS

In Thailand, there are actually some neat coffee farms that have been producing high quality coffee for export. And some of those coffee were bought by coffee companies in other countries, developed and raised their value, winning awards, creating a good reputation for them and earning some capital for them. Why not for our country? Why not for Thai people living in Thailand?

OBJECTIVE

To generate a business model for a specialty coffee roasting business.



EXPECTED OUTCOMES

1. Understanding of the logic and processes behind business model generation by business model canvas method.
2. Ability to use and apply business model canvas in reviewing or analyzing more business models.
3. Having a business model for an establishment and development of a specialty coffee micro-roaster company.
4. Having a business model canvas for Markoff Coffee Roastery Co., Ltd. for the use of internal and external organization communication.
5. Being a source of learning and education for people who are interested.

LITERATURE REVIEW

Appreciative Inquiry

Appreciative Inquiry (AI) is a conjointly learning process on the basis of an art of observation and asking without any limited condition. In order to search for the most positive experience within person or process in the organization, in this world and in the environment. [6]

A systematic discovery process of Appreciative Inquiry drives an eager to search for real causes which make the best from the process. Especially, when the process yield highest efficacy regardless any dimension it is. [8]

AI is building on the hypothesis that each and every system or unit always has a hidden positive stories behind, in person or in the organization. And those positive stories are the thing that would be of great impact to enlighten, expand and grow economically and socially.

AI cycle or 4D-Cycle composes of 4 processes which are Discovery, Dream, Design and Destiny. Starting by gathering data and information then use those information to dream or vision of an imaginary result that wanted most. Following by designing how to process to make that dreams or visionaries come true. And lastly, to bring those design into an action. More importantly, every steps must be driven on a positive core. [9] [10]

Business Model Generation

Recently people have been talking about business models, but what is a business model. It is a way to conceptualize and understand organizations. As systems that have common components. An organization business model can be described in nine basic building blocks. 1. Customer Segments, 2. Value Propositions Segment, 3. the Channels to reach customers, 4. Customer Relationships established, 5. Revenue Stream generated, 6. Key Resources and 7. Key Activities required to create value. 8. Key Partnerships and 9. a Cost Structure of the business model. But it is not sufficient to just enumerate the nine building blocks. What we really want to do is to map them out in a pre-structured canvas. The tool that helps us map, design, discuss and invent a new business model.

To briefly go to the nine building blocks, starting with the Customer Segments. These are all the people and organization which we creating value for. Then we have a specific segment for Value Propositions. These are bundles of products and services that create value for our

customers. Channels describe through which touch-points we interact with customers and delivering value. Customer Relationships outline the types of relationship we establishing with the customers. The Revenue Streams make clear how and through which pricing mechanism our business model is capturing value. Then we need to describe the infrastructure to create, deliver and capture value. The Key Resources show which assets are indispensable in our business model. The Key Activities show which thing we really need to be able to perform well. Key Partnerships show who can help us leverage our business model. Since we would not own all resources by ourselves nor we perform all key activities. Then once we understand our business model infrastructure we will also have an idea of its cost structure.

So, with the business model canvas, we can map out our entire business in one image and this works well for both start up business entrepreneur and most senior executives. [11] [12]

Value Proposition Design

Value Proposition Canvas is the tool that will help us design, test, build and manage great customer value propositions. Like a plug-in to the business model canvas, the tool based on two related structures which are Customer Segments whom we intend to create value for and Value Propositions which we believe will attract the customers. With the value proposition canvas, we can map out both in more granularity. And show the fit between what we offer and what customers want.

The customer segment profile describes the characteristics of our customers in more details. The profile is composed of the jobs customers try to get done, the related pains outlining the negative aspects they hate and would like to avoid, the gains describing the positive outcomes and benefits which our customers would like to have. These three elements in the customer segment profile describe the customers characteristics that we can observe in the market.

Then look at the value proposition map. It describing the features of the value proposition which we are designing to address our customers' most important jobs, pains and gains. The map is composed of the products and services our value is built around, the pain relievers outlining how our products and services can alleviate the customers' pains and the gain creators describing the positive outcomes and benefits our products and services create for our customers.

If the two sides are matched and fits and the market validates this match our value proposition get attracted to real customers in the market, we have achieved the so called "Product-Market Fit".

Nevertheless, successful businesses have more than just a great value proposition. They have a great business model that make the value proposition possible. [13]

METHODOLOGY

This independent study is an inductive method on Appreciative Inquiry basis which aims to generate a business model for specialty coffee roasting business. The researcher collected data from consumers, customers, staffs, producers, processors, farmers, business owners along

with specialists and experts from many related sciences with the total of 40 samples using purposeful sampling. Data mining and digesting processed on the basis of Appreciative Inquiry Theory which composes of Discovery, Dream, Design and Destiny combined with business model generation using Business Model Canvas technique.

The samples were divided into three groups. Firstly, Markoff Coffee’s customers. Secondly, coffee business-related professionals such as baristas, coffee shop owners, coffee processors and coffee farm owners. And lastly, coffee lovers and coffee enthusiasts.

The researcher analyzed discussions of the business conceptual framework and ideas with business partners together with the data collected: to design, create, and develop a business model for specialty coffee roasting business.

RESULTS

1. Markoff Coffee Roastery Co., Ltd. ‘s Value Proposition Canvas as illustrated in figure 1

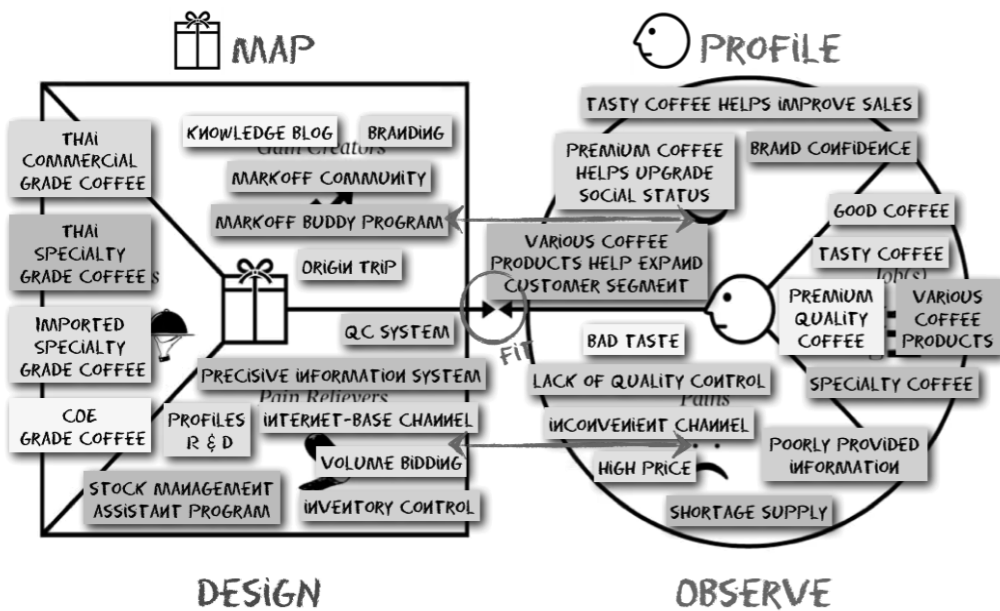


Figure 1 Markoff Coffee Roastery Co., Ltd. ‘s Value Proposition Canvas

2. Markoff Coffee Roastery Co., Ltd. 's Business Model Canvas as illustrated in figure 2

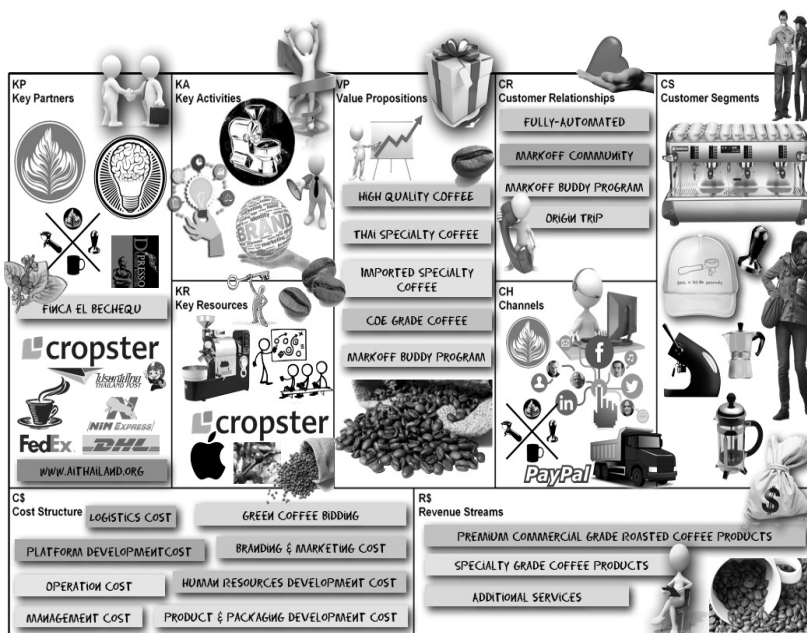


Figure 2 Markoff Coffee Roastery Co., Ltd. 's Business Model Canvas

CONCLUSIONS

The business model of Markoff Coffee Roastery Co., Ltd. can be described in these nine building blocks. Firstly, the Customer Segments which compose of coffee shop owners, professional baristas, and coffee lovers/ home users. Secondly, values were created using Value Proposition Canvas. The Value Propositions Segment ended up containing of five main values which are high quality premium commercial grade coffee, Thai specialty coffee, imported specialty coffee, Cup of Excellence grade coffee and Markoff Buddy Program. Values created then are mainly delivered through internet-base channel via www.markoffcoffee.com that easily link with social media platform, and some through partners and chain distributors with helps from local and international logistics providers. Revenue streams are coming from premium quality commercial grade roasted coffee products, specialty coffee grade products and additional services e.g. the Markoff Buddy Program.

The key resources are 1. high-technology and efficiency coffee roasting machines like Proaster and Probat, 2. coffee experts, roasters, sensory masters and coffee lover personnels, 3. innovative roasting software and management program. 4. high quality green coffee bean sources. With our key activities which are roasting, research and development, branding and marketing.

Key partnerships compose of a joint collaboration between Markoff Coffee Shop and Zenith: Mind Terrace, with assistance from Markoff Coffee Academy. D'presso Coffee Roasters



who help us with a mass production. Finca el Bechequ is the farm with volume of various premium green coffee bean products. Moreover, logistics providers are also help with distributing.

Cost structure mainly lies in green coffee bidding, platform development, operation cost, management cost, logistics cost, product and packaging development cost and branding and marketing cost.

DISCUSSION

In entirety of the study and the development of the business model to the concrete business, the researcher has learnt that there is no such thing as a perfect pattern for a successful business model generation or instant formulae for sustainable business. As today's business competitive circumstances require constant innovation, the executives must unceasingly re-evaluate their organization's business model. Modern managers must become adept to ambidextrous thinking: Exploiting their current business model whereas exploring alternative business models. In this age of expeditious change, organizations must adapt to survive. And wise leaders would be able to lead the organization towards their destination.

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