

# Porevol Coffee Shop: Case Study Research in Management Strategy for a University Students' Star-up Business

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**Abstract**—In recent years, most universities tend to encourage students to do a “start-up” and in Vietnam, a start-up in the form of coffee shops or milk tea has become a hot trend. This type of business has extremely attracted large number of customers, especially young people. Accordingly, Trung Nguyen e-coffee, one of the famous companies recently has launched a successful strategy in expanding its brand name by supporting those who have wanted to get cooperated with Trung Nguyen Coffee under franchising with “affordable price”. Such kind of service business is profitable, however, there are always factors affect success and lead to failure if it is operated with unclear goals and imperfect management strategies. The Porevol Coffee Shop mentioned in this paper is a real case dealing with a dilemma of “where it to go”. By interviewing Porevol’s owner and applying the analysis of SWOT matrix as well as external environmental factors, Value-Chain and SAFe. The outcomes then will be utilized to compare to stakeholders’ satisfactions before recommend strategic solutions to the business owner for rescuing Porevol. Both two options proposed require money for an action plan. However, “restructure its business by using an appropriate pricing strategy” (option one) could satisfy stakeholders’ needs and especially retain its original brand name. Meanwhile, with option two, its original name will be changed by franchising. Although option two is less risk since franchising with a popular brand name helps get quicker capital recovery, it requires much money than option one. By applying option one, we believe Porevol will enhance and upgrade its brand name.

**Index Terms**—coffee shop, developing strategy, management

## I. INTRODUCTION

### A. Case Dilemma

It happened approximately last year after Porevol launched its first coffee shop in District 1, Ho Chi Minh City (HCMC) in March 2014. Located in a trendy neighborhood, the shop had featured high-quality, fair-trade, organic coffee and a range of gourmet pastries from a local bakery. During one year of operating, Porevol had built an image of good-taste drink, good service, nice decoration, and a convenient location. It

had a certain amount of loyal customers and the revenue was flexible from 3 million to 4 million VND/ day, equal USD \$125 to \$166. Khanh Le – a founder cum owner of Porevol, run this business when he was a junior university student. He worked with Ha Dinh, who was also passionate about doing business, especially in food and beverage industry.

Despite Porevol succeeds in building its brand with good quality and reasonable price, it has been still a small coffee shop compared to several competitors in middle-end segmentation (e.g. Cactus, Passio, Urban Station, Effoc, etc.). In addition, to run a professional coffee shop, there are lots of things Khanh has to consider every month such as house renting (about 45 million vnd/month, equal USD \$2,000), electricity (about 3.5 million vnd, equal USD \$150/month), ingredients (about 40 million vnd/month, equal USD \$1,700), wages (about 20 million vnd/month, equal USD \$900), maintenance, and advertising. To increase revenue, Khanh ran some marketing campaigns such as deploy combo pack program, buy 2 get 1 free, and get a free cupcake for orders over 50,000 vnd (equal USD \$2.2) as well as continuously do online marketing on the Fanpage and sponsor some events organized by students of the university that he is studying. These activities helped increase sales, however, when these offers ended, the revenue came back as it was before (less or no customer). Khanh was facing a financial problem. Moreover, as Porevol’s founder, its financial situation became his personal issue. Unfortunately, at the same time, Ha Dinh had planned to study abroad and wanted to withdraw his capital. Therefore, financial issue became a really serious problem for Khanh Le. He had to find out solutions that could help rescue Porevol as well as retain its value which made it different from others. He definitely did not want to close Porevol because it was his dream, his passion, and his inspiration since he was a young boy. In late 2016, Ha Dinh officially decided to study abroad. Again, he wanted to withdraw his money but he knew Porevol did not have enough money, so he decided to get his money back by installment. To Khanh Le, he even accepted that he might not get profit in the first two years but he would not afford any more if Ha Dinh left. The more customers Khanh wants to attract, the more money he has to pour in

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Porevol to buy materials and run advertising activities. However, the revenue could only cover operating costs. Khanh still had not got profit from Porevol yet. He took days and nights thinking about what he could do to rescue Porevol, which has been his passion, inspiration, dream, effort, and money.

Porevol was on the developing stage and potential to grow up to achieve a bigger market share in HCMC as well as other provinces in Vietnam. However, its owner – Khanh Le, could not keep pouring funds into it. He did not want to utilize lower quality ingredients and could not cut down wages. Hence, the revenue seemed to go down in recent months. Some of his friends advised that Khanh should call for help to increase the capital, which means the profits and rights also have to be shared. Some said that Khanh should move the coffee shop to another location with lower renting price. However, this option might cause the loss of loyal customers as well as taking time to set up everything again. What action should Khanh Le do in order to rescue his business strategically?

TABLE I. POREVOL’S YEARLY REVENUE

| Dec. 2014    | Mar. 2015    | June 2016    | Sept. 2017   | Dec. 2018    | June 2019    |
|--------------|--------------|--------------|--------------|--------------|--------------|
| USD \$ 2,625 | USD \$ 3,000 | USD \$ 3,125 | USD \$ 3,416 | USD \$ 3,041 | USD \$ 2,625 |

**B. Background**

Porevol, which stands for “Positive Revolution”, established in March 2014, Porevol was a start-up business of Khanh Le – a young student who is eager to bring new concepts of ice-blended coffee to customers in HCMC. One of Khanh Le’s friends named Ha Dinh – a businessman, also wants to invest in Porevol. Therefore, Porevol is run by two founders at the initial stage. The proportion of investment into Porevol of Khanh Le and Ha Dinh is 50 percent each. In addition, Khanh also plays a role as Marketing Manager because he is actually a photographer and designer as his part-time job. Meanwhile Ha will take care of seeking suppliers and vendors to cooperate with their business.

As its name- Porevol, which means Positive Revolution, they want to bring a positive image of Vietnamese coffee and service to young people. The best quality of Arabica coffee from Cau Dat, Da Lat, Lam Dong; milk from Long Thanh, Ba Ria- Vung Tau and other ingredients also in a top range in terms of quality are used. In addition, Khanh wants Porevol to become a place where customers can come or take-away. Customers can feel an active, fresh, professional, fashionable, modern and eco-friendly environment when they step into Porevol. Porevol’s first store is at 141 Dinh Tien Hoang Street, Da Kao Ward, District 1, HCMC. District 1 is one of the central districts of HCMC, which is an advantage of Porevol, however, Dinh Tien Hoang Street is a one-way street and often occurs traffic jam. So, it will somehow affect the number of customers. According to the owners’ point of views,

Khanh has also set Porevol’s mission and vision as follows:

**Mission:** Porevol provides high quality, reasonable price, convenience, and eco-friendly environment to customers.

**Vision:** All customers will feel satisfied when they choose our products and services. Porevol wants to open more 10 coffee shops in 3-5 years, a place with high quality and reasonable price.

From the very beginning, Porevol hires “eight employees” to work in shifts. There are three shifts per day and each shift has two staff. All of them are trained carefully in toasting, blending, decorating, and serving, etc. After one year, Porevol has successfully built a good image in customers’ mindsets. Many types of beverage have added special flavor with various choices for customers (e.g. cappuccino, latte, cookie cream, matcha, soda). It also provides snacks and fast foods as well as free wifi and free parking and shipping to customers. With many competitive advantages, Porevol has attracted numbers of loyal customers. In addition, regards its marketing campaign and events, the number of new customers also had increased every month.

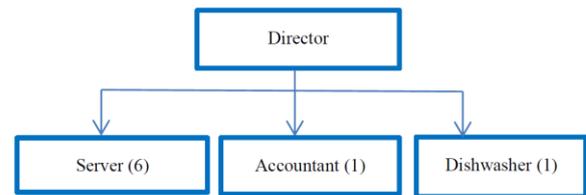


Figure 1. Porevol organizational structure chart

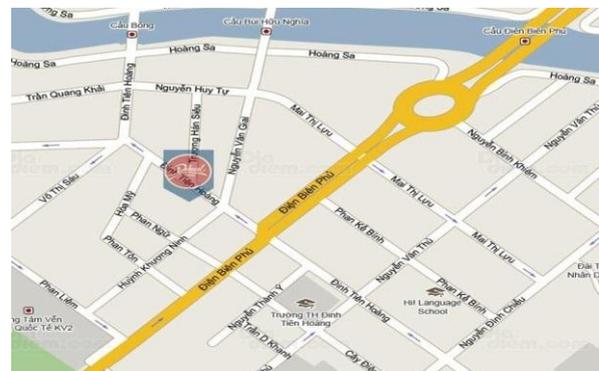


Figure 2. Porevol’s location in District 1, HCMC, Vietnam

**Stakeholders:** Porevol’s stakeholders include team leaders (Khanh Le and Ha Dinh), employees (eight people at the beginning), suppliers, Vietnam government, and customers.

**Competitors:** Porevol focuses on middle segmentation. This means the price is flexible, ranges from 30,000 VND to 40,000 VND (equal \$1.2-\$1.8) in the range of Cactus, Passio, Urban Station, and Effoc. All of these brands have appeared in the market many years ago and have built a chain of coffee shops in HCMC as well as other provinces. Other brand names such as Starbucks, The Coffee Bean and Tea Leaf, Gloria Jeans, NYDC, etc.

are considered a higher level of pricing strategy compared to Porevol.

**Coffee Market:** The coffee industry is one of Vietnam's most important agricultural export industries. Vietnam is highly competitive in manufacturing coffee because of its ideal climate and environmental conditions, low production costs, and yields among other countries worldwide. For a long time, Vietnam has been considered the second country in producing and exporting coffee in the world, only behind Brazil in terms of scale. (Source: International Coffee Organization (ICO))

Vietnamese's consumption of coffee was around 1.1-1.2kg per capita in 2020 [1]. In addition, the General Statistics Office (GSO) reported that people in big cities have consumed coffee much greater than people in rural areas in terms of volume and price. More specifically, research conducted by the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD) in Ha Noi and in HCMC in 2004, the results showed that the volume of coffee consumption and coffee price in Ho Chi Minh was higher than in Ha Noi. There was no doubt that the results would not be changed because HCMC has been the biggest city in Viet Nam in terms of economy. Moreover, a large proportion of coffee consumers in HCMC have been young people who are students, white-collar workers, and manual labors, etc.

Recently, coffee shop in general and ice-blended coffee shop in particular in HCMC is highly competitive but still be a "green market" and available for newcomers. Especially, ice-blended coffee has been preferred when there is a chain of coffee shops growing up and succeeding such as Effoc and Cactus.

## II. RESEARCH METHODOLOGY

### A. Case Synopsis

Porevol is a small coffee shop in HCMC which was established in 2014. The coffee shop is opened in order to capture the coffee drinking trend of local customers. The coffee shop has been successful in developing its brand image as a high-quality coffee shop that provides excellent customer service and nice decoration. However, Porevol has only made a small amount of profit or even suffered under-profit in the long-term. There are some problems that lead to poor performance of the coffee shop.

The first problem is to lack experience in management performance and leadership skills of the owner. This is because the owner is just a university student at the time he opens the coffee shop. Yet, he has not been trained before taking a higher position, managing his own business.

The second reason is high production and operation costs which directly reduce a huge amount of profit. According to Khanh Le, owner of Porevol, the total costs of his business account for 90% of its revenue. The owner estimates that monthly revenue of the shop is approximately VND 130 million, equal USD \$5,416

while the total costs including staff salary, electricity, renting fee and materials are about VND 108.5 million (equal USD \$4,520).

The third problem with the Porevol Coffee Shop is its owner has not applied an appropriate developing strategy. From the analysis of a case study and interviews with the owners, they have strived to apply a differentiation strategy by providing high-quality coffee that made from high quality and expensive ingredients. In addition, the coffee shop's owner also spends a lot of capital on activities related to developing and marketing of customer's relationship. However, the owner is too greedy in attracting new customers as he also sets a low price for its products and services. The combination of high cost and low price seem to strongly benefit Porevol's customers. Nevertheless, in return, the revenue of the Porevol coffee shop may not be able to cover high costs leading to financial loss and unbalance sheets.

### B. Methodology

The research employed a methodology under a research framework for a case study, focusing on answering with 5W1H (why, who, what, when, where, and how) to identify the case dilemma. Since then, proposing strategic choices with different solutions to the problems Porevol encountering. Even though we recognize issues in a multidimensional way, there must be consistency in the whole process and comply with a standard that business owner wanted to work towards such as purposes, options, and values. To propose strategic options for Porevol, and based on above rationales, two questions below were outlined:

- How do strategic planning and strategic approach-making impact on making changes?
- What are strategic choices of leaders? What is the implementation of the strategic choices to well fit to new changes?

Additionally, in order to highlight evaluation of each option to find out which option could be the best fit, the models of S.W.O.T; P.E.S.T; and Value-Chain analysis are used. Eventually, SAFe Criteria were applied to standardize successful criteria for an option selected. Accordingly, Suitability (S) focused on considering the appropriateness of the choice with the strategy. With the environment, did the choice address key issues related to the opportunities and constraints of the organization? Acceptability (A), focused on considering the ability to respond to the choice with the expectations of stakeholders. And Feasibility (Fe) would described the feasibility of the option (e.g. are there sufficient resources for implementation? vision?)

Finally, we suggested two options:

- Option 1: Restructure its business by using an appropriate pricing strategy
- Option 2: Franchising a well-known coffee brand

### C. Data Collection

For obtaining information: Different methods and techniques were applied in order to collect needed information for analyzing purpose. The following part is the list of methods and techniques that have been utilized to collect information:

Interview: the interview with owner of Porevol was conducted by the consulting team (researcher). Also, necessary information was gathered from interviewing of 20 customers (approach saturation level) who provide consulting team general views about business performance of the coffee shop as well as their expectations. Both onsite and off-site customers were invited to take a short interview (10-15 minutes) with open-ended questions. All the answers were auto-taped and analyzed by researcher only.

Information: Information was supported by key staff of the Porevol coffee shop and collected from various sources such as customer surveys, and websites (e.g. Facebook).

Research: research activities were done mainly on the internet database. The consulting team has researched online for information and data about the market trend and competitors related to the business of the Porevol Coffee shop.

### D. Data Analysis

For analyzing, the consulting team used different models written by Hill and Jones [2] and some other online sources. The models used are: S.W.O.T; P.E.S.T; Value-Chain analysis, and SAFe.

### E. Technique

We talked face to face with manager and relevant staff during our consultant. Besides, we took a questionnaire survey to find where the dilemma could be.

## III. RESULT AND DISCUSSION

This part will provide the analysis following Porevol's issues:

- The strategic planning and strategic approach-making of Porevol;
- The strategic choice of leaders and the implementation of the strategic choices.

### A. The Strategic Planning and Strategic Approach-Making of Porevol

Porevol is a small coffee shop that has been founded as a sole proprietorship business. According to Gill (2005), the sole proprietorship is the simplest business model that is usually established and controlled by an individual [3]. In this case study, Mr. Khanh Le and his friend, Ha Dinh were founders of Porevol in 2014. Therefore, the decision-making process of its business has been centralized. This means that all strategic decisions from financial decisions and marketing activities to generic strategies have been made by two of the owners of Porevol Coffee Shop. The advantage of this business model is the simplicity of business

decision-making process in terms of money and time. However, as the owners are the persons who make all the strategic decisions of the company, their capabilities and experiences will hugely impact on the quality of the decision and strategy of the business.

As it has been mentioned above, Ha Dinh, one of the owners decided to study abroad, so the remaining owner, Khanh Le will operate Porevol and he is just a university student who does not have much experience in leading a team and running a business. He has not been trained in leadership skills such as strategic management and planning process. Therefore, it seems that the owner of the Porevol coffee shop has only used the simple planning strategy which does not foresee all possible issues and changes in the market [4]. Hence, during his operation, the owner does not know how to deal with the unexpected changes from the market such as the fluctuation (e.g. price and human resources' changes). In this case, it can be better if Porevol's owner applies scenario planning strategy which aims to foresee all the possible issues that may occur in the future. The advantage of this strategy is it allows the manager to prepare solutions for possible issues and uncertainty changes that might happen [5].

### B. The Leaders' Strategic Choices and Implementation

The generic competitive strategy that has been applied by Porevol Coffee Shop is "differentiation strategy". This strategy is one of the three main strategies suggested by Ansoff's generic strategy model [6,7]. According to Hill and Jones (2012), a business that applies differentiation strategy aims to gain a competitive advantage by differentiating its products and services with other competitors. Commonly, the company will differentiate its products and services by providing unique value to customers [8]. For example, in order to provide more values to customers, Porevol has offered excellent customer services with a discount coupon, member card and free cupcake for bills that over VND 50,000, equal USD \$2.2. This type of strategy has been successfully applied by some well-known international coffee brands around the world, especially Starbuck Company. For example, Starbuck has provided a wide range of customer services such as My Starbucks Rewards, Starbuck Card and Coffee at Home [9]. Hill and Jones (2012) indicated that differentiation strategy will allow the company to develop strong brand loyalty and help the business maintain its customers better [2, 8, 10]. However, even applying a similar strategy to Starbuck, the Porevol coffee shop still not generates profit.

It seems that the Porevol coffee shop has failed to implement strategies that fit the strategic decision chosen (differentiation strategy). The situation Porevol is facing is called "Stuck in the Middle". Hill and Jones (2012) and recent research by Tavalaei and Santalo (2019) reveal that "stuck in the middle" is a situation in which the company has made a wrong strategic choice or has failed to implicate the strategic choice [2, 8,10,11]. As a result, the company cannot gain a sustained competitive advantage. For instance, the Porevol coffee shop has

chosen a differentiation strategy and has spent a huge amount of money on adding more values to its products and services. However, the key thing here is Porevol has not charged a higher price for its product yet. He runs a low price strategy to attract more customers. As a result, the revenue gained cannot cover the cost of the business leading to business loss. It can be seen that other coffee brands which apply differentiation strategy usually charge higher prices for its products and services. Research has evidenced that factors such as price, service time, reliability, and capacity costs could shape the differentiation strategy of a company [12]. For instance, Starbuck Vietnam charges from VND 80,000 to VND 200,000 (equal \$3.3-\$8.3) for its coffee products while Vietnamese traditional coffee shop sells its coffee for around VND 12,000 to VND 40,000 (equal \$.5 to \$1.67). From two analyses in the previous part, the researcher has been able to identify the current problems of the Porevol Coffee shop. In the following session, we will provide two options for Poverol in order to improve its performance. Two options are:

- Option 1: Restructure its business by using an appropriate pricing strategy
- Option 2: Franchising a well-known coffee brand

a. Strategic choices

**Option 1- Restructuring the Business**

Value chain analysis of Porevol: As it has been analyzed above, one of the biggest problems of Porevol is its business has failed to implicate the differentiation strategy. Therefore, we recommend that Porevol should restructure its business to effectively apply differentiation strategy and to develop sustainable competitive advantages. To restructure Porevol, we will conduct an internal analysis to identify all weaknesses of the coffee shop. Also, this paper will apply the value chain model so as to access the performance of the coffee shop through different business functions. According to Hill and Jones (2012b), the value chain model evaluates a company as a chain of activities and functions that transform input resources into an output value [10]. The following tables show Porevol’s performance through value chain functions and S.W.O.T. analysis result.

TABLE II. POREVOL’S VALUE CHAIN ANALYSIS

| Business functions        |                          | Porevol’s performance   |
|---------------------------|--------------------------|---|
| <b>Primary activities</b> | Research and development | Research and development activities play vital roles in applying differentiation strategy. This is because research and development strategy allows Porevol to provide unique value to customers. However, as a small business, Porevol cannot spend too much money on research and development activities. As a result, Porevol cannot offer new unique drinks to customers. |

|                              |                           |   |
|------------------------------|---------------------------|---|
|                              | Production                | The production process of Porevol seems to be good as it has applied technologies in the production process such as coffee making machine.  |
|                              | Marketing and sales       | Base on customers’ interviewing results, Porevol has run many marketing campaigns to attract new customers such as “a discount coupon” and “buy 2 get 1 free”. However, the only problem with the marketing function of Porevol is pricing strategy which has been analyzed in the previous part.   |
|                              | Customer Service          | Currently, Porevol does focus on improving some services that customers can enjoy at the coffee shop such as live music, e-coffee, shipping coffee, and stand-up comedy event. Moreover, the after-sale services have not been improved yet such as voucher to friends, customers’ relations (thank you SMS and congratulation on the birthday), and free-shipping for VIP. |
| <b>Supporting activities</b> | Information systems       | Porevol’s owner has utilized technologies such as accounting systems, cashier machine and software in order to manage business information (cash inflow and outflow). The implication of information technology allows Porevol’s owner to track and to monitor his business more effectively.   |
|                              | Material management       | The material management of Porevol seems to be one of the biggest weaknesses of the business. The inefficiency in choosing suppliers and in storing materials causes significantly high material costs.   |
|                              | Human resource management | Porevol’s owner does not have experience and skills in training and motivating employees. As a result, human resource is also a weakness of Porevol.  |

TABLE III. POREVOL’S S.W.O.T ANALYSIS

| Strengths   | Weaknesses  |
|---|---|
| Technology in the production process such as making coffee by machine, accounting system, cashier machine. Attractive location. Décor is very beautiful to attract customers. Expertly-designed and labeled cups and mugs to suit modern taste. The coffee shop has a strong value and mission statement. | The coffee shop does not offer new unique drinks to customers. The owner lacks experience in performance management and leadership skills. The owner has not applied an appropriate pricing strategy. It is difficult to evaluate the appropriate price for products. The owner does not have experience and skills in training and motivating employees. |

| Opportunities  | Threats  |
|--|--|
| New products and services that can be retailed in the coffee shop.<br>Vietnamese customers can afford high priced coffee products. | The specialized company's service may not be as good as expected.<br>Lots of popular coffee shops. |

### Recommendation and Action Plan

Based on the above analysis, we have identified some business functions that need to be improved by the Porevol coffee shop:

- Sale and Marketing (Pricing strategy);
- Human resource management (outsourcing).

### Pricing Strategy

We suggest Porevol employs a skimming pricing strategy. Gartenstein (2019) reveals that a skimming pricing strategy suggests a company should set a high price for its product in order to gain some advantages [13] such as:

- Establishing own brand.
- Perceiving quality.
- Increasing the profit after covering the costs of goods sold.

Gartenstein indicates that by setting a high price, customers would think that higher-priced products could be high-quality products [13]. For example, Starbucks coffee also uses the skimming pricing strategy for its products and services. In Vietnam, regarding the market prices for coffee, the price of Starbucks' products is always higher than the average price of other competitors' products which eventually makes customers think about Starbucks as a luxury and high-quality coffee brand [14].

### Outsourcing Human Resource Management

According to Hill and Jones (2012b), to improve business performance, a company can outsource one or more human resources as its own business functions [10]. Therefore, we also suggest Porevol should outsource human resources. By doing so, Porevol can gain some advantages such as:

- Increasing the efficiency of human resource management.
- The company can concentrate its resources on other business functions such as research and development activities.

The following table is S.W.O.T analysis of Porevol, action plan and recommendations suggested.

TABLE IV. ANALYSIS OF S.W.O.T - ACTION PLAN OF OPTION 1

| Strengths  | Weaknesses  |
|--|---|
| Increase the company's profit.<br>Build higher brand equity.<br>Attract more customers.<br>Enhance employee's skills and productivity.                 | It is difficult to evaluate an appropriate price for the product<br>Lack chances to develop and gain experiences from outsourced business functions                                     |
| Opportunities  | Threats   |
| More and more specialized companies that are available in the market.<br>Vietnamese customers can afford high priced coffee products (Puriocafe, n.d). | The specialized company's service may not be as good as expected<br>Porevol may rely too much on outsourcing strategy which makes the coffee shop to lose its distinctive competencies. |

### Option 2- Franchising a Well-known Coffee Brand

**External environment analysis:** another option for the Porevol coffee shop to enhance its business performance is to form a strategic alliance. Hill and Jones (2012) defined a strategic alliance is an agreement between companies to share resources in order to gain a common goal of a company [8]. We recommend the Porevol coffee shop to employ a franchising strategy which is one type of strategic alliance strategy. Franchising strategy is a common strategy that has been applied by many companies around the world, especially in the coffee industry [15,16]. Before making a further decision about the implication of a strategy, we conduct an analysis of external environmental factors and trends of the local market related to the implication of the strategic alliance. This research will use P.E.S.T analysis to analyze external environmental factors.

**Political (P):** Vietnam government has allowed both local companies and foreign companies to form a strategic alliance relationship. Vietnam is also one of the thirty-three countries around the world that have a special law to monitor and manage franchise activities [17].

**Economical (E):** Vietnam's interest rate has been decreasing in recent years. According to The World Bank in 2015, the interest rate has decreased from 17% in 2011 to 8.7% in 2014. The state bank of Vietnam recently "cut interest rates to bolster the economy amid rising global risks. The benchmark refinance rate will be lowered to 6% from 6.25% from September 2019" [18]. This trend may allow Porevol owner to borrow money to get a franchise license from a well-known coffee brand.

**Social-cultural (S):** Vietnamese teenage prefers foreign coffee brands such as Starbucks, Highlands Coffee and Gloria Jean's Coffee than a traditional coffee brand such as Trung Nguyen coffee.

**Technological (T):** By forming franchising relationships with well-known coffee brands, Porevol may get accessed to new advanced technologies in making coffee and unique successful drink recipe from the franchise brand.

Based on the above analysis, it seems that the franchising strategy seems to be suitable for Porevol. By forming a franchise relationship, the Porevol coffee shop will pay the royalty fee to a franchisor [19]. In return Porevol will be able to achieve:

- Brand identification.
- Successful business model.
- Successful marketing and distribution system.

TABLE V. S.W.O.T ANALYSIS OF FRANCHISING BUSINESS MODEL

| Strengths  | Weaknesses   |
|--|--|
| Available modern technology in production process.                                     | It may be costly to form a franchising relationship.                               |
| Attractive location.   | Lack experience in applying this model.  |
| Available human resources.   | It can be very difficult to decide which franchisor Porevol should cooperate with. |
| Opportunities  | Threats  |
| Receive a low-interest rate from local banks.  | The company may not be able to keep and develop its own brand name (Porevol).      |
| Get a positive change in government policies about franchising and strategic alliance. | Lose loyal customers.  |
| Satisfy customers' needs: They prefer some foreign coffee brands.                      | The royalty cost may be a pressure on the business.                                |
| Receive support and free training from franchising.                                    |  |

By being a franchisee of a well-known coffee brand like Starbuck or Highlands Coffee, Porevol owner can gain experience and knowledge about how to operate a successful coffee shop professionally. In addition, the franchisor also helps Porevol train its employees in terms of serving customers or operating an advance coffee making machine. With a low-interest rate, Porevol's owner can comfortably make a loan to invest for its development by franchising strategy. All strengths and weaknesses of this strategy is summarized in Table 6.

TABLE VI. S.W.O.T ANALYSIS OF FRANCHISING BUSINESS MODEL

| Strengths  | Weaknesses   |
|--|--|
| Gain well-known brand identification   | It may be costly to form a franchise relationship                                  |
| Get accessed to the number of customers of that franchisor brand   | It can be very difficult to decide which franchisor Porevol should cooperate with. |
| Receive help and free training from the franchisor   |  |
| Well-recognized by customers because a franchise business is usually a highly successful business that has been proven |  |
| Opportunities  | Threats  |
| Benefit a low-interest rate from local banks.  | The company may not be able to keep and develop its own brand name (Porevol).      |
| Get a positive change in government policies about franchising and strategic alliance.                                 | The royalty cost may be a pressure on the business.                                |
| Increase the number of customers because foreign coffee brands are often preferred.                                    |  |

TABLE VII. SUMMARIZING OF ANALYSIS BY APPLYING MODEL OF SAFE CRITERIA AND COMBINED WITH S.W.O.T (OPTION 1 AND OPTION 2)

| Options  | Mission | Vision | Stakeholder's needs | S   | W   | O  | T   |
|----------|---------|--------|---------------------|---|---|--|---|
| Option 1 | x       | x      | x                   | Increase company's profit.<br>Attract more customers.<br>Gain higher quality brands Enhance employee's skills and productivity. | It is difficult to evaluate an appropriate price for the product.<br>Lack chances to develop. | More specialized companies that are available in the market.<br>Vietnamese customers can afford high priced coffee products. | Porevol may rely too much on outsourcing strategy which makes the coffee shop to lose its distinctive competencies.   |
| Option 2 |         |        |                     | Gain well-known brand identification.<br>Receive support and free training from franchisor                                      | Deal with difficulty in deciding which franchisor Porevol should cooperate with               | Benefit a low-interest rate from local banks   | Not be able to keep and develop its original brand name (Porevol).<br>The royalty cost may be a pressure on business. |

#### IV. CONCLUSION AND POLICY RECOMMENDATION

In conclusion, Porevol's problems have been defined include lacking funds from the owner and applying inappropriate pricing strategy. To be more competitive in the local market, a cost leadership strategy is not suitable anymore for the Porevol coffee shop. There are two strategic options that have been made. The first strategic option is restructuring and changing the company. The second option is to form a strategic alliance or franchise relationship. The detail of action plans and recommendations for each strategic option have also been provided.

As compared to two options, we realize that the strengths of option one seemed to outweigh its weaknesses; external opportunities outweigh the threats. In option 1, we suggest two applications including marketing and sales (pricing strategy) and human resource management (outsourcing). However, due to its location in district 1, the price is also the main factor that affects customers' psychology in purchasing products and services around this area. This is because district 1 is a central location of HCMC where has a lot of shopping malls, office buildings and a large number of citizens with average or higher income. So, we decide to change the price so as to change and increase awareness of customers on the brand name. Besides, we encourage manager of Porevol to find the best resource of raw materials as well as advanced technology to fit with the higher price. Next, they should make the room become a relaxing and modern space to enjoy coffee with professional decoration. As Starbucks' decoration, they do believe a coffeehouse should be a welcoming, inviting and familiar place for people to connect, interact and communicate each other, so they design all stores to reflect the unique character of the neighborhoods they serve. Likely, Porevol's manager has to determine its target customers that Porevol shall serve to have a better solution. Base on the survey result, we realized that the target audiences around this area shall be successful officers and modern citizens. One more important thing is that Porevol should pay attention more to using reused and recycled materials like a cup of coffee and bags. Porevol's customers are people who have high awareness, so if we can prove our commitment throughout our actions, we believe that Porevol will have its loyal customers although the price is high.

In addition, as mentioned above, we do believe Porevol should focus more on human resources in order to increase the quality of customer services at Porevol. To be more precise, we encourage Porevol's leader to recruit employees who have experience, love of coffee, and passion to make a creation in each cup of coffee. Porevol can hire these people who are professionally trained by training schools or centers about hygiene and food safety knowledge. Next, in order to provide the best service to customers, Porevol needs to serve food and bakery. To do that, Porevol has to find chefs as well as professional bakers to take responsibility for this duty.

Also, the customer service team and management team are very important to be taken into account.

In comparison with option two, both options need more money in developing and implementing an action plan but in option 1, Khanh Le can keep their original brand name while option two, named "Porevol" will be changed by franchising. Moreover, option one can satisfy the mission and vision of Porevol's stakeholders whereas Porevol will have to follow another mission and vision if selecting a franchising strategy. We can see the enthusiasm to form the business, so it is prior to try to retain its original brand name. Eventually, although option two will be safer to invest since franchising with a popular brand name can help take back the initial investment capital quicker, this option two will need much money than option one.

Table VII shows that option one can satisfy stakeholder's requirements. Furthermore, we believe that Porevol will enhance its competitive advantage and become the brand name of Vietnam's coffee shop by applying option one.

#### V. LIMITATION OF THE RESEARCH

This empirical study has some limitations. First, there are very few prior research studies on such kind of area relating to start-up in "Vietnam context" which contributed to the limitation of this paper. Therefore, it was challenging for the author in seeking relevant scientific sources. Second, the study was cross-sectional naturally and the result from interviewing was participants' self-report which could be affected by personal feelings. Moreover, we did not examine intensively the impact factors on business such as leadership skills, location, relation and communication between two owners which might contribute to Porevol's dilemma. Last but not least, the sample of the study is small, just a case study, hence, its result may not be completely generalizable across to the country.

#### VI. FUTURE RESEARCH

The findings from our research highlighted some challenges which may easily occur as starting a start-up by students and graduates or novices, especially for small business scale in the coffee industry. In reality, most small coffee houses in Vietnam like Porevol coffee only run its business in the short-term. The reason may come from its small size, so most businesses do not want or cannot spend too much money on research and development activities regularly (e.g. marketing, research and development activities). As a result, the coffee shop cannot satisfy customers' needs and social needs that should be very necessarily explored in future studies.

#### APPENDIX 1

##### **Interview questions to Porevol's manager**

1. Could you please tell about your coffee shop briefly?

2. How can you know customers are interesting in Porevol's products and services?
3. What made you want to do a start-up of this kind of business (a coffee shop)?
4. What did you prepare for setting your business (e.g. training, market research)?
5. What is the most difficult that you have faced during running this business? (e.g. internal and external challenges)
6. What was the most important reason that caused the problem?
7. How is Porevol's financial status? (e.g. loan, expenditure...)
8. What was your plan? What did you do to rescue Porevol?
9. What is your expectation in redesigning Porevol's organizational structure?

#### CONFLICT OF INTEREST

The author declares no competing interest to this paper.

#### AUTHOR CONTRIBUTIONS

The completed paper is solely written by the corresponding author.

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**Tran Kim Sang** does believe success is only so meaningful whenever work and life balance. Her great passion is bringing better living conditions to our community, healing to people who have been through stressful experience (working or living). Her background includes BSc in Veterinary and BA in English, Vietnam. She obtained MSc in Scientific Leadership from the University of Northeastern, Boston. Currently, she is pursuing her Ph.D. study.