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Hola文化咖啡館
Hola Café & Culture

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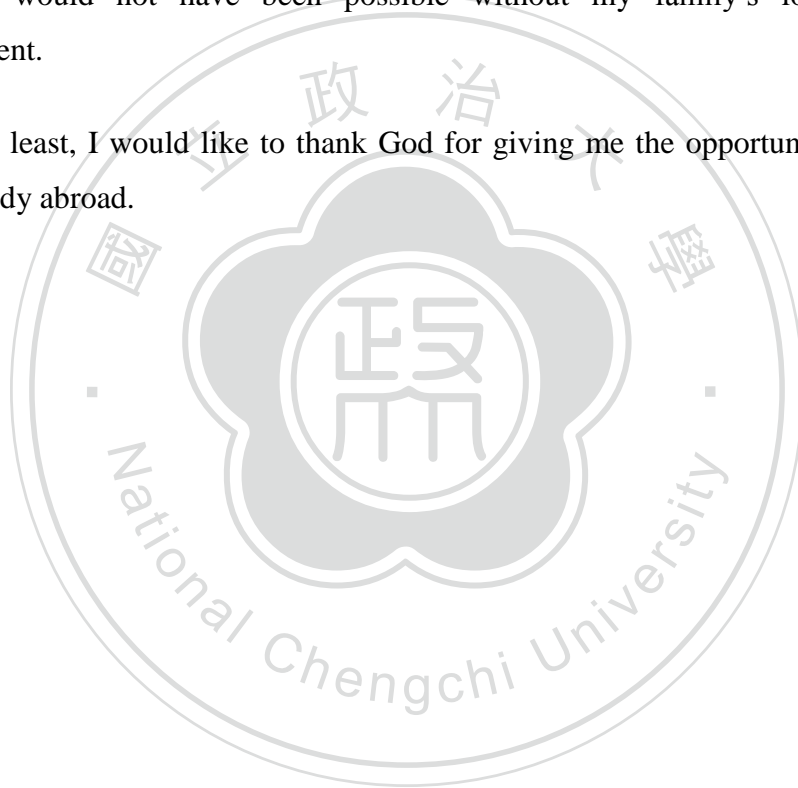
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Abstract:

Hola, Café & Culture

By

Hurshell Chamorro

Hola Café & Culture is more than a regular Café, is an innovative concept mixing attractiveness of High quality coffee from Central America region and the new positive acceptance and influence of Latina American Culture in Taiwan. The main differentiator is exclusive traditional products, live music performance from Latin American artist and high-quality coffee all in one originally decoration that reminds the customer the best of Latin American culture.

Our products include coffee beverages and beans, desserts, other beverages (Pinolillo & Rum Flor de Caña), 100% genuine leather bags and belts, handmade Nicaraguan ceramics. Our Café have a small stage with a projector and Karaoke with full surround system that can be rent as part of our services. The Café is located near Huashan Creative Park area a well center and highly traffic zone. Our targeted customers are young Taiwanese population from Taipei and Latin American residents and visitors.

Hola Café & Culture will be part of a 2-person's ownership with a total investment of \$ 100,000, 23% belongs to expenses and 55% is Cash required for operation. The management will be assumed by one of the owners and will count with a staff of one full time barista and one part-time server. The sales volume is very conservative for the first year; coffee beverages will increase in 15% for year 2 and 3 and normalize by the rest of the 5 years. The rest of the products will experience a slow but solid increase.

The Café will reach net profit from year 1 for a total of U\$ 165 thousand in 5 years.

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1. Executive Summary:

Coffee Consumption around the world had been increasing with an extraordinary rhythm, and Taipei is not the exception, Taiwanese are changing their drinking habits from Tea to Coffee because of western influences from big players like Starbucks¹ according to the article Starbucks as the Third Place written by En Ying Lin. For that reason, Coffee shop had become a great business proposal; however, this market has a lot of players that transform it into a very competitive market. In consequence to be successful we need to make a great differentiation strategy to attract these potential customers. On the other hand, Latin American culture is very attractive and owns a positive acceptance from Taiwanese population as shown on the Latin American events hold by Latino American residents (Table 4: Latin Events). If we could combine a comfort Café with high quality coffee and the uniqueness of Latino Culture, the result is a unique offer that includes a genuine cultural experience named **Hola Café & Culture**, our solution satisfies the needs not only for Taiwanese citizens but also as a place where Latinos in Taipei can feel like home. To become a brand and reach that uniqueness, we will focus on invest in marketing some of our keys activities will give our customers: free quality live music performance from our talented Latin American artists in the island, significant discounts in drinks (Rum, Coffee), new and affordable exclusive products (Leather & Ceramics), sports events transmission, etc.

My passion for this business adventure came from my previous work experience at a Worldwide Coffee Trader company and personally I consider myself a coffee lover. In addition, as a foreign resident in Taiwan I discover from my own experience the feeling of looking for a place where I feel comfortable and remember my Latin roots.

Hola Café & Culture offers Coffee beans and drinks, based on high quality Arabica coffee from Central America region (Salvador, Honduras, Guatemala and Nicaragua), the coffee beans will be specially selected from best producers in those countries even though we would emphasize in Nicaragua, recently many of this coffee is being acquired by famous franchises like Starbucks. Our Café will introduce other drinks like Pinolillo (traditional Nicaraguan drink with a mix of Cocoa and Corn), Rum Flor de Caña (International Nicaraguan Alcohol

brand) and desserts. There will be an exhibition area for exclusive high quality traditional products such as Leather bags/ belts and ceramics; the expected sales for these products are low but their expectations are high once our customers realize their specialty.

Our Café interior and decorations will be related to Latin America Region with panoramic paintings on the wall, flags, etc; most of our tables will be made of wood cause this reflects elegant, and a Karaoke (projector) with surround system will be installed; it have a double purpose one is live music performances and the other is part of our renting for Birthday celebrations, Independence Day, corporate and private parties. The Café will be located strategically near Huashan Creative Park closer to one of the MRT Zhongxiao Xinsheng Exits, this will give advantages from different perspectives, high traffic of people, digital plaza customers and employees and cultural park visitors.

Our targeted customers are: young urban Taiwanese students and professional aged between 20 to 45 years old with a low-middle to upper incomes and Latin American visitor and residents in Taipei.

Hola Café & Culture will be operated as a general partnership by two partners with equal participation. The total investment is around \$ 100,000 (US\$ dollars), 23% of this amount belongs to startup expenses (Mostly Importation Cost of Merchandise and Freight included) 55% is required cash, even though most of this money would not be spent, it's better to have solid cash backup for any unexpected contingencies. The management will be assumed by one of the partners as senior manager, the part of the staff includes a full time experienced Barista and a part time server, more temporary employees will be considered in case of high demand. Our income expectations are conservative specially for Coffee and Rum drinks, the other products will slowly increase on sales and the coffee supplier will require times to have a significant impact into the income participation, However our business will be able to obtain profit since year one and at the end of the period the retained earnings will rise around US\$165 thousand dollars.

1.1. Mission:

Become a window to show the consumer the quality and uniqueness of Latin American Products through coffee and provide a comfortable, genuine and safety environment to relax, make new friends and learn about a new culture.

1.2. Objectives

Our main goals are:

- ✓ Develop a solid and prestigious brand where Taiwanese and Latinos from Taiwan can associate with Latin America.
- ✓ Become a coffee supplier of Central American Coffee.
- ✓ Increase the consumption of high quality Nicaraguan coffee.
- ✓ Create demand for traditional Nicaraguan Products.
- ✓ Promote and encourage Latin American artists.

1.3. Key to Success:

- ✓ Strategic Location: Center and convenient access for customer.
- ✓ Comfortable and unique environment: Latin American live music and decorations.
- ✓ High Quality Products: Arabica grade coffee beans, 100% genuine leather bags/belts, International Rum, 100% handmade ceramics.
- ✓ Excellent customer service: respectful, friendly and professional.

2. Company Summary:

Hola Café & Culture expected to become an original and unique specialty beverage Café with a unique entertainment offer for Taiwanese Café lovers and Latin American population, located in Huashan area. Our business has a very differentiated offer with a high-quality coffee from Central America, exclusive traditional products from Nicaragua and excellent live music performances, all mixed is made for provide a genuine new and exciting Latin American experience for Taiwanese population and a comfortable and friendly place for our Latino community. As part of our products customers can buy high quality Arabica coffee with competitive prices or taste it in our store, also can have a part of our culture by purchasing a beautiful handmade ceramics or bags with 100% authentic leather. Additionally, our talented live Latin American performers will provide a different option compare to other coffee shops nowadays. As part of other incomes, we will have special events and rental of our store with a fully equipped Karaoke stage with affordable prices.

The Café will have private ownership divided into 2 partners. The total expected investment is around US\$ 100 thousand dollars. Most of the money is not spent but it's provided a solid a consistent cash flow to manage any unexpected situation in this competitive market. The long-term plans for the partners will be to analyze how solid is the brand at the end of a 5 years' period in order to expand into a series of franchises in the long term.

2.1. Start- Up Summary:

The amount for starting the business is around US\$ 25 thousand dollars most of the money is invested on the goods cost importation and purchase for approximately US\$ 14 thousand dollars this includes: Coffee Beans, Rum, Ceramics, Leather products and Pinolillo. Other big expenditures are 2 months of rent and local renovation. The startup assets are around US\$ 76 thousand dollars with almost 72% belongs to Cash requirements. This high amount of cash flow is to amortize any unexpected situation related with the acceptance on exclusive products and coffee supplier.

1. Table: Startup

Start Up- Requirements

<u>Start Up- Expenses</u>	U\$
Legal	\$ 66
License	\$ 332
Rents /2 months	\$ 4,310
Importation	\$ 13,835
Store Supplies	\$ 332
Advertisement (Grand Opening)	\$ 995
Renovation	\$ 3,316
Total - Start Up- Expenses	\$ 23,185

<u>Start Up- Assets</u>	U\$
Required Cash	\$ 55,215
Start up- Inventory	\$ 943
Other current Assets	\$ 2,023
Long Term Assets	\$ 18,634
Total - Start Up- Assets	\$ 76,815

<u>Short Term Assets</u>	
Dishes	\$ 497
Teacups, Teapots	\$ 1,160
Orange Juice Squeezer	\$ 166
Juice Mixer	\$ 166
Blender	\$ 33
Total	\$ 2,023

<u>Long Term Assets</u>	
Furniture	\$ 6,631
Commercial Coffee Machine	\$ 6,631
Hot Water Dispenser	\$ 166
Ice Maker Machine	\$ 1,326
Refrigerator	\$ 829
Dish Dryer	\$ 232
Cash Register	\$ 166
Karoke System	\$ 2,653
Total	\$ 18,634

<u>Start-Up Funding</u>	U\$
Start- Up Expenses to Fund	\$ 23,185
Start- Up Assets to Fund	\$ 76,815
Total Funding Required	\$ 100,000

<u>Assets</u>	
Non- Cash Assets from Start- Up	\$ 21,599
Cash Requirement from Start-Up	\$ 55,215
Additional Cash Raised	
Cash Balance on Starting Date	\$ -
Total- Assets	\$ 76,815

<u>Liabilities and Capital</u>	
Liabilities	
Current Borrowing	
Long Term Liabilities	
Account Payable	
Other Current Liabilities	
Total - Liabilities	\$ -

<u>Capital</u>	
Investment Plan	
Partner 1	\$ 50,000
Partner 2	\$ 50,000
Total Investment Plan	\$ 100,000

2.2. Company Locations and Facilities:

In order to approach our potential customers, it is necessary to have an excellent location. **Hola Café & Culture** will be located near Huashan Creative Park, specifically between Zhongzheng/Zongshan District and the nearest MRT is Zhongxiao Xinsheng. This place was strategically selected because have the perfect mix of high traffic, centric and affordable compared to Xiny Area (most of the fancy Coffee shops are located). The whole are have its own attractiveness from: Digital Plaza, Cultural Park and Restaurant areas, for our business is ideal to be part of a centric part with a cultural background. The rental cost is around \$ 2,200 monthly for an 82.5 square meter area.

The overall layout of the Café will emphasize an area in the middle for small stage, and in order to maximize the area will have two types of tables, 3 small tables for 2 people, 8 medium tables for 4 persons and 2 common large tables for 7 people each one.

Our Karaoke system with projector and surround sound will be installed in the stage area this is essential for our live music performances, sports events and any kind of special events (Birthdays celebrations, etc.).

The decoration will be mostly beautiful scenic paintings of Latin American places like a plazas or popular markets with flags in the bar area, this will create an environment of immersion on this culture. All our furniture will be wood like this gives to the customer a sober and elegant sensation. Our location star is a small exhibition area for our exclusive products that would be exposed for our customers to buy; compared to other Café we won't have a kitchen space because we will substitute the space for our exhibition area. As part of our innovation strategies we want to incorporate salsa music after performances in order our customers can dance if they wanted, this is reserved for weekends only.

1. Figure: Floor Plan



3. BUSINESS MODEL CANVAS:

3.1. Value Proposition

After realized the positive perspective for Coffee Consumption from Central America and the recent interest for the Latin American Culture in Taiwan, the business canvas will manage this need and try to solve it.

In Taipei, there is not a special place (Café) for Latin Americans to gather and share their different culture with other Latin Americans, other foreigners and Taiwanese people and there. So, that is why the first value that we will provide to our customers is:

- 1) **Create a place for Latin American Community in Taipei:** Nowadays there is no a place in the city where all Latin Americans of the city reunite to meet newcomers or relax from daily life and have a nice conversation. The proposal is a place where Latin Americans can meet up, know each other and have a sense of family with other Latin Americans in Taipei, once the community is consolidated, the Latin American people in Taiwan will identified themselves and promote our place as their own with foreigners and Taiwanese people.

A key differentiator is promoting amateur artists from Latin America to perform in **Hola Café & Culture**, we would be able to attract not only people from the Latin American community in Taipei making it stronger so that there is a sense of belonging but also Taiwanese people can learn more of our culture through the music, coffee, traditional products and place decoration. As part of promoting a more comfortable environment we plan to let clients express themselves: we will make different activities by encouraging our customers to tell stories to other customers, share experiences, talent show and celebrate special dates. In order to encourage customers to participate on these activities we will offer discounts and more surprises.

- 2) **Promote Latin American culture** by offering: high quality Central American coffee, traditional beverages and products such as: ceramics, paint, music, leather products, etc. As a Café, will create a friendly atmosphere, because our objective is not just selling

Latin American drinks, coffee and dessert, one of the objectives is to promote a place where Latin American people can come and share their culture with other Latin American and Local People. **Hola Café & Culture** will attract foreigners and local Taiwanese who wants an unique experience by Latin American atmosphere for instance: interior decorations, music, performances, drinks, food and the most important, the Latin America people.

2. Figure: Showcase & Brands



Note: All the products shown were made in Nicaragua.

- 3) **Became one of the biggest supplier for Central American coffee:** With our world class coffee supplier, we planned to expose and popularize the High Quality product of our

coffee, by building our own brand so people can drink and acquire our products. Our most remarkable product is Nicaraguan coffee.

3.2. Customer Segment

Hola Café & Culture is targeted to everyone from the ages 20 and up. Nevertheless, the business aims to propose customers who are genuinely interested in Latin American atmosphere and are willing to pay more for “colorful” experiences. These are normally the Latin American people in Taiwan who are in average between 20 to 40 years old people and are many times belonging to medium income groups. The foreigners and locals are also motivated to seek for new cultures and experiences.

The customer segments for the Cafe will be:

1. Latin American community in Taipei most of them are bachelors and master’s degree students. We want to build a strong Latin American community with a place that they can identify as their own and they can show the real Latin American atmosphere and culture to other foreign and Taiwanese friends.
2. Taipei people (students and young professionals), from ages from 20 to 45 years old, with low to middle purchase power income.
3. Foreigners visiting and living in Taipei. All are invited to know our culture.

3.3. Channels

Physical Location is the main channel for us to approach customers; therefore, our bar will have thematic and genuine decorations from the different countries that comprise Latin America. As mentioned earlier, **Hola Café & Culture** selects its location based on key demographic indicators, including traffic counts, average income; number of households, hotels, and offices within a certain radius, the ideal place is nearby Huashan Creative Parks.

Website nowadays being online is not a luxury but a necessity; people currently are increasingly more connected to the internet than ever before, for that reasons our website will be a window for communicating different events organize for the Latin American People in Taiwan and to help them know about the location of the **Café** and contact details.

Social Media will be used mainly to inform of special events, promotions, new products, etc.

The Social Media will be link with our website. For example: Facebook, Instagram and Twitter, Tourism Apps (other companies).

In order to develop our loyal customers, we can innovate by input their basic information and create a QR code which they can use when entering our Cafe and also when paying for their drinks, this will allow them to obtain discounts and also free drinks as part of our reward program. Moreover, we are considering partnering with other apps that have a database of Bars, Restaurants & Cafe in Taiwan like FunNow and TripAdvisor and associations like Latino residents in Taiwan, etc. Finally, we will be in constant communication with the Latin American Embassies and Trade offices, our goal doing this will be to make publicity of our place and invite their citizens registered in Taiwan to come to **Hola Café & Culture** and enjoy the sense of community and home feeling that we will offer them.

3.4. Customer Relationship

In pursuance of building a community with Latin Americans, **Hola Café & Culture** will be focusing on activities that allow us to create a community with the Latin American people in Taiwan as we mentioned previously. This will be essential for business and the most important objective of our customer relationships.

Reward Program: Customers will be able to obtain special discounts in coffee & new products and they will be able to know about events from our place beforehand.

Word of Mouth is one of the most useful, inexpensive and effective ways for other Latin American people to know about our entertainment option, therefore it will be a key part to create customers relations. For example, we will ask the embassies of the Latin American countries to share the information about our place to their national citizens living and coming Taiwan.

Referral Program: we acknowledge that Latin American people are a niche market; therefore, we will increase our efforts to find new customers from Latin America. This is why we will offer discounts or free drinks when one of our registered customers share their unique user code to other people and the new customers buy their first drink with this referral program we want to increase the overall benefit of the word of mouth to attract new customers. For our Taiwanese customers will give special discounts for live performances and new products.

3.5. Revenue Streams

As a Cafe, we would have the following revenue sources:

- Coffee & Beverage drinks and Desserts: Hola Café & Culture will offer high quality coffee, a few traditional beverages from Latin America that is targeted to appeal to a variety of tastes with an emphasis on moderate priced, the ingredients will be provided by local suppliers except for coffee beans. The drinks offered are based on most famous and representative drinks from Latin America; our strategy is to have at least one from a Latin American country every season as for example:
 - Paraguay: “Caña con Pomelo”: Traditional cane with grapefruit from Paraguay.
 - Pinolillo- Traditional Drink from Nicaragua based on corn and sugar.
 - Specialty Black Coffee: Salvador Special, Nicaragua Special, Honduras Special, Guatemala Special.
- Coffee Bean Supplier: Sales of coffee bean from Guatemala, Honduras, Salvador, Costa Rica, Colombia and Nicaragua.
- Exclusive Nicaraguan Traditional Products: Commission percentage from sales of some exclusive products such: Ceramics, Paints and Leather Products.
- Other: Flor de Caña Rum and Taiwan beer sales on special events.
- Entry Fee for Special Events: As a cultural place will focus on themes that have mass appeal and relevance in Latin America such as independence week, Live Music Performances, World Cup Season Pass, and NBA Finals. We will charge an entry fee for these events.
- Renting for Private or Corporate Events: Café will offer a rental option for Individual events (Birthdays Celebrations, Bachelors Parties, etc.) and corporate events (End of the year party, Company Anniversary, etc.).
- Annual Membership Fee: In order to maintain its unique image of Café we will provides attentive and friendly service with a high quality of service to customers and

also invests in the training and supervision of its employees. Our customers will have the option to be an associate of the Cafe by paying a small annual fee, the advantages of being an associate are: permanent discounts on drinks and new merchandise, free entrance on events, special prices for renting in corporate and individual events and a present at their Birthdays.

3.6. Key Partners

The interior includes typical cultural elements from Latin American countries such as flags,



folklore outfits, paintings, ceramics and pictures of street carnival with dancers and singers, and brings sense of summer holidays and Fun. Our major key partners are:

I. Artist

Young Latin American artists (singers, dancers, painters, etc.), also amateur performances all of them must reside in Taiwan.

They are the key element to share Latin cultures and create a fun atmosphere. We will leverage on Latin Americans' community in Taipei to get authentic human resources for low costs. We encourage individual artists and artistic groups

with Latin American roots to participate. There is no limitation on the type of performance; it may be guitar performances, folk songs, ethnic dances, and so on. Also, we don't limit the gender, age and country of origin of the performers, the key criteria are an authentic Latin America performance.

- **MERCON Coffee Corporation:** Coffee Bean Supplier is capable of supply coffee from around the world and has developed significant relationship with worldwide coffee roasters such as STARBUCKS.



MERCON have over half a century of experience, the Mercon Coffee Group is a global leader in the coffee industry. They also

provide a strong presence throughout the coffee production chain, as well as our strategic locations on three continents, offering world-class coffee export and import services to more than forty countries. MERCON is a member of the US National Coffee Association (NCA) and of the US Green Coffee Association (GCA).

- Fajate Nicaragua: Located in Masaya, Nicaragua this is our leather products supplier and partner. This young entrepreneur company who manufactures handmade, elegant and 100% leather high quality purses, bracelets, belts and women accessories. This would be his first export experience.
- The Pie Guy: Recent Taiwanese special desserts company. Pie Guy aims to bring traditional American pies with natural ingredients and crusts made with butter, but in mini sizes. The pies flavors to offer are: lemon meringue, apple, blueberry, coconut cream, key lime style, chocolate cream, banana cream, chicken and chili.

3.7. Key Activities:

- Marketing is our key activity, in particular the starting point. We need to reach the Target Customer Segments to promote our Cafe as a place for Latin Americans to meet and experience atmosphere of their home countries. So, we prepare and distribute printed materials via Embassies, Communities Associations, universities and Tourist offices. As many of our potential customers spend a lot of time online, we will also use social media marketing, for instance: Google Maps, Foursquare, and Facebook to help drive traffic to **Hola Café & Culture** location. Once the awareness of a Latin Culture place is created, not only Latin American will visit us but also Taiwanese people would like to have an authentic cultural experience. The core of our business is to build a community of Latin Americans and to promote the high quality of our coffee to Taiwanese population. Without Latin American people we will not be authentic environment, so we need to reach this people and provide them Latin-style place to make them feel like their home-country.

- To strengthen this feeling, we offer a variety of cultural activities involving Latin singers and dancers from Latin Americans' community in Taiwan. We will have regular thematic country-related events (e.g. Independency Day of Paraguay, World Cup Celebration) with according decorations, staff and visitor dressing, food and drinks, singers and dancers from the Latin American country.
- Participation in Food & Beverages annual fairs and cultural expositions: This will expose our authentic traditional products such as ceramics and leather. Recently coffee & wine yearly exhibitions will provide us an excellent window to attract new customers specially the one interested on coffee beans supply.
- To maintain our relations with customers and intensify communication inside Latin American community we create Hola Café & Culture, Facebook page, website, though which we will inform our audience about new products, events, and live performance. This will allow us to have a honest client feedback, through sharing their opinions and comments about our place.

3.8. Key Resources:

- Strategic Location: Near a highly traffic and centric place, related to art and culture exhibitions. There are not many places that offer a legitimate live performance in Spanish language.
- Multifunctional Stage and Showcase: Our Café is not only capable of organize small artist performance in a very comfortable and safety facility but also can be used for other entertainment purposes such as: Karaoke and Movie presentations. The **special corner products** showcase will have a privilege place in our Café in order to be highly notice by our customers, this platform can offer any different type of traditional

products from Nicaragua; however, during first stage will focus on leather products, ceramics and Flor de Caña Rum.

- **Human Resources:** One important asset as a company is our employees, for that reason we will invest on training for Client Service and Barista Coffee preparation to give them all the resources for give our clients the best quality service.
- **Financial Resources:** As any other company, we need to face with limited capital, for that reason we are committed on process and cost efficiency keeping high quality standards.

3.9. Cost Structure

- **Location Rent:** For our business is considered one of the most significant because in Taipei rental for commercial purposes is too expensive, although our Café is planning to maximize the renting payment by extending the working hours to 10 or 12 pm sometimes due to special events (NBA Finals, World Cup, Independence week) or special performances from guest artist.
- **Marketing Expenses:** We would highly invest in Awareness through: Free Music Performances, Beverages Samples, Free drinks (Birthdays), Special discounts on selected merchandise for Frequent client. In order to incentivize Latinos to come, will offer special discounts for new comers to the island, as a welcome gesture.
- **Place Decoration:** We are committed to have a comfortable and unique environment, therefore we need to invest in Latin American Decoration with traditional and natural images and exposure, most of our furniture will be made with wood components because is more associated to nature like coffee.
- **Stage and Exhibition:** The stage will count with a projector; surround system, 1 acoustic guitar everything prepared for a good music performance, when there is not performance the projector can be used for Karaoke nights or special movie presentations. The traditional product exhibitor will play an important role because is the image of the products.

- Importation cost: We need to cover the freight, insurance and taxes for bring our products from Nicaragua to Taiwan, we will work with a special freight supplier and be very careful with the inventories management and freight time.
- Payroll Direct: Cost of our experienced Barista, Store Manager and one-part time server during the first year. In addition will be an increase of salary around 5% yearly, and the personnel can increase according to the business volume and demand.



4. Industry Overview:

Coffee is one of the world's most valuable traded commodities, which makes it a driving factor in our global economy. There are two coffee types Arabica and Robusta, at this moment we will emphasize on the Arabica (Other Mild's) because of the Taiwanese market conditions. The coffee industry is divided into 3 segments: The growers, the roasters and the retailers from the supply side and the consumers from the demand side. There are many driving factors that affect industry: The weather, the changing economic climate, people's willingness to buy, etc. **Hola Café & Culture** will be focus in:

1. To encourage Central American coffee consumption in the Taiwanese market. With emphasis on coffee specials from Nicaragua.
2. To educate locals and foreigner about the High-Quality coffee of Central American Coffee especially Nicaraguan.
3. To become one of the main supplier of coffee from Central America in Taipei.
4. To provide Taipei citizens an authentic Latin American culture experience in a friendly, comfortable and clean environment. This includes coffee, live entertainment such as music & art, some famous and traditional beverages, etc.
5. Welcome, inform, guide and coach foreigners newcomers to Taiwan especially Latino Population, helping them acclimate, by offering a familiar place to visit.

4.1. International Price:

The coffee market finished 2015/16 at relatively very low levels (119.77 US cents/lb) compare to the previous six years.

2. Table: International Price:

	ICO	CM ¹	OM ²	BN ³	ROB ⁴
2010/11	204.98	280.75	267.97	235.11	107.46
2011/12	171.51	225.94	209.30	198.43	102.18
2012/13	129.32	160.61	150.12	134.98	99.05
2013/14	139.11	175.86	176.60	150.13	95.44
2014/15	138.23	171.23	177.41	149.32	94.32
2015/16	119.77	146.31	155.84	129.97	81.89
% change					
2014/15 - 2015/16	-13.4%	-14.6%	-12.2%	-13.0%	-13.2%

¹ Colombian Milds

² Other Milds

³ Brazilian Naturals

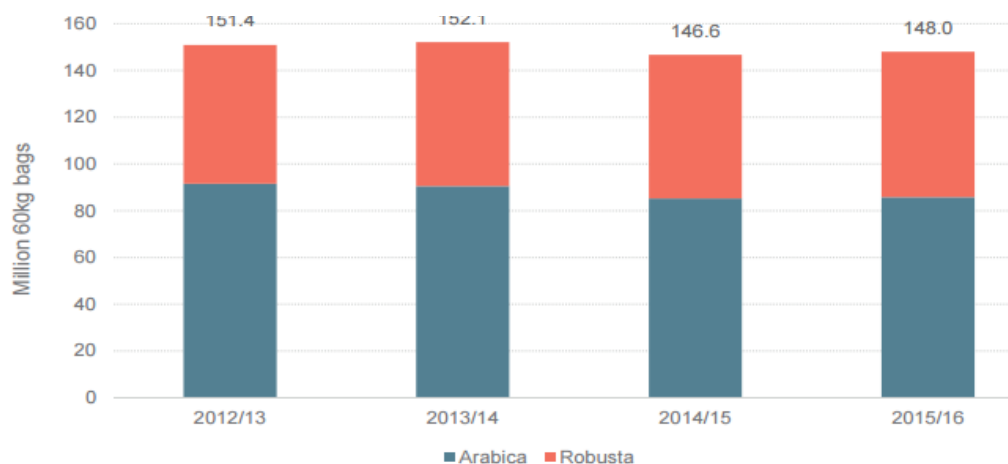
⁴ Robusta

**Note: Central American Coffee Price is considered Other Mild's.
Source: International Coffee Organization – Annual Review.**

4.2. World Supply:

Worldwide Production reached 148 million bags in 2015/16, increase of 0.9% compared to last year but still lower than the two previous years. Arabica production increased by 0.7% to 85.8 million bags, while Robusta's coffee was estimated in 1.3% to 62.2 million. In the largest producer, Brazil, production for 2015/16 is estimated at 48.4 million bags, down by 5.3% compared to the previous year as the drought in 2014 reduced output, particularly of Robusta. Vietnam Production was maintained at 27.5 million bags, up 3.8% on last year, while Colombia was higher at 14 million bags, its highest volume since 1992/93.

3. Figure: World Coffee Supply by type of coffee -Robusta/ Arabica (2013-16):



Source: International Coffee Organization – Annual Review.

Nicaragua Coffee Supply:

Coffee had been one of the most important exportations products for Nicaraguan Economy. Almost all the coffee produced belongs to Arabica type even though the country is preparing to seed Robusta coffee which is still not representative (As seen on table 3). Last year had shown a total production of 2,137 thousand 60 Kg bags this increase of 13% was originated for the elimination of Rust in plantations. Nicaragua exports around 90% of the yearly crop. Taiwan represents the 8th position in Volume, the second major in Asia (after Japan) and 7th in incomes. In the last 5 years the country had experienced a sustainable volume increase to Taiwan of almost 40%. The figures for this year are positive with an increment of 3 % in volume and 20% in incomes to finish the year with almost 10 U\$ millions even though the decrease of the price of almost 6 cents.

3. Table: Nicaraguan – Taiwan Coffee Supply (2013-17)

Nicaraguan Coffee

In thousand 60kg bags

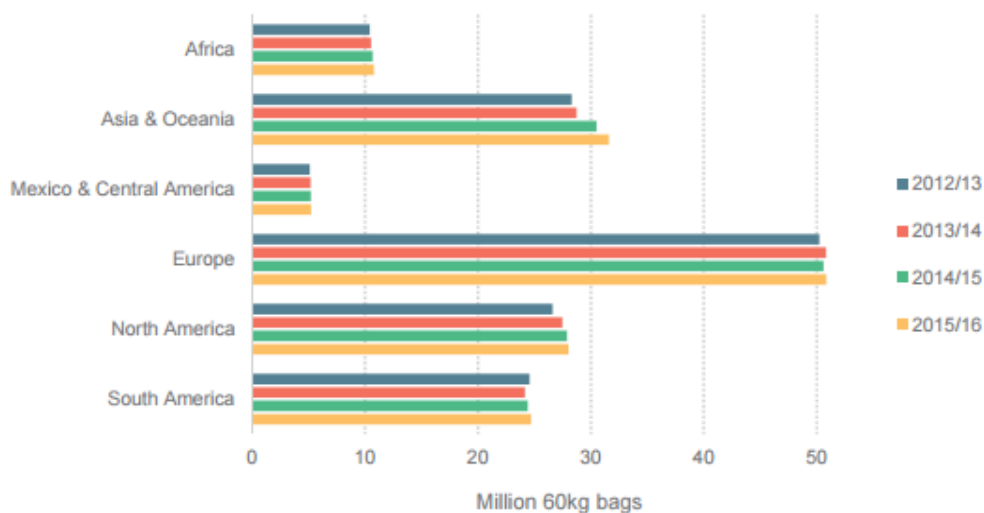
Year	Total		Taiwan		
	Production	Exports	Exports	U\$ cents per lb	U\$ Millions
2013	1,991	1,980	13.4	182	3.10
2014	1,941	1,823	21.6	455	12.80
2015	1,898	1,810	28.8	170	6.40
2016	2,137	1,924	36.6	175	8.30
2017*	-	-	37.6	169	10.00

Source: CETREX- Center for Exports Nicaragua.

4.3. World Demand:

Global coffee consumption has continued to increase, reaching a record 151.3 million bags in coffee year 2015/16, representing an average annual growth rate of 1.3% over the last four years. By far the strongest growth rates have been found in Asia & Oceania, averaging 3.7% per annum, followed by North America (+1.7%) and Africa (+1.2%). More modest growth rates were recorded in Mexico & Central America (+0.8%), Europe (+0.4%) and South America (+0.2%).

4. Figure: World Coffee Demand (2013-16):



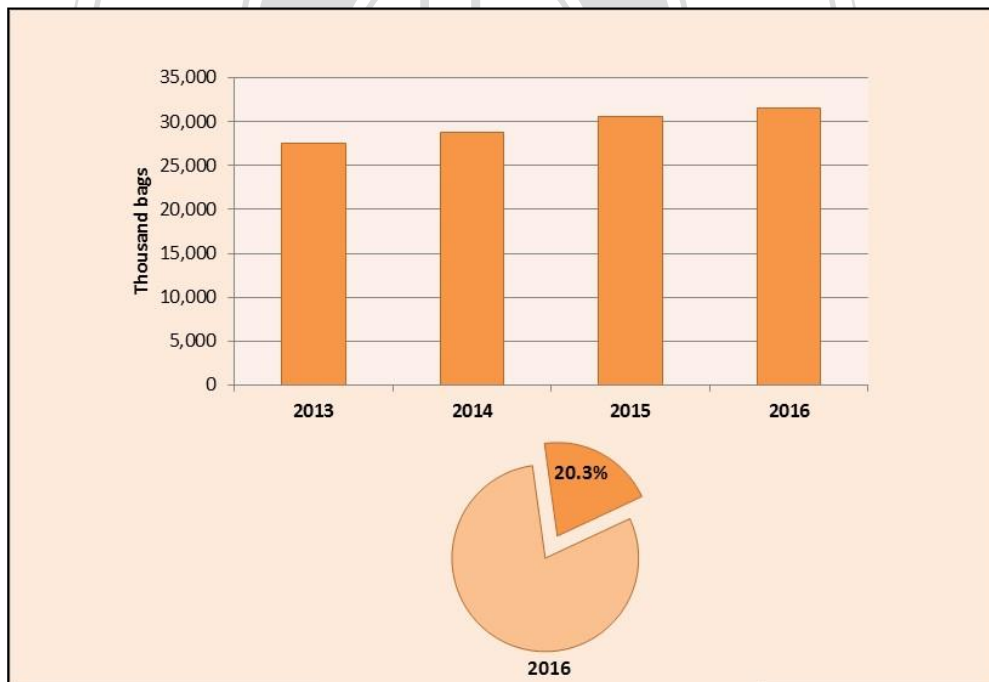
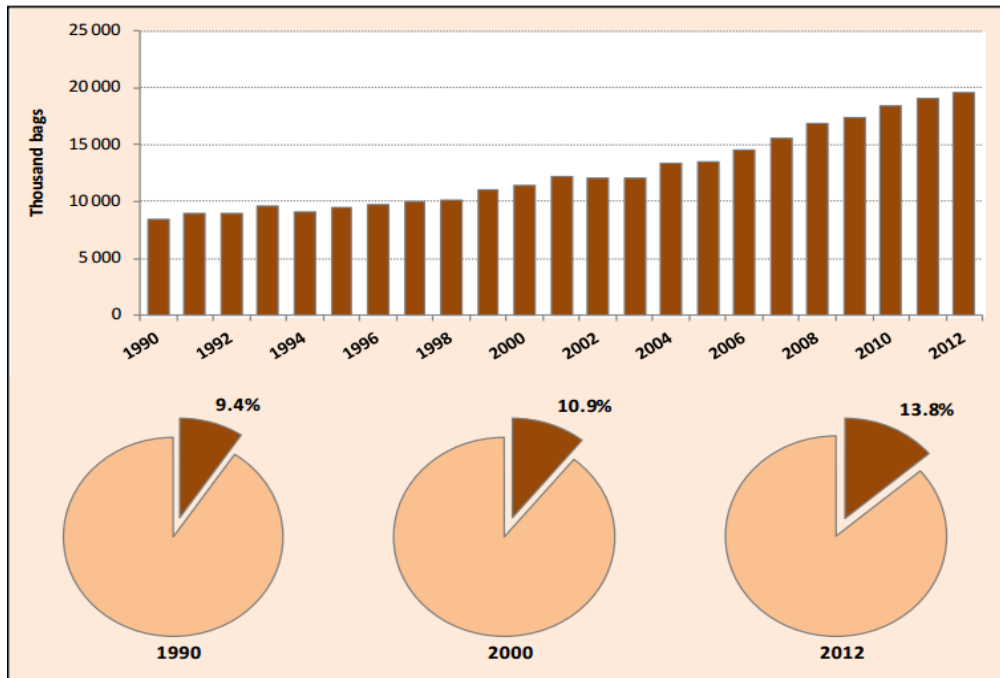
Source: International Coffee Organization – Annual Review.

Asia Region:

We can analyze the Coffee consumption of the region into two periods; the first one from 1990 to 2012 and the second from 2013 to 2016.

From 1990 to 2012, there is a doubling consumption from 8.4 million 60kg bags in 1990 to 19.5 million bags in 2012. This represents an average growth rate of 3.9% per annum, for the second-time period the consumption reaches more than 31 million bags with a steady growth of 3.7% annually. Furthermore, the share of East and Southeast Asia in world coffee consumption has also been increasing, accounting for 13.8% of the world total in 2012, up from 9.4% in 1990 and 10.9% in 2000. In 2013 change from 18.8 % to 20.3%.

5. Figure: Asian World Coffee Consumption and % share in world consumption (1990-2016):

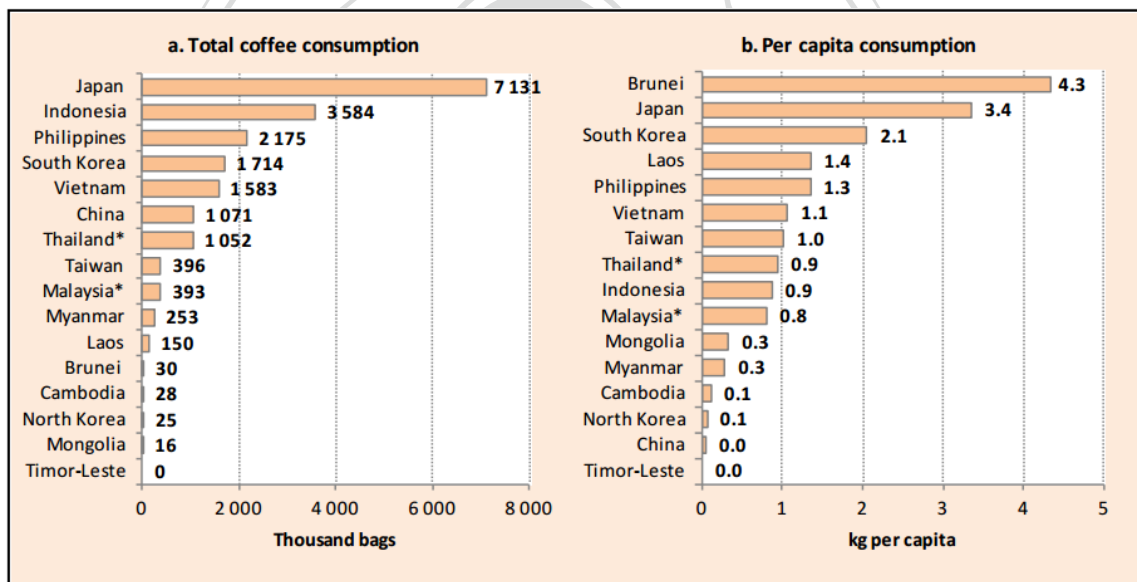


Source: International Coffee Organization – Statistics

Consumption growth in many Asian countries has been driven primarily by demand for Robusta coffee, which is used in soluble coffee and ready-to-drink products such as 3-in-1 mixes (coffee with whitener and sweetener) or 4-in-1 preparations (coffee with whitener, sugar and flavorings or dietary additions). This is particularly true in several Southeastern markets such as Indonesia, the Philippines, Thailand and Malaysia, which tend to have large populations and a low but increasing per capita consumption.

More developed markets tend to exhibit a higher percentage of Arabica consumption and specialty coffee industry, as can be seen in Japan, Taiwan and South Korea.

6. Figure: Asian World Coffee Consumption by country (2012)



Source: International Coffee Organization – Statistics

***Malaysia and Thailand are estimates figures.**

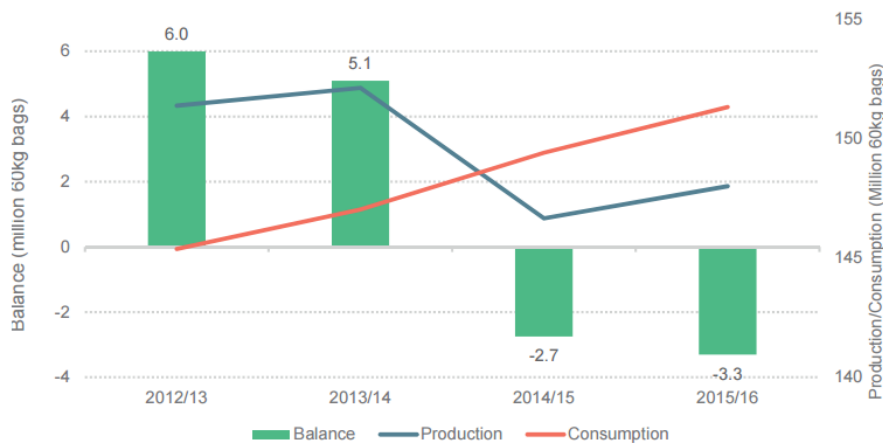
The coffee consumption in Taiwan had increased from 462 (thousand bags) in 2013 to 570 (thousand bags) in 2016 according to ICO, this means an increase of 23.4% for this period. We will explain more in details the factors that explained these results.

4.4. Balance: World Market Equilibrium:

The Coffee market shows a deficit in 2015/16 for the second consecutive year, with consumption exceeding production by 3.3 million bags. However, the market has remained well supplied by stocks accumulated during the surplus years of 2012/13 and 2013/14. Inventories in importing countries reached 24.2 million bags at the end of June 2016, their highest level since September 2009, which gives a buffer against any short-term supply concerns.

The expectations for 2016/17 are currently mixed. Brazil is expected to harvest a significantly higher crop, currently estimated at 54.5 million bags. However, prospects for Robusta production are less positive, with weather affecting output in the three major producers Vietnam, Indonesia and Brazil. This is likely to result in a shortfall of Robusta production, which should continue to provide support to the market.

7. Figure: World Coffee Production, Consumption & Balance (2013-16)



Source: International Coffee Organization – Annual Review.

5. Market Analysis Summary:

5.1. Taiwan Coffee Consumption:

Coffee consumption in Taiwan has averaged around 362,000 bags per year since 2000, more than double the yearly average of 178,000 bags consumed in the 1990s. Nowadays the consumption reached almost 570,000 bags. The Per capita consumption has also increased significantly, from 0.4kg per person in 1990 to 1.46 Kg in 2016 (Figures according to focus Taiwan).

Taiwan has a relatively developed coffee culture; according to statistics released by cafe chain operator Starbucks. Taiwan consumed about 2.85 billion cups of coffee a year in the past five years, or each consumer in Taiwan drank 122 cups of coffee per year during this period which can be translated into a daily consumption of 780,000 cups.

In addition, media reports the number of coffee establishments increased to over 10,000. Taiwan also has an increasingly urbanized population, with one of the highest population densities in the world, which is conducive to further growth in the market.

Taiwan imported 28,541 tons of coffee beans in 2015, up 61 percent from 2011, and the compound annual growth rate (CAGR) of Taiwan's coffee bean imports hit 13 percent during the five- year period.

Most imports are of green coffee (67% in 2012), but soluble coffee played a key role in developing the coffee market in the late 1990s (see Figure 11). Furthermore, the market share of Arabica in the Taiwanese coffee market is one of the highest in the region, estimated to have exceeded 60% on average since 2000.

Freshly brewed coffee is widely available through a variety of retail and consumer foodservice channels. Buying fresh brewed coffee from a convenience store or chained budget corner café is also an inexpensive and convenient option which responds to the needs of a population living in an increasingly fast-paced culture.

Franchising of Coffee Retailers, ability to have a distinct market position as compared to one's competitors and store location. The retail portion of the coffee industry in which Starbucks operates is characterized by a monopolistically competitive market structure. This means there are multiple firms that offer comparable but not identical products, with this type of market structure there are multiple firms competing for the same customers-leading to

elastic demand Customers can review all products that being offer before they make any final choices about their product decision, However the knowledge that the consumers have is not perfect, as one cannot completely decide if they prefer a product until they have experience with said product.

The growth in coffee consumption has created about NT\$70 billion (US\$2.22 billion)-worth of business opportunities a year in the local market.

The coffee chain operator Starbucks said that more and more local consumers now favor black coffee without cream or milk, with sales of black coffee in its outlets in Taiwan for the first half of 2015 rising 12 percent from a year earlier.

Taipei: The world's next great coffee city:

In Taipei, a city located on the northern side of is much more famous for its tea, the coffee has never been better, and it's surprisingly easy to find a cup that rivals some of the world's coffee destinations. That wasn't the case 10 years ago, but today the city is home to an impressively diverse coffee scene, one that shows no signs of slowing down.

After Starbucks first appearance in 1998, the brand brought with it espresso-based drinks like lattes and cappuccinos. Suddenly there was milk foam and everything had a different name, but their marketing efforts were eventually enough to change public perceptions about what coffee could be, and it wasn't long before a herd of copycat chains followed in its wake, hawking Western-style coffee in all its forms.

In 2007, the National Coffee Association began hosting the Taiwan Barista Championships; where winners would go on to represent Taiwan at the World Barista Championships. Participants began to dig deeper into foreign traditions and ingredients for inspiration, from the Americas to Scandinavia and Italy. Meanwhile, more and more cafes began roasting their own beans, and paid greater attention to where those beans came from.

The spectrum of quality is composed by 4 major divisions in the coffee industry with a considerable difference in quality: Corporate Owned, Franchised Owned (Chain Stores), Convenience stores and Independently Owned. **Hola Café & Culture would be part of small cafes in its first stage.**

Some shops have expert baristas who have dedicated their lives to their craft. In case the customer wants to buy beans, you can choose from a huge number of blends and get them ground to suit your needs whether you use a French Press or a Japanese Siphon. You can also easily get a great cup of brew from one of the many cafes. However, good coffee usually comes with a price tag of over NT\$100 instead of spending NT\$40-150 on coffee every day, you can get a bag of fresh beans starting at NT\$300. With about 30 brews, that boils down to NT\$10 per cup, and it tastes great.

According to a study entitled “The Impact of Western Culture Adoration on the Coffee Consumption of Taiwan: A Case Study of Starbucks” published in the Asia Pacific Journal of Tourism. Starbucks had developed a successful strategy for market penetration especially in Taiwan, some of the key factors are:

- A gathering place for foreigners.
- Foreign drink and culture experiences.
- Plus, values for popularity and upper society.
- Well-known brand image.
- Western developed country. It was predicted that western culture adoration was an important dimension in coffee consumption for Taiwanese customers at Starbucks.

One of the significant conclusions from the study was to show that the impact of a well-known western brand on Taiwanese consumer preferences was more pronounced than that of a well-known domestic brand. The differences were even more significant with coffee, a western-origin drink.

Even though Starbucks is an international coffeehouse chain and it's different from a small café like **Hola Café & Culture** we will imitate their best practices in order to build our unique brand, however will incorporate a new customer experience concept of Latin American music & culture through promoting young talents (singers, painters, sculptors, etc).

In view of **Hola Café & Culture** main differentiator is an authentic and unique Latin American experience in Taipei; therefore, we will illustrate its influence nowadays.

5.2. The Latin America influence in Taiwan:

At this moment Latin, American culture had been experience positive and powerful acceptance on Taiwanese society, but this is a result of an outstanding work from different collaborators such as:

- a. **Taiwanese Government:** Through the International Cooperation and Development Fund (Taiwan ICDF) and Ministry of Foreign affairs, the last one designates different foreign aid to friendly countries; most of the help goes toward:
 - ✓ Improving Social Infrastructure: General and Vocational Education, Health and Medical Care, Water Supply and Sanitation, Government and Civil Society and Scholarships (foreigners come to the island) with a total investment of around \$ 26 million this represent almost 10% of the whole budget in 2013.
 - ✓ Economic infrastructure: Transportation and Storage, Information and Telecommunication, Energy, other.
 - ✓ Sustainable Development.

The different types of scholarships programs guaranteed a constant population of new Latinos students granted with scholarship arriving to Taiwan.

In the recent years the Taiwanese government had shown interest on the region, starting with the new elected president Tsai Ing-wen visit in January 2017, where she was in Nicaragua, Guatemala and Honduras.

In May 2017, The Caribbean and Latin American festival was held in Taipei with the intention of promoting Taiwanese people's understanding of the nation's diplomatic allies in the region, according to the Ministry of Foreign Affairs. During the event, 12 embassies and their respective alumni associations in Taiwan staged music and dance performances of their respective countries.

- b. **Latin America Residents:** The Latino Americans living in Taiwan organized through different organizations, one of the most relevant is The Foundation for the Latin American residents in Taiwan which purpose is to reveal the cultural riches of all Latin American countries to our Taiwanese population. From the last 3 years they had invented different cultural initiatives with events, all of them showed highly accepted and well- liked by their members, expats and local citizens in Taiwan.

4. Table: Latin Events

Here is a list of the recent events organized by the Foundation:

Date	Event	Visitors per Day	Location
August 2015	Taipei Latin Market	3,000	Taipei Artist Village
December 2016	Latin Market and International Food & Music Festival	4,000	TAV Taipei
October 2016	Latin Market and International Food & Music Festival	10,000	PIPE
December 2015	Pingtung Latin Market	2,000	Pingtung
November 2016	Kaoshiung Latin Market	12,500	Kaoshiung
November 2016	Taichung Latin America food & Music Festival	1,000	Taichung

Note: Most of the events were held for more than 3 days

Most of the events have food, music and dances exposure; in a familiar, secure and full of great joy atmosphere.

A key for success in Café world is to develop a coffee culture through generating satisfaction obtained from a product depends upon brand differentiation within conditions of consumer culture.

Consumer culture deeply influences consumers' lifestyles and shapes their needs through coffee consumption.

The Hola Café & Culture is more than a comfortable and safety place for Latin American and Taiwanese People, if you combined high quality coffee (Central America) with the Latin America culture with their, traditional ceramics, music, leather products and beverages the result is a unique, relaxing and learning experience.

5.3. Market Segmentation:

In concern of defining the primary consumer profile of coffee shops in Taipei, we would support the market segmentation with a recent survey executed by Starbucks, the survey was made with 400 consumers in 10 different representative locations of Starbucks in Taipei, and the purpose was to discover the global consumer culture factors influencing coffee consumption in the city.

One of the most relevant findings with the demographic profile was:

You can classify the consumers by:

- Type of users: Heavy, High and Medium and Light users. All of them have different status/type and the reason for coffee consumption.

Heavy Users: Usually drinks more than 1 cup of coffee in a day. In this group we find young, single & highly educated people under 30. They prefer coffee shop because of high quality coffee, clean space and good service.

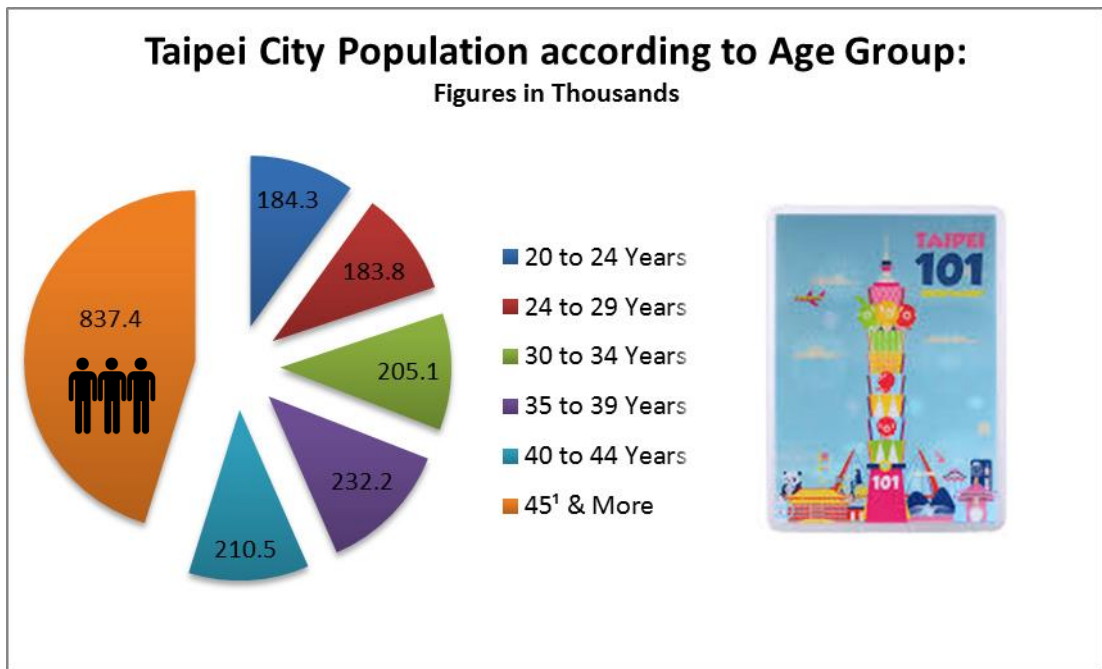
High and Medium Users: Usually drinks more than 1 cup of coffee in a week/month. In this group we find young, single & bachelor degree educated people, we can find teachers, professor and students. They prefer coffee shop because of good coffee, pleasing decoration/design and enjoyable seat.

Light Users: This person drink more than 1 cup of coffee every six months. In this group we find young, single with professional degree formation consumers. Their visit reasons are comfortable seat and prestigious reputation.

In conclusion the Taipei coffee consumer is an adult demographic between 20 to 45 years old, with people from 25 to 45 years old holding the most purchasing power (\$ 1,000 to \$ 3,000 monthly salary). Most of the people are single with almost 60% of them is a female.

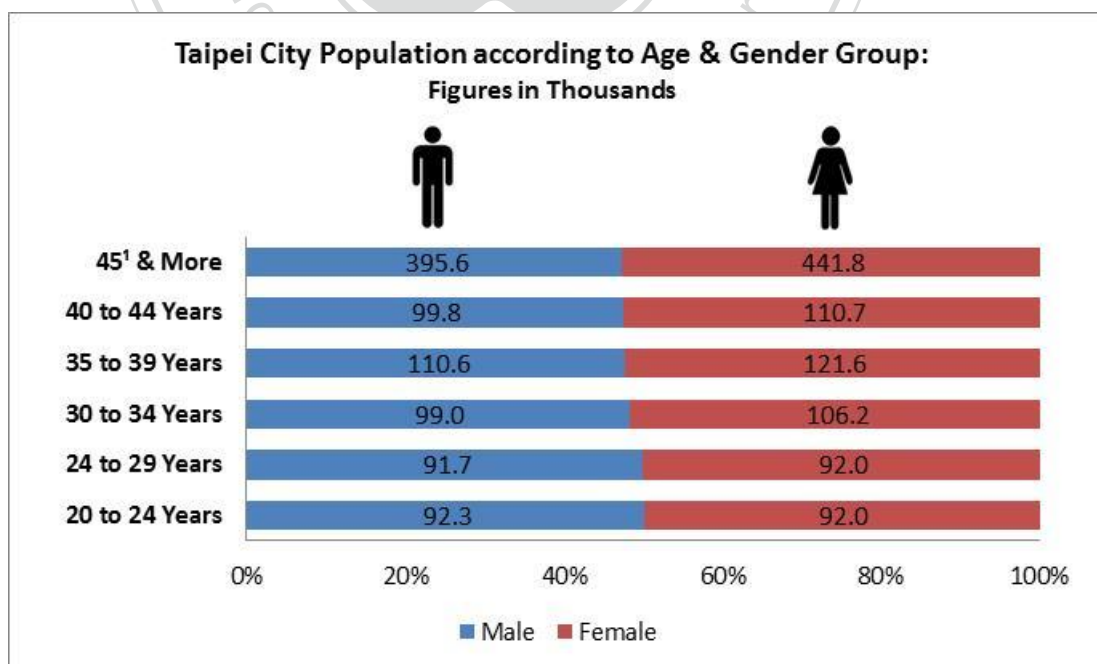
According to this discovery we can find in Taipei City around 2.7 Million people, this represents 11.1 % Males and 11.9% Females (Taiwan statistical data book 2016). In consequence, we can estimate our potential market between the ages of 20 to 45 years old.

8. Figure: Taipei Age Population by group.



There is a total of 1.8 million people in the selected age for coffee consumption.

9. Figure: Taipei City Age population & gender



Note: ¹ Belongs to ages from 45 to 65 years.

52 % of the population is Female with a total of 964 thousand.

The coffee beverage market can be split into 4 segments:

1) Corporate Owned

The best description for this market segment is a strong brand and corporate image with high quality coffee. Some of the best examples are Starbucks and Mr. Brown which focus on the medium and high-end coffee market. The customer profile for this type of competitors is aware of the product attributes like Coffee Beans Quality/Origins, Equipment and highly skilled Baristas.

The Typical gourmet coffee fan is a person with high level of education and purchase power; it is influenced by 6 global consumer culture factors according to a study of the success of Starbucks in the island.

- a. *Hope, Dream and Image*: This is concentrated on the feeling of being trendy, connected to the world, high brand quality, sophistication and distinctiveness, all of this have a social meaning.
- b. *Surroundings Atmosphere*: Belongs to the comfortable of the place, you can find wide space, environment music, coziness and seat.
- c. *Clean Space, Coffee Quality, Service and Decoration*.
- d. *Special Social function*: Why do Taiwanese consumers goes to Starbucks café: Chat with people, conduct business, brings a date, etc.
- e. *Normal Basic Function*: On normal basis Taiwanese customers enjoys relax, stop for a drink and observe people.
- f. *Reputation and Chatting*: Starbucks' consumers appear convinced that global brands represent a better quality and provide them status, prestige, and distinction. This kind of distinction denotes the importance and role of coffee culture in an emerging market (i.e., Taiwan).

Even though Starbucks is not a direct competitor its influence and importance in the market is relevant, for that reason we will develop a section with company description and goals in Taiwanese coffee market.

Starbucks Taiwan:

Starbucks created a distinctive symbolic brand code for middle class and young adult consumers. Starbucks entered the Taiwan market in 1998, and there are more than 392 Starbucks (Licensed Stores) in the whole island nowadays. Its impact in Coffee consumption was so high that converts tea drinkers to coffee lovers and introduce the milk mix with coffee (Latte).

Its brand possesses a vertical integration with a brand equity built on selling the finest quality coffee and related products, and by providing each customer with an unique Starbucks experience which is derived from supreme customer service, clean and well maintained stores that reflect the culture of the communities in which they operate, thereby building a high degree of customer loyalty with a cult following Mobile application and email marketing campaigns.

By the end of 2016, Taiwan became the number 8th country with the largest number of stores.

5. Table: Starbucks Worldwide 2016

Countries with the largest number of Starbucks stores Worldwide as of October 2016

Position	Country	Company Operated Stores	Licensed Stores	Total
1	United States	7,880	5,292	13,172
2	China	1,272	1,110	2,382
3	Canada	1,035	364	1,399
4	Japan	1,140		1,140
5	South Korea		952	952
6	United Kingdom	366	532	898
7	Mexico		563	563
8	Taiwan		392	392
9	Turkey		314	314
10	Phillipines		293	293
11	Thailand	273		273
12	Indonesia		260	260
13	Malaysia		226	226
14	Germany		161	161
15	United Arab Emirates		148	148
	Total	11,966	10,607	22,573

2) **Franchise Owned:** 85° C, E Coffee and Dante dominates the market, which is characterize by local and low good price providers. Their customer considers coffee and tea as daily commodities rather than stylish luxury beverages.

Gourmet Master has 325 outlets under the 85C brand, where it offers a 16-ounce serving of latte for NT\$65. That compares with NT\$110 for the same latte at Starbucks, and NT\$120 at Mr. Brown. 85° C concentrates in general public especially to high school, college students and office workers who are price sensitive.

- 3) **Convenience Stores:** Coffee served at 7- Eleven and Family Mart with Brands such as City Café and Let's Café. Some of them are part of Ready to drink coffee. The sales value of these products continued to decline in Taiwan during 2016. This was partially due to the continuous increase being seen in the culture of drinking freshly brewed coffee in the country. Freshly brewed coffee is widely available through a variety of retail and consumer foodservice channels. Buying fresh brewed coffee from a convenience store or chained budget corner café is also an inexpensive and convenient option which responds to the needs of a Taiwanese population.
- 4) **Independently Owned:** They represent the largest sector for the specialty beverage in terms of number. **Hola Café & Culture** will be competing in this market segment. These businesses are defined by differentiated product offerings and customer service focus on higher end beverage market players. The specialty cafes target consumers with High Quality Coffee with emphasis on the place (comfortless) and experience, for that reason the proposition include high valued added to the end consumer. As one of the most famous examples is Fong Da: Dating back to 1956, this is one of Taipei's original coffee houses, and the very first to offer iced coffee. Its retro interior and vintage Japanese siphon equipment are the main draws; try the signature cold-drip coffee and charmingly old-fashioned cookies.

As we explained before **Hola Café & Culture** is not focus only in offering High Quality coffee and Central American coffee supplier, services and environment, our differentiator is a truly authentic and genuine Latin American experience, in consequence it is necessary to mention some other entertainment options that involve the Latin American Experience such as:

Latin American Restaurants in Taipei: One of the most effective approaches for exploring a new culture is through Gastronomy. Mexican, Peruvian and Argentinian food have highly preference for Taiwanese consumer. In the last decade the Latin American Food had experience a slow but positive growth. The main reasons are:

- ✓ More education: Taiwanese don't know about this foods and most of them find it exotic
- ✓ Different cultural tastes.

Many of the restaurants close because they mixed the concepts as for example Peruvian food with Spanish Paella.

Some of the successful options are: *Eddy's Cantina Tienmu*, *Gaucha-Parrilla Argentina*, *Fiesta*, *Pico Pico y Pollería*, etc.

5.4. Target Market Selection:

Hola Café & Culture will target two different niches of specialty beverage consumers and the value added proposition with the genuine authentic Latin American experience will generate a new consumer's demand.

The niche market will be targeted:

- 1) Young Urban Taiwanese students and professional aged between 20 to 45 years old with a Low-middle to upper incomes. The females play a relevant role for our business. The new customers will be captivated by having a genuine authentic Latin American experience with Central American Coffee, comfortable, unique decoration and the opportunity to obtain exclusive traditional products from Nicaragua such as: ceramics, leather products, liquors, etc. Our entertainment options with live concert with Latin American singers will be a channel to educate more to Taiwanese people about the richness of our culture.
- 2) The Latin American Population in Taipei: As a minority in this country, **Hola Café & Culture** will encourage the unity in order to create a Latin American community that

could create a like home experience for the Latinos especially for the new comers to the city. According to immigration office by May 2017, there are a total of 2,125 Latin American in the island from 20 different countries. A total of 641 persons are located in Taipei city which represents almost 30 % of the whole population.



6. SWOT Analysis:

In order to explain our value proposition **Hola Café & Culture** have the following SWOT Analysis:

Strengths:

- Friendly and Unique Cultural Environment: Comfortable, Safety, attractive and educational.
- Product Quality: High Quality Central American Coffee, delicious desserts. Exclusive traditional products from Nicaragua: Ceramics, Leather Products (100 % leather), Beverages (Ron & Pinolillo).
- First and Only platform for exhibit Nicaraguan Traditional products in Taipei.
- Worldwide Coffee Supplier: Mercon Coffee Company.
- Exclusive Premium Leather Products Partners (FajateNic).
- Service and Innovative Entertainment: Young talented Latin American artist such as musicians, painters, etc.
- Tax reduction due to Free Trade Agreement (Nicaragua – Taiwan).

Weakness:

- Limited food (Menu) and Desserts.
- Unknown Demand for New Exclusive Traditional Products (Ceramics, Beverages, Leather products).
- Owners have lack of experience in Café Management and Operation.
- At the beginning greater part of the revenues relies on Coffee and Desserts sales which have a low margin revenue
- Undetermined acceptance for New Artist (Singers and Painters).

Opportunities:

- Strategic Partners: Mercon Coffee Company (World Class Coffee Supplier)/ The Pie Guy (Desserts), FAJATE NIC (Leather Products).
- Quality and Innovative Entertainment: Art & Paints (Small Arts Exhibition), Performers (Singers), Special Events (World Cup), NBA Finals will become an additional revenues source.
- Unique Platform for Exhibit and sell Traditional Nicaraguan Products.
- Becoming a significant supplier of Central American Coffee.
- Increase demand for Central American Coffee specially Nicaraguan.
- Brand Franchise Extension.
- Latin American Community and Support.

Threats:

- Direct competition from specialty cafés with strong financial capacity.
- Increase of Latin American (Bar, Restaurants and Coffee Shops).
- Lack of interest or Demand for Traditional Nicaraguan Products (Leather, Ceramics, Ron, Coffee).
- Absence of Coffee culture: Taiwanese people don't know how to distinguish quality in Coffee.
- Horizontal and Vertical Integration from Other Cafes.

7. Porter's Five Forces Model: Competition:

Even though **Hola Café & Culture** have a unique Business proposition:

- Unique Latin American Experience.
- Comfortable place for Latin American People in Taipei.
- Innovative Entertainment: Young Latin American Singers.
- First Platform for Exposure and sell traditional Nicaraguan Products: Leather & Ceramics.

We will provide the Porter's Five Forces Model of competition in order to analyze the main pressures originated from the Beverage & Retailer market only.

Rivalry among competing Sellers: Fierce

- Great amount of beverage retailers in Taipei, from Multinational stores to street corner Kiosks.
- Highly Concentrated and Fragmented coffee market (Starbucks, Mr. Brown, 85^{0C}, RTD (Ready to drink Coffee), owned almost 70% of the actual market.
- Major Direct Competition from Luisa Coffee, La Vie, Eslite Coffee, etc.
- Big Competitors: Starbucks, Mr Brown.

Threats of Substitute Products: Weak

- Taiwanese consumers have a limited budget for expending in cultural and unique products **Hola Café & Culture** will try to reach some of this expenditure.
- Competition from other entertainment options with meeting concepts such as: Bars, Restaurants, Lounge, etc.
- Competition from other products not offered in our Café such as: meals, desserts, liquor, desserts, etc.

- Health Benefits derived from coffee consumption will make substitute products being less attractive.

Potential New Entrants: Moderate

- Low entry barriers to start a small café, franchise or local shop due to low technical requirement and startup capital (strong).
- Large number of entry candidates (strong).
- Capital intensive and large up in front investment required to open a specialty café (premium location, renovation, equipment, advertisement, decoration, etc) (Low)
- High barrier to entry into Taiwan market for big players due to a modest industry concentration at the top and strong western brand preferences (First mover advantage) Low.

Power of Supplier of Raw Materials: Moderate

- Cost advantage with economies of scale.
- Massive coffee over supply, coffee from different parts of the world.
- Supply dependency for high priced Arabica coffee beans mostly imported from under develops countries.
- High prices and demand for sustainable coffee.

Bargaining Power from customer: Strong

- Change of consumer taste and preferences had created new demand for better products and services.
- Low customer loyalty, because of more options, high incentive and low cost of switching.

- Consumer behavior is easily influenced by budget constraints, weather conditions, and health concerns.
- Strong impact from Word of mouth.

Even though the high competition found on the industry, it is still attractive due to a positive perspective relying on increase of coffee consumption in Taiwan.



8. Strategy and Implementation Summary:

Hola Café & Culture will penetrate the specialty beverage market through the mix of several marketing methods such as: online advertisement, social media targeted promotions and social events. As part of the advertisement campaign will focus on Membership Fee that will include significant benefits to our consumers from Beverage discounts, special prices for our products and a free rental of our stage that includes Karaoke in the member Birthday. As part of our promotions our customers will have the chance to watch free live sports in Spanish/Chinese such as: UEFA champions league finals and semifinals, Olympics and World Cup soccer matches. These events as the live entertainments from our talented performers will attract our Latina Community as the Taiwanese people from Taipei. We would engage to maintain quality in our products Coffee and service.

At the beginning, we will give free sample drinks for Pinolillo beverages and Ron Flor de Caña Rum for our best customers, this will be the first step to promote our new drinks.

8.1. Pricing Strategy:

Our products and services will have competitive prices; our objective is to give an affordable option for a new experience while discovering the Latin American Culture.

The prices for our coffee are below the biggest coffee franchises such as Starbucks or Mr Brown; however, our coffee origins reach the high-quality standard for Arabica beans.

6. Table: Menu Prices

Hola, Café & Culture	Items	Price - NTD	
Beverages		Big Cup	
	Espresso	\$ 100	
	Espresso Macchiatto	\$ 120	
	Americano	\$ 120	
	Cappuccino	\$ 130	
	Café Latte	\$ 150	
	Pinolillo- Nicaraguan	\$ 50	
	Rum- Flor de Caña	\$ 100	
	Specialty-Black Coffee		
	Salvador Special	\$ 100	
	Nicaragua Special	\$ 100	
Honduras Special	\$ 100		
Guatemala Special	\$ 100		
Coffee Beans			
100% Arabica Coffee			
400 G Bag	Nicaragua	\$ 230	
400 G Bag	Honduras	\$ 230	
400 G Bag	Salvador	\$ 230	
Desserts			
	Apple	\$ 135	
	Blueberry	\$ 135	
	Coconut Cream	\$ 135	
	Key Lime Style	\$ 135	
	Chocolate Cream	\$ 135	
	Banana Cream	\$ 135	
	Chicken	\$ 135	
	Exclusives		
100% Genuine Leather			
	Belts	\$ 900	
	Small Bags	\$ 1,300	
Handmade Ceramics			
	Nicaraguan Ceramics	\$ 450	

Note: Rental Prices please contact Café Manager.

This prices specially the Beverages will decrease by 10% during nights after 8 pm this will allow us to attract customers during dead hours for a regular Café, this strategy will allow us to maximize the local rental.

8.2. Promotion:

The marketing strategy will concentrate in accomplished three main goals:

1. Make Potential customers (Latino/ Taiwanese) be aware of Hola Café & Culture. We designate monthly expense and a considerable grand opening investment with a big live performance show for free during the first week night.
2. Highlights the Latin American Experience through the promotion of the our exclusive Leather Bags/belts, Pinolillo, Rum and Ceramics exhibitions.
3. Attract the Latin American Community in order they felt like home in our Café.

We want to offer the rental services with the stage included with a very low and competitive price if the customer is part have a membership card. The live performances 3 by week every weekend will guaranteed us to have customers during dead hours for Café, our shows would be from 8 to 9 every Friday and Saturday and 1 hour earlier by Sunday Night, after 6 months of opening the customers will be sure that our Café have this type of entertainment, after this period the concerts will have a small entrance fee as part of diversifying our income resources.

From the promotions perspective, will enhance the customers referral specially from our Latin American Community, other strategies include the free stage use the day of the Birthday, free special events (World Cup Matches/ Champions League).

As part of the rental of the place will used our close relationships with the Latin American Embassies, for special gatherings and celebrations such as Independence Day or welcome tour, our local can proportionate a safe and nice environment but also can have genuine entertainment such as karaoke and Latin music.

8.3. Sales Forecast:

The following table shows with details our sale volume for the next five years.

7. Table: Sales forecast by year

Sales Volume	Year				
	1	2	3	4	5
Coffee Cups	36,135	39,026	42,538	48,493	58,192
400 G Bags Coffee	400	780	1310	1920	2650
Pinolillo Glass	3,614	3,903	4,254	4,849	5,819
Rum	1,076	1,184	1,302	1,432	1,576
Leather	24	26	29	32	35
Ceramics	20	22	24	26	29
Desserts	18,068	19,513	21,269	24,247	29,096

The sales volume is based on a conservative scenario with a slow but consistent increase during this 5 years periods, the reason for this assumption is to build a solid brand and let our potential customers be familiar with our concept.

Coffee: Expectations for year 1 is 100 cups served by day at the end of year 5 will target 160 cups; this is a 61% of growth during the period.

Coffee Supply: The figures are very conservative compare to the positive projections previously documented, the reason is to focus on building our brand and be consistent in quality with our customers.

Pinolillo and Rum: We have a low volume of Pinolillo drink because of this new beverage, the forecast consists in 10 drinks by day on year 1. On the other hand, the rum cup we rely on 3 days sales only on weekend for almost 60 drinks by month, we have great expectations for this product because most of the events and performances are held at night this will encourage customers to drink a great quality Rum, at the end of year 5 the expectations are an average of 130 drinks by week.

The Leather and Ceramics are exclusive products for a very limited but with great taste customer we have a low volume of sales but with great margin. Our expectations are to have a better scenario of sales once the customer knows the product.

10. Figure: Gross Margin Participation by Year



After analyzing this graph, we have three powerful insights:

1. Our essence is Café and 78% of the margin came from sales of coffee as a beverage, but the participation had been decreasing from 81% to 77%, this is very significant because we have more diversified sources of income. As a result, this will allow us to be more competitive in the market.
2. After five years on the market we have earned 4% of the margin as a Coffee Supplier; this is a positive trend for the future periods.
3. The participation for our exclusive products is increasing through the time.

8.4. Management Summary:

Hola Café & Culture will be owned by two partners. One of the partners will finish his master degree and take the responsibility of the store manager to oversee daily café operation and management. We have a competitive advantage even though it's a new opportunity for both partners, one of them had more than 2 years of experience on

coffee industry (Coffee Supplier) and he is from Latin America. In the first five years, 2 helpers will be hired one full time-barista in charge of beverages; one-part time server with alternative shift will support to fulfill the staff needs. The two partners will serve as backup staffs during busy days and weekends,

In addition, temporary manpower will be hired once the business grows.

Our main competences will be based on Coffee & Beverages Know How, Importation of new products, Coffee Supplier and event's organizer. The staff specially the partners will have special training from Baristas in order to have full knowledge of the new trends and give add new drinks options to the menu in the future. The working hours will be from 8 a.m. to 9 p.m. from Sunday to Thursday, Friday and Saturdays will be extended closing time to 12 p.m. The reason for the extended schedule is because of the night live performances and special events (most of the soccer matches are on the early morning).

8.5. Personnel Plan:

Our full time Barista should have at least a couple of years of experience especially on coffee shops. The main part of the responsibilities includes beverage preparation, cleaning the kitchen and training our part time server. Most of the functions of the server will be greeting customers, taking orders, introducing our exclusive products, and general store cleaning.

The salaries will have a yearly increase of 5 % since the second year of operations. The monthly salaries for the first year of operation are:

- Full Time Barista: \$ 30,000 NTD
- Part- Time server: \$ 135 paid by hour.
- Senior Manager: \$ 35,000 NTD

9. Financial Plan:

The financial estimations for our business are based on conservative sales scenario and updated industry expenses. Our priority is to reach the break- even point from the first year of

operation, however according to the coffee consumption perspective the upcoming years after creating a solid brand image are extremely positive.

Hola Café & Culture expects to maintain a consistent and positive net profit margin for the first five years.

9.1. Important Assumptions:

As part of the financial plan assumptions we include a stable without recession for Taiwanese economy.

- ✓ The Tax rate will be of 17%.
- ✓ As coffee importer, we expect to have 1 container for every year or 10 months at least.
- ✓ Our inventories will be 10% of the consumption for the Coffee Beverage and supply. This will allow us to keep business regularly meanwhile the merchandise arrives.
- ✓ We are expecting to attract new potential partners from small & medium size companies from Nicaragua. As part of our products diversification the demand will be carefully monetarized to discover new product's needs.
- ✓ Our Nicaraguan products especially Leather and Rum are expected to have a more positive impact than projected.

9.2. Projected profit & Loss:

Hola Café & Culture expect to be profitable since year 1 with U\$ 5,000 in Net profit, however this small but consistent positive result our forecast for year 5 is more than U\$ 64,000 in profits. The largest expenditures came from payroll and rent.

8. Table: Projected Profit & Loss statement

	Years				
	1	2	3	4	5
Sales	\$ 243,976	\$ 269,798	\$ 298,393	\$ 342,655	\$ 412,215
Direct Cost of Sales	\$ 129,362	\$ 140,182	\$ 155,358	\$ 178,918	\$ 215,297
Gross Profit	\$ 114,613	\$ 129,616	\$ 143,035	\$ 163,737	\$ 196,918
Gross Profit (%)	47.0%	48.0%	47.9%	47.8%	47.8%
EXPENSE					
Payroll- Direct	\$ 48,207	\$ 50,617	\$ 53,148	\$ 55,806	\$ 58,596
Rental Expense	\$ 25,862	\$ 25,862	\$ 25,862	\$ 25,862	\$ 25,862
Promo & Advertisements	\$ 9,350	\$ 9,350	\$ 9,350	\$ 9,350	\$ 9,350
Administrative Expenses	\$ 9,284	\$ 9,284	\$ 9,284	\$ 9,284	\$ 9,284
Disposable Supplies	\$ 7,958	\$ 7,958	\$ 7,958	\$ 7,958	\$ 7,958
Other Expenses	\$ 3,979	\$ 3,979	\$ 3,979	\$ 3,979	\$ 3,979
Total Operating Expenses	\$ 104,639	\$ 107,050	\$ 109,580	\$ 112,238	\$ 115,028
EBIT (Profit before Tax)	\$ 9,974	\$ 22,566	\$ 33,455	\$ 51,500	\$ 81,890
Interest Expense					
Depreciation	-\$ 3,727	-\$ 3,727	-\$ 3,727	-\$ 3,727	-\$ 3,727
Pretax Profit/Loss	\$ 6,247	\$ 18,839	\$ 29,728	\$ 47,773	\$ 78,163
Tax	-\$ 1,062	-\$ 3,203	-\$ 5,054	-\$ 8,121	-\$ 13,288
Net Profit	\$ 5,185	\$ 15,637	\$ 24,674	\$ 39,651	\$ 64,875
Net Profit/Sales %	2.1%	5.8%	8.3%	11.6%	15.7%

9.3. Projected Cash Flow:

Hola Café & Culture have positive cash flow since year 1, the initial investment is \$ 100,000, even though this is a higher value for investment we expected to have this money in case any unexpected change from the assumptions.

9. Table: Projected Cash Flow

	YEARS											
	0	1	2	3	4	5						
Cash Flows from Operating Activities												
Cash collected from customers	\$	243,976	\$	269,798	\$	298,393	\$	342,655	\$	412,215		
Cash paid for:												
Raw materials	-\$	129,362	-\$	140,182	-\$	155,358	-\$	178,918	-\$	215,297		
Inventory	-\$	943	-\$	288	-\$	383	-\$	472	-\$	608		
Operating and Administrative Expenses	-\$	104,639	-\$	107,050	-\$	109,580	-\$	112,238	-\$	115,028		
Interest												
Taxes			-\$	1,062	-\$	3,203	-\$	5,054	-\$	8,121		
NET CASH FROM OPERATING ACTIVITIES	\$	9,031	\$	21,216	\$	29,869	\$	45,974	\$	73,161		
Cash Flows from Investing Activities												
Equipment	-\$	20,656										
Cash paid for property additions												
Proceeds from sale property												
Other												
NET CASH FROM INVESTING ACTIVITIES	\$	-	-\$	20,656	\$	-	\$	-	\$	-		
Cash Flows from Financing Activities												
Initial Investment	\$	100,000										
Additions to short-term borrowings												
Payments on short-term borrowings												
Payments on long-term borrowings												
Purchase of treasury stock												
Dividends paid												
NET CASH FROM FINANCING ACTIVITIES	\$	100,000	\$	-	\$	-	\$	-	\$	-		
INITIAL CASH	\$	100,000	-\$	11,625	\$	21,216	\$	29,869	\$	45,974	\$	73,161
Initial Cash	\$	100,000	\$	88,375	\$	109,591	\$	139,460	\$	185,434		
Increase/decrease	-\$	11,625	\$	21,216	\$	29,869	\$	45,974	\$	73,161		
FINAL CASH DEC 31	\$	88,375	\$	109,591	\$	139,460	\$	185,434	\$	258,595		

9.4. Expected Balance Sheet:

Hola Café & Culture net worth is expected to increase from U\$ 75 thousand at the beginning to U\$ 226 thousand at the end of year 5. Cash represents in average almost 92% of total Assets, this is a positive indicator that our business can manage any unexpected situation on the short term. Our total capital is U\$ 100 thousand; On the other hand we are not projected to pay dividends during the first 5 years period because our long term goal is to reinvest the money into a Coffee chain.

10. Table: Projected Balance Sheet

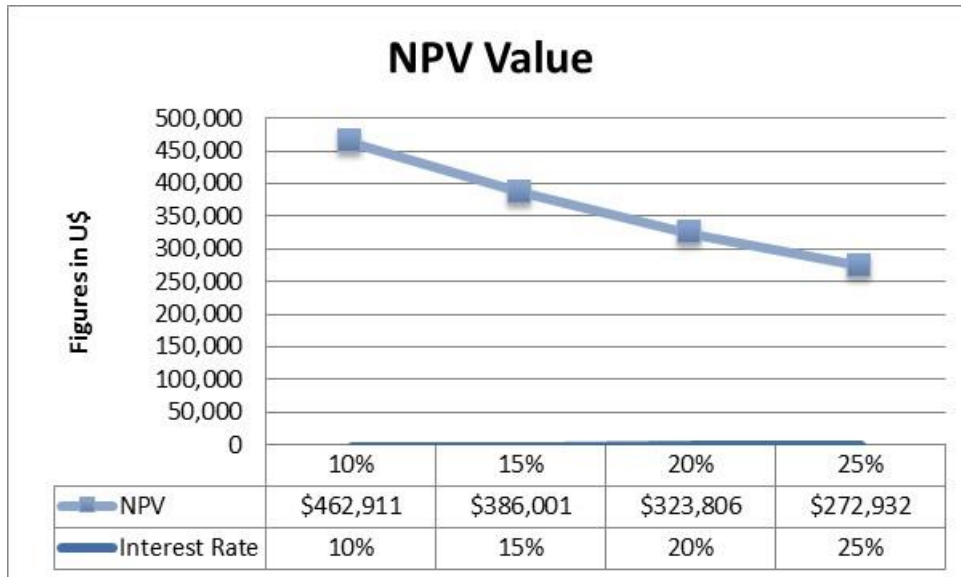
Balance sheet at the end of the Year	1	2	3	4	5
Assets					
Current Assets					
Cash	\$ 88,375	\$ 109,591	\$ 139,460	\$ 185,434	\$ 258,595
Inventory	\$ 943	\$ 1,231	\$ 1,614	\$ 2,086	\$ 2,694
Other Current assets	\$ 2,023	\$ 2,023	\$ 2,023	\$ 2,023	\$ 2,023
Total Current Assets	\$ 91,340	\$ 112,844	\$ 143,097	\$ 189,542	\$ 263,311
Longterm Assets					
Long Term Assets	\$ 18,634	\$ 18,634	\$ 18,634	\$ 18,634	\$ 18,634
Less Accumulated Depre	-\$ 3,727	-\$ 7,454	-\$ 11,180	-\$ 14,907	-\$ 18,634
Total Longterm Assets	\$ 14,907	\$ 11,180	\$ 7,454	\$ 3,727	\$ -
TOTAL ASSETS	\$ 106,247	\$ 124,025	\$ 150,550	\$ 193,269	\$ 263,311
Liabilities					
Current Liabilities					
Taxes	\$ 1,062	\$ 3,203	\$ 5,054	\$ 8,121	\$ 13,288
Dividends Payable					
Total Current Liabilities	\$ 1,062	\$ 3,203	\$ 5,054	\$ 8,121	\$ 13,288
Longterm Liabilities					
Notes and debentures					
TOTAL LIABILITIES	\$ 1,062	\$ 3,203	\$ 5,054	\$ 8,121	\$ 13,288
Owners' Equity					
Capital	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Retained Earnings	\$ 5,185	\$ 20,822	\$ 45,496	\$ 85,148	\$ 150,023
Paid Dividends					
TOTAL EQUITY	\$105,185	\$120,822	\$145,496	\$185,148	\$250,023
TOTAL LIABILITIES AND EQUITY	106,247	124,025	150,550	193,269	263,311

9.5. Project Evaluation:

Net Present Value (NPV): Our business has a positive NPV due to a highly revenue incomes generated since the first period. We make discount interest scenarios to show the attractiveness of our business.

10 % is the initial interest considered due to long term investment can pay you around 4% to 7% in some places, with a 10% is a considerable value.

11. Figure: NPV & IRR Evaluation



IRR: The internal rate of return is extremely high 108%, because we have significant profit since the first year.

10.Exit Strategy:

The most indicate exit strategy is to change to new owners, this means to sell the business because the concept is reliable due to a positive consumption for the coffee in the future and the great acceptance of Latin American culture, the worst scenario strategy is to liquidate the assets by selling the equipment, and the remaining balance distribute into the two partners.

11. Appendix:

11.1 The Business Model Canvas of the “Hola Café & Culture”

<p>Key Partners¹</p> <ul style="list-style-type: none"> ✓ MERICON Coffee Corporation¹ ✓ The Pie Guy (Dessert Supplier)¹ ✓ <u>Fajate Nic</u> (Leather Products)¹ ✓ Traditional Nicaraguan Ceramics/ Paint/ Music¹ ✓ Latin American Artist (Singers- Dancers- Painters)¹ ✓ Website and Blogs suppliers¹ 	<p>Key Activities</p> <ul style="list-style-type: none"> ✓ Live Performance from Young Latin Artists¹ ✓ Marketing¹ ✓ Participation in Food and Beverages Annual Fairs/ Cultural Expositions¹ ✓ Special Events (Sports, etc.)¹ 	<p>Value Propositions¹</p> <ul style="list-style-type: none"> ✓ Become one of the biggest suppliers of Central American coffee¹ ✓ Promote Latin American Culture through offering: Coffee, Traditional Beverages, Traditional Products (Ceramics, Paint, Music, and Leather), Regional Alcohol Beverages (Beers & Ron)¹ ✓ Encourage consumption of Central American coffee especially from Nicaragua¹ ✓ Create a place for relaxation and entertain for Latin American Community¹ ✓ Promote Young Artist from Latin America in Taiwan (Singers/ Painters)¹ 	<p>Cost Structure¹</p> <ul style="list-style-type: none"> ✓ Location Rent¹ ✓ Marketing expenses¹ ✓ Drink and Desserts preparation¹ ✓ Decoration¹ ✓ Artist Aid¹ ✓ Importation¹ ✓ Stage & Exhibitor¹ 	<p>Key Resources¹</p> <ul style="list-style-type: none"> ✓ Location¹ ✓ Stage & Products Showcase¹ ✓ Latin American Performers (Music/ Painters)¹ ✓ Human Resources¹ ✓ Financial Resources¹ 	<p>Customer Relationships¹</p> <ul style="list-style-type: none"> ✓ Memberships¹ ✓ Latin American Community¹ ✓ Reward Programs¹ 	<p>Revenue Streams¹</p> <ul style="list-style-type: none"> ✓ Coffee sales & Supply¹ ✓ Special Events Entrance¹ ✓ Beverages & Desserts sales¹ ✓ Memberships¹ ✓ Exclusive Traditional Products (Traditional Leather/ Ceramics)¹ ✓ Rental for Private and Corporate events. 	<p>Channels¹</p> <ul style="list-style-type: none"> ✓ Latin American Embassies¹ ✓ Physical Location¹ ✓ Social Media¹ 	<p>Customer Segments¹</p> <ul style="list-style-type: none"> ✓ Latin American Community (Most Bachelors & Masters Students)¹ ✓ Local People from Taipei 20 to 45 years old¹ ✓ Foreigners and Exchange Students.
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9.6. Check our place:

CAFÉ LATI

Hola, Café & Culture

THE REAL AUTHENTIC LATIN AMERICAN EXPERIENCE

Follow us on Facebook: [HolaCafé&Culture](#)

A PLACE TO RELAX

**ENJOY AND DISCOVER
LIVE PERFORMANCES + SPECIAL
EVENTS + EXCLUSIVE PRODUCTS**

**OPEN: WEEKDAYS 8 A.M TO 9 P.M
WEEKENDS 8 A.M TO 11 P.M**

9.7. Meet our products:

*Hola,
Café & Culture*

Brandy:

PREMIUM ESTATES
TECATAGUA

Flor de Caña

Fajate

Habla español

discover?

- New friends & Culture.
- Exclusive products.
- High quality coffee & Desserts
- Live Performances/ Special Events

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