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**CAFEX: 網上特色咖啡拍賣市場**

**CAFEX: An Online Specialty Coffee Auction  
Marketplace**

Student: Francisco J. Lopez Santos

Advisor: Professor Chester S. Ho

中華民國一一〇年七月

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研究生：張振軒

Student: Francisco Javier Lopez Santos

指導教授：何小台

Advisor: Chester S. Ho



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For my families Lopez and Santos, Copan Ruins, my fellow Honduran citizens, the Honduran coffee industry, my IMBA family, my NCCU professors, and my friends all over the world.

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## **Abstract**

### **CAFEX: An Online Specialty Coffee Auction Marketplace**

By

Francisco J. Lopez Santos

This thesis presents a business plan to develop an online specialty coffee auction marketplace that could drastically improve the economic benefit received by coffee producers for their product. Coffee producers have been left at the bottom of the barrel in terms of their compensation for their product compared to the price end consumers pay for it. Being the most important step in the supply chain, CAFEX's marketplace concept aims to change this by making the coffee market more efficient.

By improving the communication between coffee retailers and coffee producers we plan to reduce intermediary costs and turn these into revenues for coffee producers. Furthermore, our auction modality will allow coffee producers to receive higher prices for their coffee. By making buyers compete for this special product, the coffee producers will be able to more completely price discriminate among their buyers. Therefore, by pricing our specialty coffee through auctions we would extract most of the buyer surplus.

CAFEX aims to, through its business model and practice, contribute to the UN Sustainable Development Goals of no poverty, zero hunger, climate action, responsible consumption and production, decent work and economic growth. Our business philosophy is guided by market efficiency, socioeconomic development, sustainable agriculture, and access to information. Dreaming of a world where coffee producers have access to better living standards, the ability to innovate upon their product, and cut back on carbon emissions through sustainable agriculture, we present the following business plan.

**Keywords:** Honduras, specialty coffee, marketplace, sustainable agriculture, certified coffee

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## 1. Company Overview

I was born and raised in an environment where coffee production makes up the largest chunk of the local GDP. There has always been a great respect for coffee because of the economic opportunities that lie with it. However, coffee has a rough history of enslavement and low wages to coffee producers. While most of the value added is created in value added procedures that homogenize and standardize coffee flavors, most of the producers haven't been able to capture much of that value added. Furthermore, climate change is threatening coffee production all over the world. With new research predicting that half of the land used for high-quality coffee will be unproductive by 2050 (Briggs, 2021), it is necessary that coffee producers adapt with new growing techniques that make their production more sustainable in the long term. Finally, the lack of social consciousness is hindering the development of small coffee production communities and therefore stifling the development of innovative coffee varieties and flavors.

**CAFEX** aims to revolutionize how specialty coffee trade is conducted around the world. We are set to create an online bidding marketplace where specialty coffee is auctioned off by producers or local coffee dealers in its country of origin and bought by small coffee shops, roasters, and collectors in Asian markets.

Traditionally, specialty coffee has been auctioned off through governmental organizations or by private organizations that create their own periodical auctions. However, there's little communication between coffee growers and buyers. The coffee grading takes place at the country of origin, therefore, if a buyer wants to independently grade a coffee it must travel to the place of origin and have it graded by itself. Furthermore, the traceability of the coffee is not accurate enough to empower coffee growers to improve their product and coffee buyers to sell the special features of the coffee.

**CAFEX** wants to revolutionize the industry by having a central marketplace where coffee auctions from coffee-growing countries take place. Furthermore, it will have social features where, not only Q-Graders are able to grade the coffee, but buyers can rate coffees online and share valuable feedback to producers. Lastly, our marketplace will gradually increase the traceable features of coffee production like humidity, rainfall, altitude, soil composition, drying

method, and transport. This will help buyers access more coffee varieties, build relationships with coffee producers, and trace their product's variables that have an ultimate effect on the quality of the product they purchased.

## **1.1. Purpose**

The sense of purpose behind **CAFEX** is to be a guiding star for many countries producers of coffee that have been marginalized to the low end of the development spectrum through unfair pricing, low socioeconomic development, unsustainable agricultural practices, and limited access to information. **CAFEX** aims to develop business solutions to tackle these issues and at the same time address the United Nations Sustainable Development Goals (Hernandez, n.d.) of:

1. *No Poverty*: by selling their specialty coffee online, coffee farmers can reach a much larger audience of potential coffee buyers therefore increasing their chances at gaining a higher price for their coffee. This will improve their socioeconomic level and that increase in disposable income will trickle down to the development of their small communities.
2. *Zero Hunger*: by increasing the coffee growers' income, they will be able to pay higher wages to their employees and expand their production, generating much needed jobs in rural areas and therefore alleviating hunger.
3. *Decent Work and Economic Growth*: with the increase in income for coffee producers, they will be able to employ more people in their local communities. This will help curve the millions of job losses happening in under-developed and developing countries who produce coffee.
4. *Climate Action*: with the sale of specialty coffee, we will promote sustainable farming practices. Specialty coffee is highly certified coffee, and it is one of the reasons why it's attractive to socially-conscious consumers.
5. *Responsible Consumption and Production*: by cutting many middlemen out of the supply chain and therefore making the specialty coffee market more efficient, we will cut greenhouse emissions, reduce global material footprint, and develop new certifications that meet sustainable harvesting, transport, storage, and processing methods.

## 1.2. Name and Logo

Our online auction marketplace's name is **CAFEX** which is a combination of the words “café” and “exchange.” This name will communicate to the stakeholders that they can sell, buy, or trade coffee within the online platform. It uses dark orange to denote the first indication that the coffee will be ripe soon, and the color “brown” which in Spanish translates to “coffee”.



Figure 1 - CAFEX Logo

## 1.3. Mission

CAFEX is on a mission to:

*“To empower the international coffee market stakeholders and build a sustainable future for coffee through innovation.”*

## 1.4. Vision

CAFEX's vision is to:

*“Become the world's favorite place to trade high-quality coffee.”*

## 1.5. Objectives

### 1.5.1. Long-Term Objectives

1. To become the most widely used marketplace for specialty coffee in the world.
2. To lift millions of people out of poverty & extreme poverty in developing countries.
3. To curve greenhouse gasses emissions along the coffee supply chain.
4. To become the gatekeeper of quality and traceability data within the coffee market.

### 1.5.2. Short-Term Objectives

1. To develop a platform where coffee growers can auction off their specialty coffee batches, and coffee buyers can access specialty coffee with traceable origin and high quality.
2. To partner with coffee associations, certifying agencies, and international Q-Graders to verify quality, production standards, and traceability of coffee production.
3. To position **CAFEX** as the leader in specialty coffee trade in the world.
4. To reach network effect among the buyers and sellers of specialty coffee by reaching 100,000 producers and 100,000 buyers within the first two years of operation.

### 1.6. Business Philosophy

At **CAFEX** we focus on empowering coffee growers with the tools that enable them to derive a higher valuation for their coffee beans, and empowering buyers with access to high quality beans and traceability data of their product. We believe that a marketplace like ours should facilitate transactions between buyers and sellers, decrease market inefficiencies, and increase the benefit derived by all stakeholders.

Our business philosophy is guided by the following cornerstones:

1. *Market efficiency.* We aim to provide as much information as possible to buyers and sellers for them to make educated decisions of the coffee beans being transacted. We want our marketplace to be open to anybody who wants to purchase and sell coffee. Furthermore, we plan to provide a convenient service for consumers where they can choose among different varieties of coffee qualities, flavors, aromas, and origin by empowering them with clear information on the origin and factors affecting the product they purchase. We plan to provide coffee sellers a marketplace where to promote their products, increasing their productivity as they access new markets and target audiences, and to empower coffee growers with the practical information to grow their business.
2. *Socio-Economic development.* The coffee industry has a tragic history with how much coffee growers benefit from the coffee production. What once was enslaved production, it now became near enslaved production, with the low value that producers derive from the product sold to end consumers. This has deprived many small and rural communities

of socio-economic development. At **CAFEX** we are aiming to change this by increasing the value that producers derive from the coffee they sell by cutting intermediaries out of the supply chain. This will have a trickle-down effect, where their small communities will be benefited by the increased purchasing power of its inhabitants.

3. *Sustainable agriculture.* Through the validation of certifications like Bird-Friendly, Rainforest Alliance, and Fair Trade, we plan to encourage growers to adopt eco-friendly agricultural practices that will not only yield better and more marketable products but also maintain healthy soil, manage water resources efficiently, minimize pollution, and promoting biodiversity within its crop plantations.
4. *Access to information.* At **CAFEX** we plan to empower all the stakeholders with thorough information regarding many variables that affect the coffee quality, and data about the traceability of the coffee beans. This will help consumers and producers get a better idea of what the pricing of each auction should be. This will also help producers improve their farming methods in order to better fulfill the market's demand. On the consumers' side, access to information will help them understand the intrinsic value of the coffee and drive more value from each transaction.

## **1.7. Success Factors**

The following are factors that will define the success of our business.

### **1.7.1. Coffee Market Growth**

There are 2.25 billion cups of coffee consumed daily around the world. In 2020, the global coffee market is valued at US\$ 102.02 billion, and it is projected to reach a compounded annual growth rate of 4.28% during the period 2021-2026. (*Coffee Market Share, Trends & Overview | Industry Analysis Report 2021 to 2026 With COVID Impact - Mordor Intelligence, 2021*) The continued expansion of the coffee market will ultimately define how much space there is for us to compete in the specialty coffee niche and how fast can our operations grow around the world.

### **1.7.2. Quality & Traceability**

Quality management of the coffee production is tightly linked to the ability of a producer to trace its production factors and its process factors. By tracing factors like humidity, rainfall,

altitude, soil composition, drying method, location, and transport of each independent lot, the producer will gain a valuable management tool that will give assurance of quality and if defects are found then it can use this tool to make necessary adjustments. (United Nations, 2013) Consumers will benefit by gaining access to assure that the coffee beans they're buying are accurately certified, that the quality advertised is verified, and that their consumption of such products is actively promoting their environmental ideals. Furthermore, the new generation of consumers are demanding more information about anything and everything in their food products. (*Why Is Traceability Important to the Global Coffee Market?* | *Specialty Coffee Association News*, 2011)

### **1.7.3. E-Commerce Growth**

In Taiwan, e-commerce saw a growth of 16.2% in 2020, reaching US\$8.6 billion (Fulco, 2021). As the COVID-19 pandemic brought the country to a level 3 lockdown with measures of no more than 5 people gathering indoors, no more than 10 people gathering outdoors, and wearing mask everywhere outside of home, e-commerce sales are expected to rise in 2021. In 2021, Honduras saw a growth in the number of internet and social media active users, to 38.2% and 48.1% of the 9.98 million inhabitants, respectively (Yi Min Shum Xie, n.d.). This highlights the growing exposure that Hondurans have to media outlets and increased confidence in online platforms. Over the previous decades, Honduras has had a low entry into the world of e-commerce. So much that demand for e-commerce services has increased beyond the local supply of e-commerce sites. This gave an opening for companies like TransExpress and G-Box Mall to offer courier services for Hondurans looking to shop online from stores in the USA. It was not until the country got hit by COVID-19 pandemic that local businesses started going online. We can see this shift reflected in the internet users increase by 11% and social media users increase by 17% between 2020 and 2021 (Kemp, 2021). Currently, in Honduras, there is no local marketplace that is used to export products abroad. This presents an unprecedented opportunity to enter an underdeveloped market that has huge potential for growth in the upcoming years within the e-commerce space.



#### **1.7.4. Socio-Economic Development**

When the socio-economic level of those growing coffee rises, then we will see sustainable growth in the specialty coffee niche of the coffee industry. The level of poverty that most rural coffee growers live with is extreme. For instance, in Honduras, about 72% of the rural coffee producers have no access to residential water service, 47% do not have access to health services, and 26% have no access to a sewage system (Instituto Hondureño de Café, 2000). In the long term, our special understanding of the poor living conditions of coffee growers will present opportunities for us to develop mutually beneficial projects that aim to improve the living conditions of our growers. With our traceability efforts, we will also be in an advantaged place to raise awareness about this to our customers and further develop cooperation projects between all parties interested in having the best specialty coffee that we can.

#### **1.7.5. Network Effect**

As more users gain access to our platform where they can purchase specialty coffee, more coffee growers with coffee for sale will be attracted to sell on our platform given the high prices that customers are willing to pay for scarce specialty coffee. The balanced growth of customers and producers in our portal will determine the value of our service, therefore it is important that we continually make it more attractive for both groups to access our portal and utilize our service.

#### **1.7.6. Seasonality**

In the short-term we plan to attract Honduran producers to our platform because that is the market that the executives of CAFEX knows the best, but as the number of transactions grow, we plan to increase the number of coffee producers from regions where the production is slightly different from that of Honduras. In this way, our business does not suffer the effects of all coffee selling off during the harvest season and not having stock available for the rest of the year.



## 2. The Coffee Industry

Throughout the 17th century, many changes were happening in the world of beverages. Up until this century, not many people drank coffee, it was limited to the Arabian Peninsula where it was cultivated and traded. It was not until the 17th century when European citizens began embracing this new hot beverage that would challenge the heels of prevalent tea.

As the Europeans started colonizing various parts of the world, they carried the plant with them to utilize the fertile ground abroad to grow it and export it back to Europe. This ushered a new era of coffee trade, not limited to Arabian Peninsula coffee, but coffee grown in lands with more variety of rainfall, altitude, temperature, and soil composition.

It was not until the early 18th century when plants were first transported to the island of Martinique, and from there, planted all around the Caribbean, South, and Central America. As Americans grew angry with the high taxes on tea by their British colonizers and in 1773 revolted against King George III. According to (*The History of Coffee*, n.d.), this forever changed the United States' beverage preference to coffee.

This unprecedented change would not only increase the productivity of the yet-to-become United States of America, but usher change all over America where coffee was to be planted, harvested, and exported back to the United States (NPR, 2013). At the beginning almost all the coffee was grown by slaves, but as many countries abolished slavery over the next decades, the appreciation for coffee in these local markets started becoming more prevalent stretching throughout South America, North America, Central America, the Caribbean, Equatorial Africa, and Southeast Asia.

### 2.1. Coffee Varieties

Most coffee-producing countries produce two varieties highly traded through commodity exchanges around the world: *Arabica* and *Robusta* (MacDonnell, 2021). *Arabica* is the most readily available fresh kind of coffee available anywhere. It makes up about 60% of the world's coffee. *Arabica* is considered the most high-quality variety of coffee because it is known for its

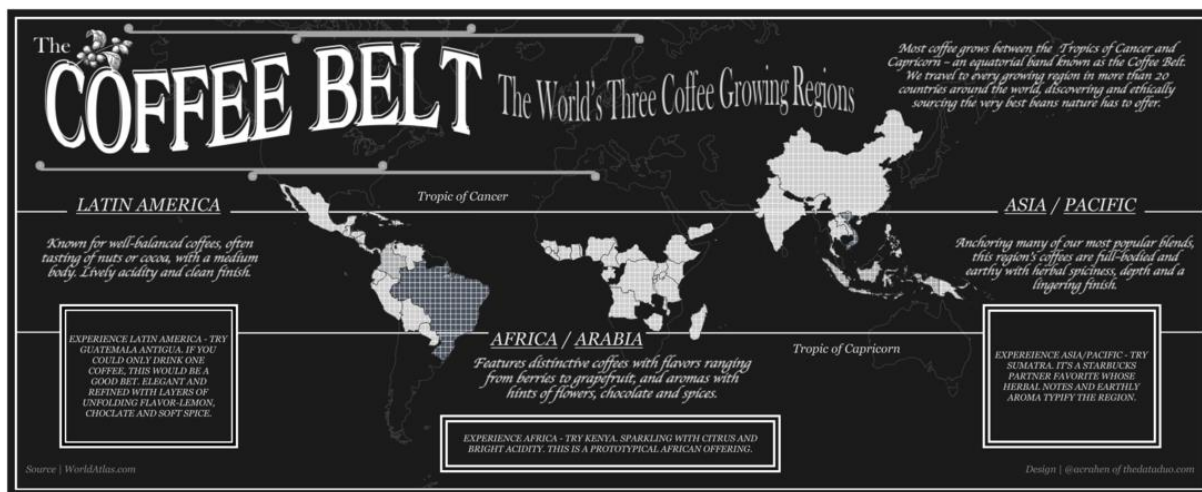
complex flavor, smooth and without bitterness. On the other hand, *Robusta* has low acidity and bitterness, which makes it a perfect candidate for instant coffee or as a part of other types of coffee beverages where the coffee flavor is not so important.

Throughout Southeast Asia, we can find two more varieties: *Liberica* and *Excelsa* (MacDonnell, 2021). *Liberica* was introduced after a fungal disease wiped out most of the region's Arabica crops. It has a bold and smoky flavor profile, with most beans being unequal in shape and size. This makes it a challenge when homogenizing through roasting big crops. It represents about 2% of the world's coffee supply. *Excelsa* beans are much more unique in their combination of fruity flavors with tart notes. Traditionally used in dark roasts, it is lighter on aroma and caffeine, while at the same time maintaining depthness of flavor. However, both coffee varieties are rarely found in American and European markets, as their dominant variety has been Arabica for centuries.

## **2.2. Issues Facing the Coffee Industry**

There are many factors plaguing the coffee industry. Some of them are climate change, economic unsustainability, and the lack of social consciousness (Oden, n.d.).

Climate change has been raging havoc all around the world and one of the most fragile crops to suffer the effects of climate change is coffee. Coffee is grown along the equator line including regions like Latin America, Africa, and Southeast Asia. These regions are increasingly experiencing more droughts, hurricanes, and typhoons. The special altitude region between 1200 and 1800m (Scribblers Coffee Co., 2017), is increasingly being constricted by rising temperatures (see Figure 2). Furthermore, unexpected colder temperatures in coffee growth regions and changing wind patterns are threatening these fragile crops. Coffee is an economically unsustainable crop to grow. Most coffee is sold at commodity prices. These commodity prices involve all the cost to produce, collect, transport within a producing country's boundaries, and the exporter's cut. These prices are cheap and barely help cover the costs of producing the coffee. In some instances, they do not cover all their yearly expenses due to losses related to coffee plant diseases and unexpected meteorological events. Furthermore, there is a

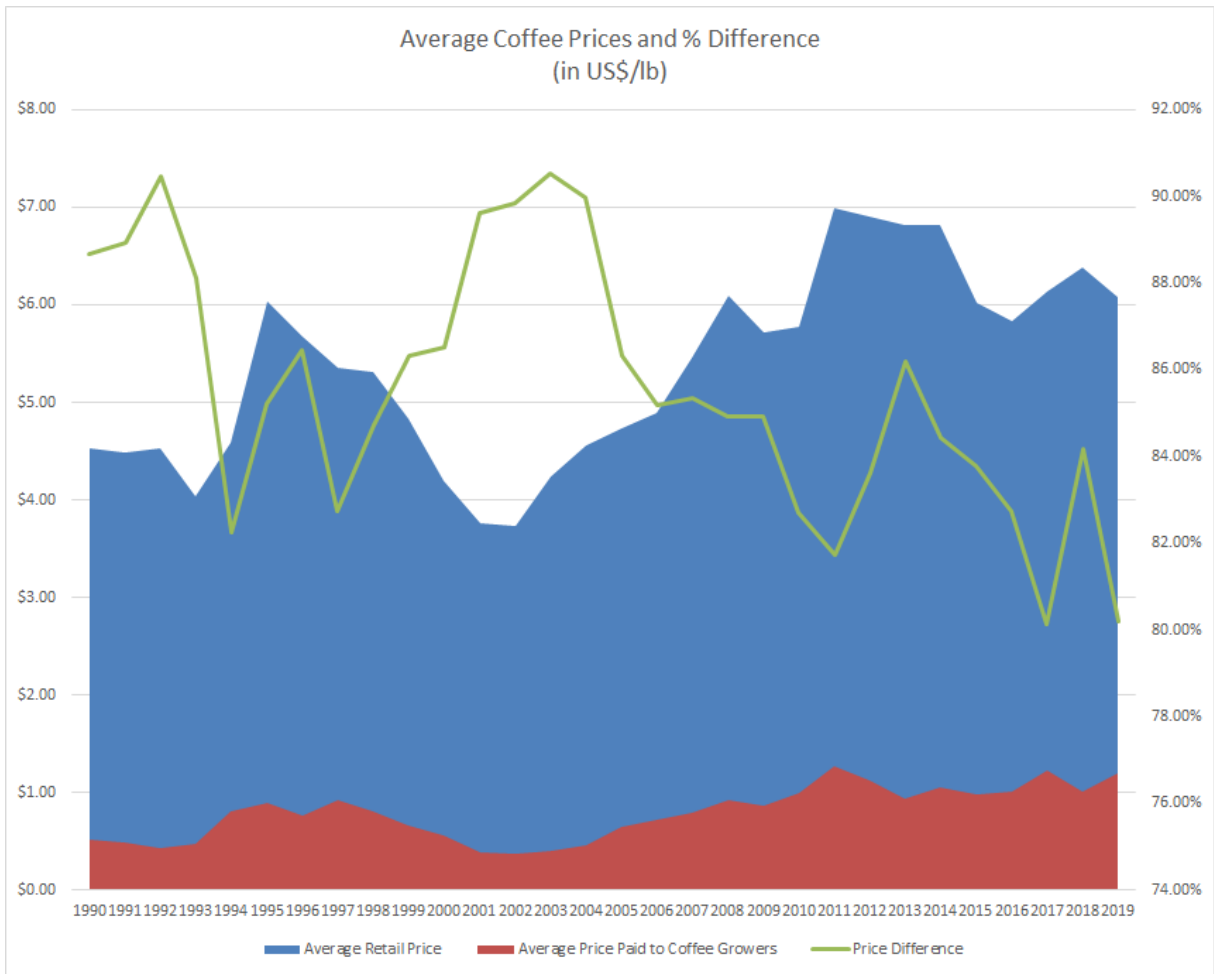


**Figure 2 – The World’s Three Coffee Growing Regions**

Source: Crahen, 2016

disconnect between the coffee buyers and the coffee producers. Coffee produced by small to medium farmers is usually sold to a local coffee broker who buys coffee in bulk, then it is sold to one of the few exporters within a country, the exporter sells to a roaster somewhere around the world, then the roaster sells to any kind of final retailer that will deliver to a customer’s hands. This is a lot of market inefficiency. In graph 1 on the following page, we can see that the average price paid to coffee growers is miniscule compared to the retail prices paid in developed countries. Most of the coffee’s value added is paid to everyone else in the supply chain, completely disregarding the small prices paid to coffee growers and their hard labor. Most often than not, coffee growers are willing to sell their land for other uses or invest in changing their production into a new crop if they are able to bear the investment.

Finally, the coffee industry lacks social consciousness. Most growers do not see much of the benefit derived from the products they produce and therefore lack the financial means to improve their communities. In the 21st century, when most companies are aiming to impact the world positively and be recognized for it, middlemen in the coffee industry remain in the shadows away from consumers to not have their business disturbed by social awareness. Most consumers are unaware that their cheap coffee buying patterns have dire consequences for coffee growers, which ultimately produce the raw product they demand. But there is hope...



**Graph 1 - Average Coffee Prices and % Difference**  
 Source: International Coffee Organization [Dataset]

### 2.3. Specialty Coffee

It was in 1978 when Erna Knutsen from Knutsen Coffee Ltd., when the term “specialty coffee” was used in its 21st century context (Rhinehart, 2017). Specialty Coffee is the name for those coffees that come from special geographic microclimates and that have inherent unique flavor and aroma profiles.

The coffee supply chain from the farm to the end consumer involves producers, harvesters, drying processes, bagging process, transportation methods, storage methods, roasting variables, and extraction methods. Throughout the supply chain and the variety of methods used at each step of the way, there are many variables that will either enhance or suppress certain

flavors/aromas within the coffee beans. Each step plays an important role in maintaining that desired flavor/aroma profile that will be delivered to the end consumer for an agreed-upon price.

When trying to achieve a specialty coffee harvest, the first important role is *farming*. The farmer must manage to accomplish the right combination of planting technique, soil chemistry, microclimate, and husbandry. The next important role is harvesting. To preserve the potential for being called a “specialty coffee,” a ripe cherry on a healthy plant with great ancestry planted in a right soil, with adequate climate conditions, and cared for properly must be picked at the peak of its ripeness. Following the harvest, comes a series of potential pitfalls where the coffee’s potential might be locked away forever. It is first decided if the coffee will be processed dry (*natural*), semi-dry, or wet (*washed*). Then, depending on what process is chosen, it will undergo sorting, cleaning, floating, pulping, fermentation, washing, drying, and hulling (Haile, 2019). Furthermore, after their initial processing, the coffee beans must be dried evenly either in the sun or air dried with machinery. The timing on their drying process must not be too long or too short, if not it may disturb the quality of the coffee. Later, it must be hulled, sorted, and packaged while maintaining adequate humidity, temperature, and packaging materials. The coffee is then transported to its roaster. The roaster has one of the most important roles. He/she oversees revealing the flavors while controlling air fluctuation, temperature, and timing throughout the roasting process. The roaster is in charge of properly developing the flavors that, everyone involved in every step before his on the supply chain, has been working so hard to preserve. The roaster will uncover the potential of the coffee and make the last call on what flavors are available for the barista to present to the end consumer. The roaster will produce a coffee that’s light roasted, medium roasted, or dark roasted. The lighter the roast, the more flavors and aromas will be available for the end consumer to taste. The final step is brewing. The barista is in charge of deciding the water temperature, coffee grind size, the ratio of water to coffee, and the method used for brewing. Depending on the method, certain flavors will be highlighted more than others. For instance, most high-quality coffees are brewed using the pour-over method because it produces coffee with a delicate and smooth texture that allows for a juicy and tea-like flavor.

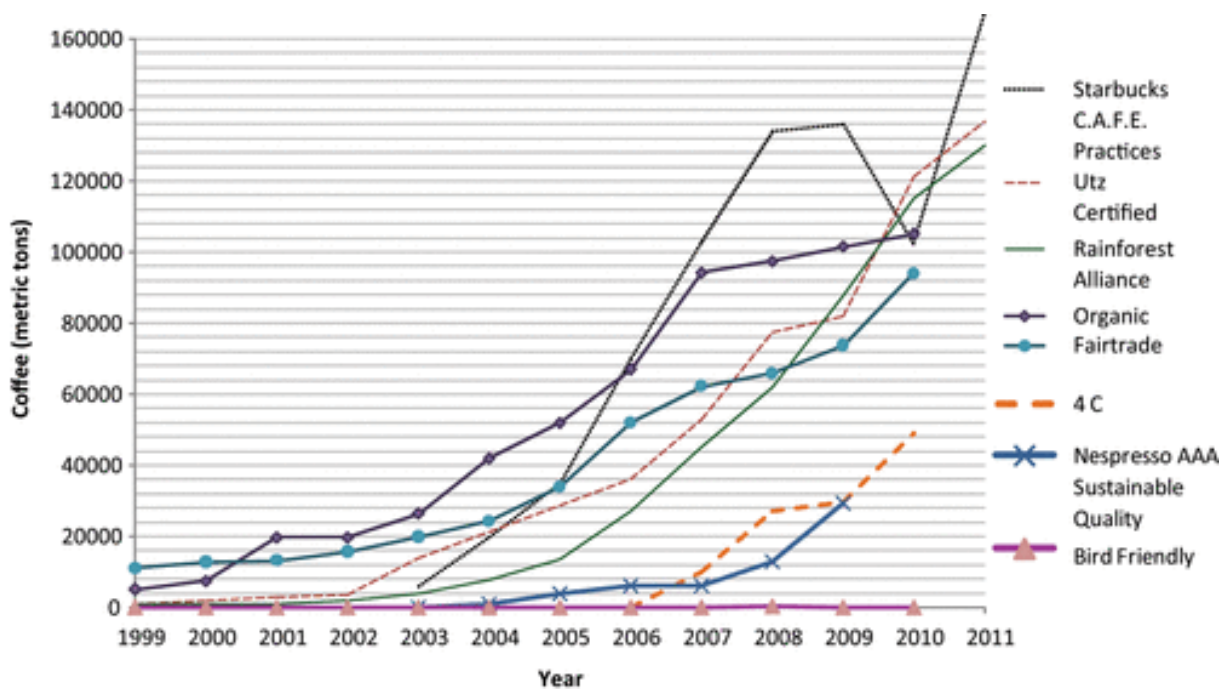
Given this long process and the large number of variables that go into developing a coffee that is called “specialty coffee,” it is apparent that this niche section of the coffee market represents the one with the highest market value. High-end consumers from developed countries are constantly in search of unique and priceless products in many industries. Within the coffee industry, it is this product that they are looking for.

### **2.3.1. Innovation**

Specialty coffee is morally and ethically conscious. The reasons why are because of its sustainability practices, direct trade relationship with farmers, quality, traceability, and cooperative spirit.

Specialty coffee is certified to be great. Many organizations have been launched to certify best practices, some of the most relevant are: Fair Trade, Bird-Friendly by Smithsonian, USDA Organic, and UTZ (Coffee & Conservation, 2021). These certifications address the lack of regulations aimed for best practices on behalf of the government. Some address deforestation, ecological issues, community relations, organic production standards, alleviating poverty, traceability, and efficient farm management. All specialty coffee has at least one certification and most of them have more than one certification. Usually, this helps sellers to price their products higher to finance initiatives that will help them comply with standards set by these certifications or by big retailers, and they get to keep a bigger share of the profits generated from coffee sales. Since 2000, certifications on coffee have grown by about 20% annually, establishing a growing, yet increasingly fragmented market for sustainable coffee (Reinecke et al., 2012). In graph 2 on the following page, we can see this fragmented market at play from 1999 to 2011.





**Graph 2 - Sustainability standards and certified coffee sales**

Source: Respective standards organizations; Giovannucci & Pierrot (2010)

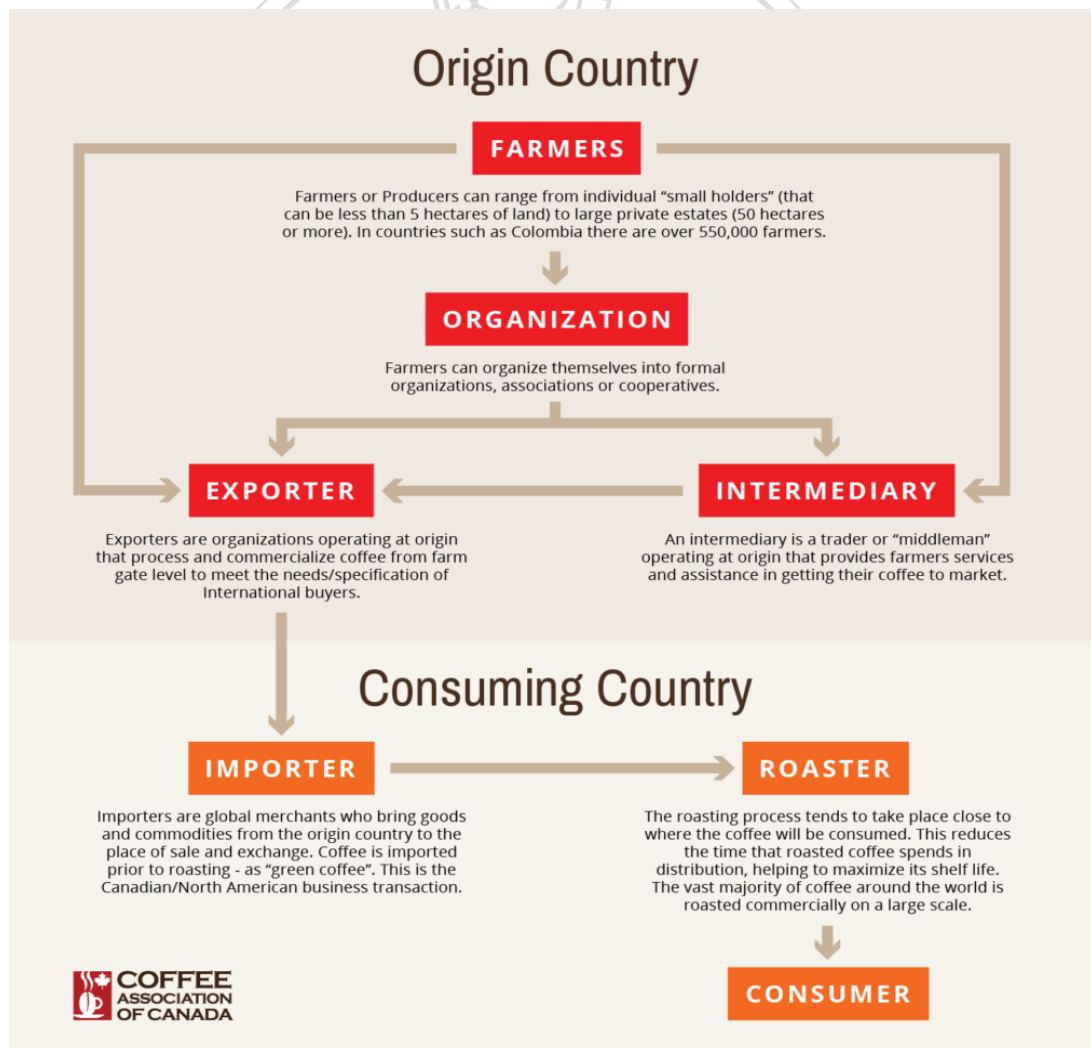
In the coffee market there is three main ways to purchase bulk coffee orders: through commodity exchanges, directly with exporters, or directly with farmers (Jana, n.d.). Specialty coffee market approach when it comes to sourcing is direct trade with the coffee farmers. Direct trade helps buyers create a relationship with the producers of the product they buy, so it stops being just about the transaction and more about growth on both ends of the bargain. Direct trade inspires cooperation between buyers and farmers to implement methodologies that will produce better quality products. By having this direct relationship with the buyers, farmers grow professionally and do not feel like they're always being taken advantage of. Direct trade discards middlemen that take huge cuts out of the end product. With direct trade, buyers know exactly where their coffee beans are coming from, who is the people in charge of them, and what is the original quality of the product before being potentially mismanaged and having its quality ruined.

Coffee has a bloody history with colonialists enslaving people to grow their coffee crops, but specialty coffee is aiming to change that. Specialty coffee is about creating these mutually

beneficial relationships between buyers and producers. Coffee buyers like coffee shops, small retailers, and roasters gain the benefit of receiving higher quality coffee that is more marketable within their target audience. Coffee producers will receive higher pay for their work, they will broaden their horizons by meeting people from around the world, they improve their practices to improve the quality of their coffee, and they are empowered to take control of their product, finances, and life.

## 2.4. The Coffee Supply Chain

To understand how the entire manufacturing process of the coffee beans and selling them to end consumers, the following chart in figure 3 can be used.



**Figure 3 - Coffee Supply Chain**  
Source: Coffee Association of Canada, 2020



The steps in the chart above were used to describe each step of the following supply chain:

1. **Production:** First, the farmers or producers of coffee grow their coffees at their farms that range from a few hectares of land to large private estates of tens to hundreds of hectares. In Honduras, there is more than 102,000 families that dedicate to the production of coffee in 15 of the 18 states, representing 5% of the country's GDP (Heifer Internacional, 2018).
2. **Internal Commercialization:** the internal commercialization happens after coffee producers cut the coffee cherries from the trees and proceed to sell their coffee to an internal intermediary, exporter, or local cooperative. However, there are some large coffee producers that decide to process the coffee themselves instead because they have the capacity to invest in the necessary machinery to process the coffee cherries.
3. **Processing:** in this process, the producer, internal intermediary, exporter, or local cooperative will dehull the cherries and apply one of the drying methods: natural drying, semi-washed/fermentation, and washed drying. After, drying the coffee will be in the parchment coffee stage where they can be deshelled first and then bagged (green gold coffee stage), or they can directly be bagged as parchment coffee and then commercialized. In Honduras, 80% of the coffee is processed by other than the producers, 20% is directly sold by the producer (Heifer Internacional, 2018).
4. **Commercialization:** commercialization can happen abroad after being exported, or internally where the previous intermediary sells to a local roaster.
  - a. **External commercialization:** in this step, the processor in the previous step prepares the coffee for export by cleaning out any defects or impurities in the coffee, then they grade it with external Q-graders or cuppers. The coffee is then sent to an exporting company where it gets packaged and shipped abroad. The coffee is received by an importing company and sent to its new owner which can be a roaster, coffee shop, franchise, or further distributor. By far, almost all the coffee is shipped in "green gold" form because it increases the shelf life of the beans by delaying the roasting processing.

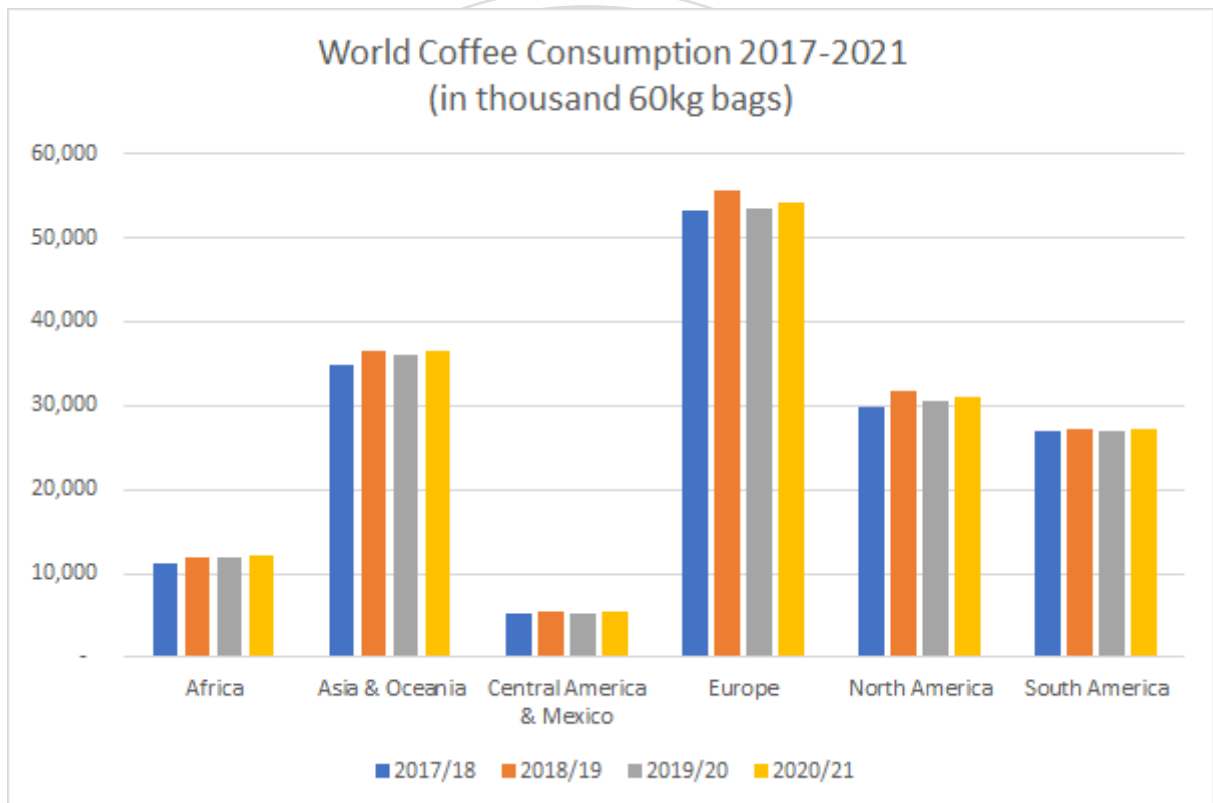
- b. *Roasting*: coffee is brought in as “green gold” which is the green coffee beans, toasted, and in many cases: grounded. This process can happen in the local country where the coffee is produced, or this can happen at the country of destination after it left the hands of the importer.
5. *Consumption*: finally, it arrives to the hands of consumers either through retailers like roasters, coffee shops, supermarkets, and other kinds of distributors. Coffee retailers are found all around the world and each one has a different reach of consumers in their local market and/or abroad as well.



### 3. Coffee Market Analysis

#### 3.1. International Consumption

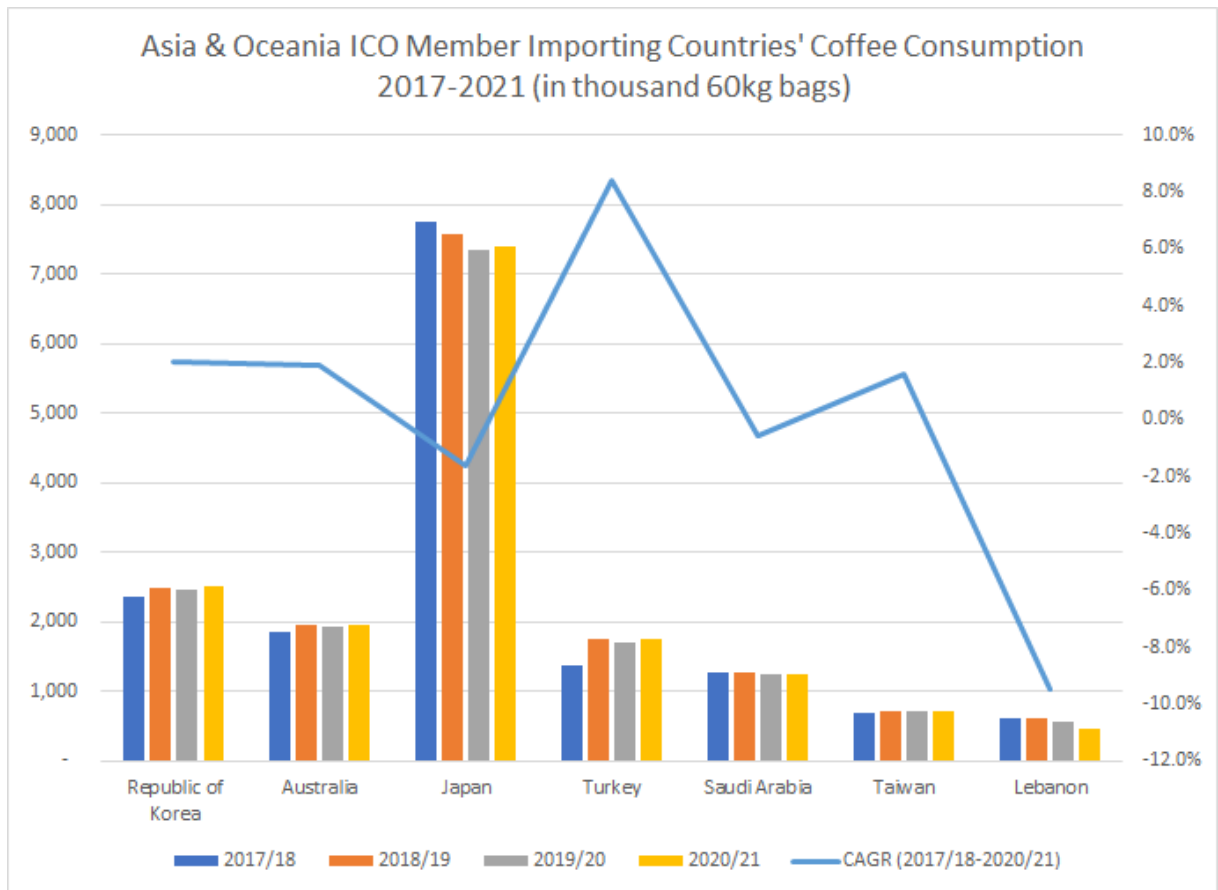
Today, with more than 2.25 billion cups of coffee consumed daily around the world, Coffee is the second most traded commodity in the world after crude oil (Chan, 2020). The coffee market's global compounded annual growth rate (CAGR) from 2017/18 to 2020/21 has been 1%. It is being pushed forward by two markets specifically: Africa with a CAGR of 3.4% and Asia & Oceania with a CAGR of 1.5%. These are two markets where the acceptability of coffee has been increasing for years, with its imports and local consumption increasingly rising.



**Graph 3 - World Coffee Consumption 2017-2021**  
Source: International Coffee Organization [Dataset]

In graph 3 above, produced with research data from International Coffee Organization (2021), we can see that the coffee consumption in African and Asia & Oceania markets are rising the most. However, out of those two, Asia & Oceania represents the largest coffee consumption market by volume with 36.5M 60kg bags consumed during the 2020/21 period.

If we look in deeper at the Asia & Oceania market data from the International Coffee Organization (2021) presented in graph 4, we can see that from 2017 to 2021 the CAGR is highest for Turkey, Korea, Australia, and Taiwan, with a CAGR of 8.4%, 2.0%, 1.9%, and 1.6% respectively. These numbers show that the coffee market is expanding in Asia and Oceania.



**Graph 4 - Asia & Oceania ICO Member Importing Countries' Coffee Consumption**  
 Source: International Coffee Organization [Dataset]

Coffee markets are on a rise in Southeast Asia. From 1992 to 2016 South Korea has seen an increase of 4% in coffee consumption, Taiwan has seen an increase of 10%, and China has seen an increase of 12% (International Coffee Organization, 2021). Southeast Asia has, on average, increased coffee consumption at a rate of 6% annually from 1992 to 2016. While the rest of the world has increased at a steady pace of 2% annually over the same period. As the hot beverage rises in popularity throughout SE Asia, there's higher demand for rare coffees.

### 3.2. International Production

In 2019, the largest coffee-producing countries in this market in terms of metric tons produced per year are Brazil, Vietnam, Colombia, Indonesia, Honduras, Ethiopia, Peru, India, Guatemala, and Uganda (Farrer, 2021). Collectively they produced 123.26 million 60kg bags in 2019/2020, that represents 75% of the global output during that same period. However, Vietnam and are the largest *Robusta* producers while the rest of the countries are mostly *Arabica* variety. Since most specialty coffees come from the *Arabica* variety, most of the specialty coffee comes from Brazil, Colombia, Indonesia, Honduras, Ethiopia, Peru, Guatemala, and Uganda.

#### 3.2.1. Honduras Coffee

Honduras has a long history with coffee dating back to the 1700s. With catastrophes wiping out crops and smugglers selling illegally through Guatemala, it has had a hard time raising the quality across the internal production of coffee. However, due to the highly competitive nature of their coffee production, many producers have been able to improve the quality of their coffee over time. Honduras has six coffee-growing regions that grow at least two or three out of the following five major Arabica varieties: *bourbon*, *caturra*, *typica*, *catuai*, and *pacas*. The coffee regions within Honduras are: Copan, Opalaca, Montecillos, Comayagua, El Paraiso, and Agalta (de Luca, n.d.).

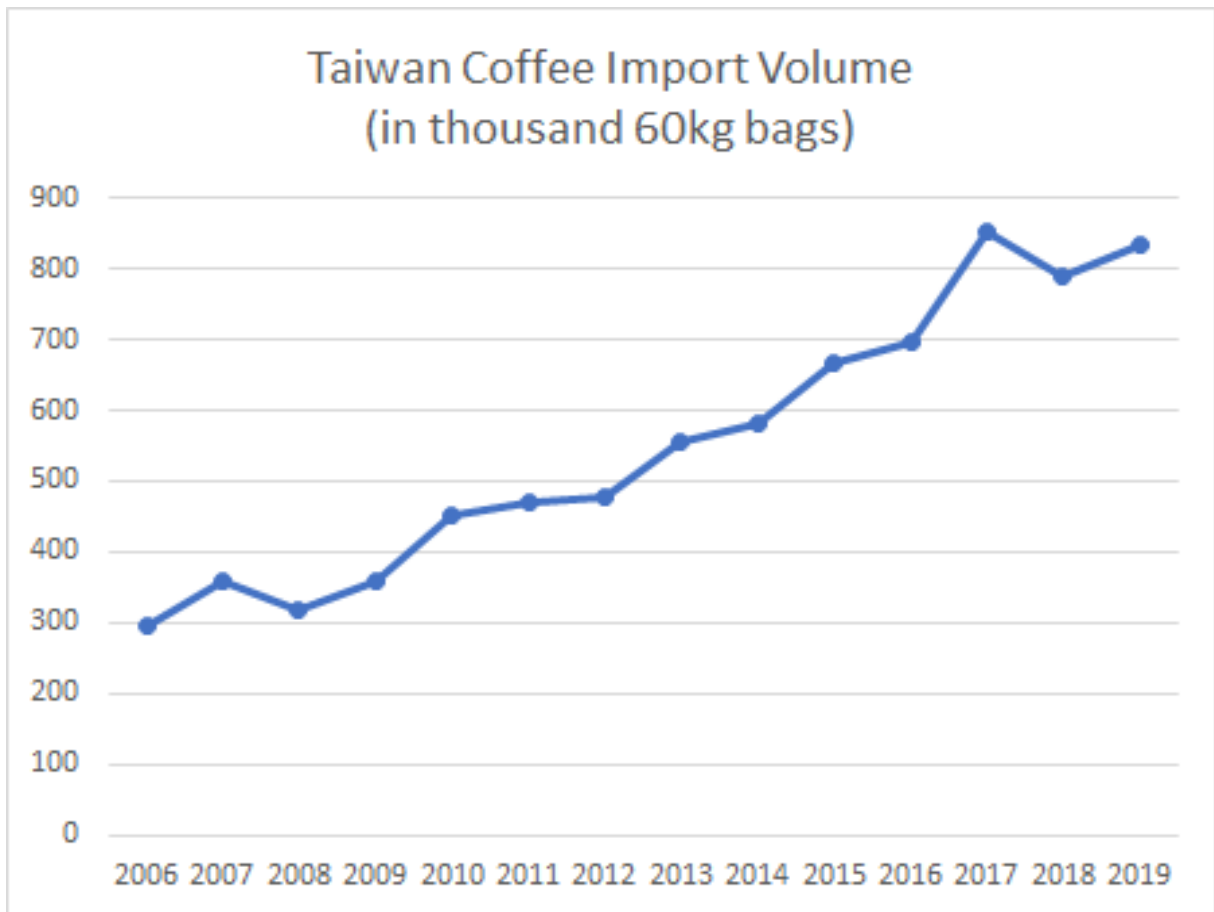


Figure 4 – Map of Coffee-Growing Regions in Honduras  
Source: AECID IHCAFE

### 3.3. Taiwan Economy and Demographics

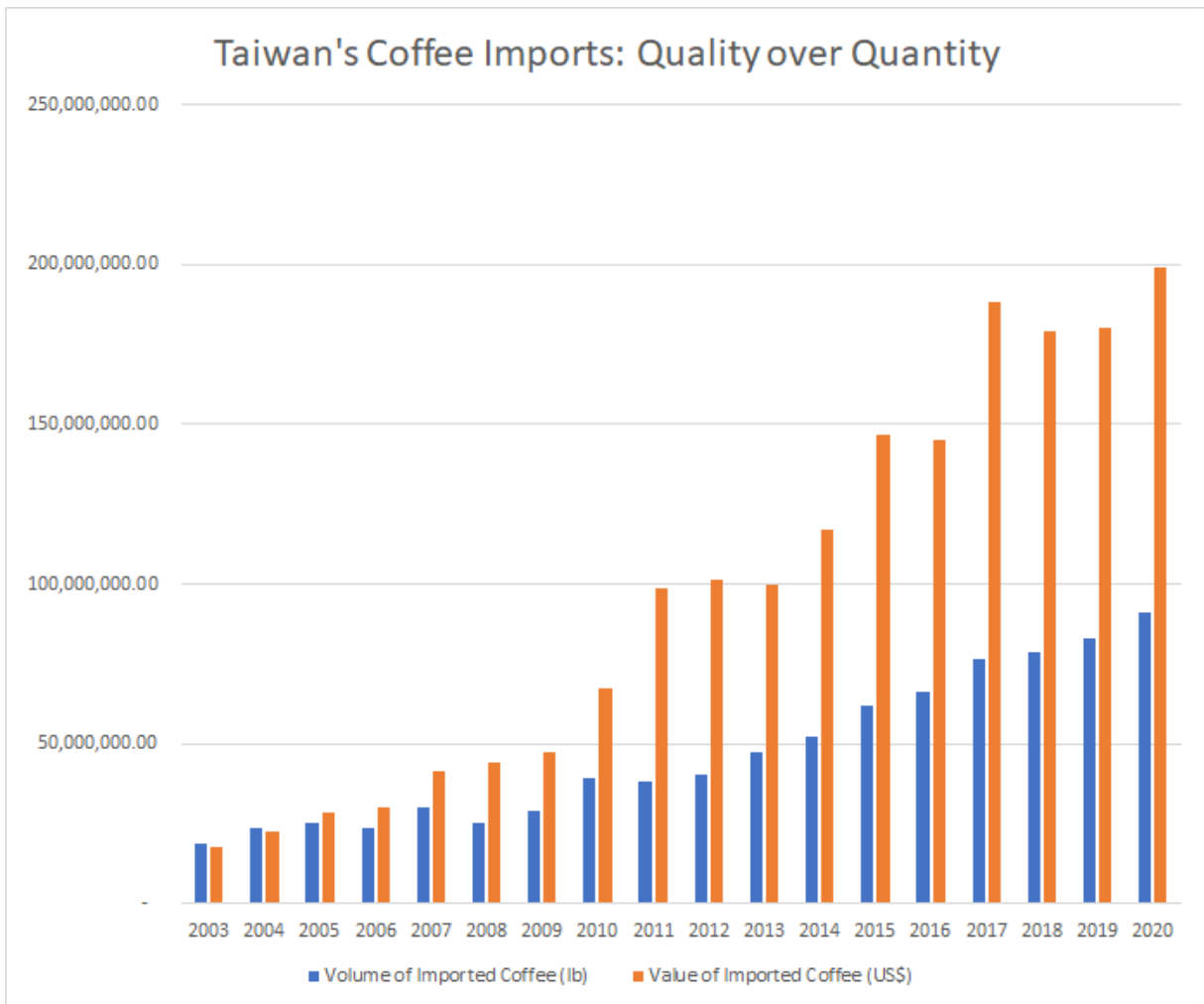
Taiwan (Republic of China) is a democratic island nation with a population of approximately 23.6 million inhabitants spread across a total land area of 36,000km<sup>2</sup>. During the past year Taiwan experienced an Annual GDP Growth Rate of 8.92% (Taiwan - Economic Indicators, n.d.). This is largely because of the good management of the COVID-19 pandemic in the country. This has given Taiwan a big spotlight to highlight its importance and relevance to the world. Taiwan's GDP per capita in 2021 is forecasted to reach US\$ 32,219. This represents more than double the GDP per capita that Taiwan had in 2000, US\$ 14,908 (Taiwan - Economic Indicators, n.d.). This represents Taiwan's constantly increasing standard of living and purchasing power. Taiwan is the 17th most densely populated country in the world with 651 inhabitants per km<sup>2</sup> ("Demographics of Taiwan," 2021). The most predominant age group in

Taiwan are those people between the ages of 35 to 45 years old. Taiwan is an aging society due to the high life expectancy and low fertility rate. It is expected that those individuals 65 and older will represent 20% of the population at which point Taiwan will become a "super aged" society. Given this, the wealth distribution is expected to remain for a longer time in older age groups, giving an opening to the larger consumption boom of high-quality specialty coffee. In graph 5 on the following page, we can see that in the period from 2006 to 2019 there has been a 182.37% growth in the volume of coffee imported to the country and is expected to continue increasing over the next decade to meet the increasing demand for coffee. Taiwan is a leader in the world-wide phenomenon in the consumption of specialty coffee and its acceptability within the society. For instance, Taiwan has 9.6% (583 Q-Graders) of all registered Q-Graders (Coffee Quality Institute, 2014–2021), which are trained and licensed individuals that evaluate coffee based on Specialty Coffee Association standards. Given that the coffee production in Taiwan can barely meet 15% of the local market demand (Sarley, 2020), this is a very high amount of Q Graders. In comparison, Brazil, which is the largest Arabica coffee producer, barely has 262 Q-Graders representing 4.3% of all Q-Graders in the world (Coffee Quality Institute, 2014–2021).



**Graph 5 - Taiwan Coffee Import Volume**  
 Source: CPT Statistics Database Query [Dataset]

In terms of imports, we can see in graph 6 on the following page, that Taiwan's shift towards specialty coffee started around 2007 when it started importing more expensive coffees. Since 2007, the value of coffee imports in Taiwan has increased much more than the volume of coffee beans imported.



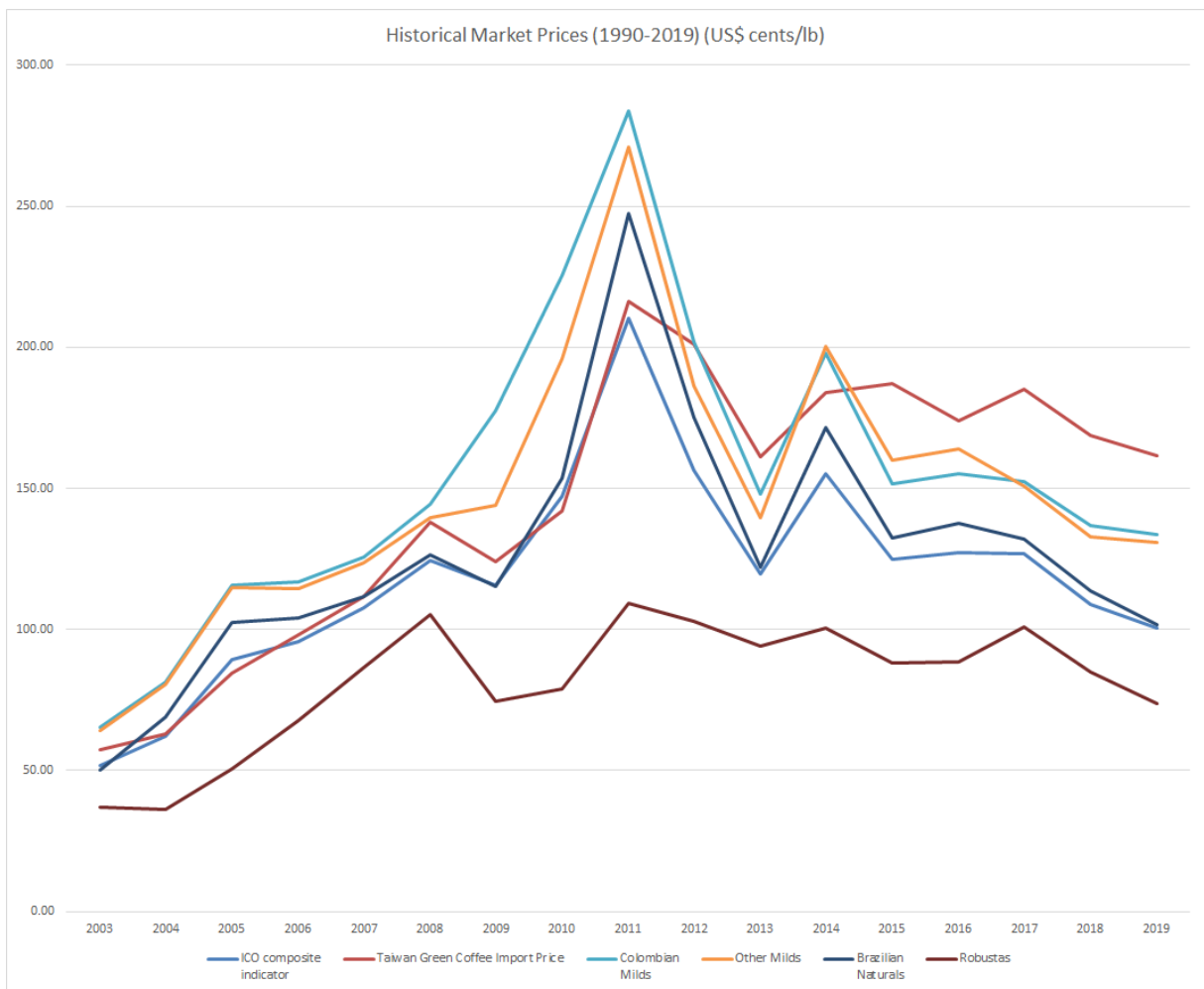
**Graph 6 - Taiwan Coffee Imports: Quality over Quantity**  
 Source: International Coffee Organization [Dataset]

Even though, it could be argued that the overall market price per pound of coffee has increased over the past decade. If we look at graph 6 above, we can see that Taiwan has been shifting its coffee purchasing patterns towards direct purchasing with coffee farmers or in online auction markets. This is evident by the higher price that Taiwanese coffee importers have paid since 2005 for their coffee imports.

Relative to the historical prices tracked by the International Coffee Organization (ICO), Taiwan has been purchasing their coffee at a much higher premium. It is evident by the higher price per pound tracked by the red line (highest price line in 2019) in graph 7 on the following page. This likely indicates that Taiwanese coffee consumption has since 2012 shifted towards the



consumption of specialty coffee. In the future, this price premium paid will only increase as many of the Arabica coffee plantations become affected by climate change and other factors that influence its supply.



**Graph 7 - Historical Market Prices (1990-2019)**

Sources: International Coffee Organization & CPT Statistics Database Query [Datasets]

### 3.3.1. Specialty Coffee in the Taiwanese Marketplace

The coffee market in Taiwan is heavily dominated by the sale of coffee at convenience stores and supermarkets. This is because Taiwan has the highest density of small convenience stores, nearly one store per every 2,304 inhabitants. Furthermore, there has been extensive growth over the past decade in coffee consumption not only from convenience stores but also the abundance of small coffee shops usually owned by qualified baristas and coffee Q-Graders. The Taipei

Economic and Trade Office reported in June 2020 that there are over 15,000 coffee shops in Taiwan (The Jakarta Post, 2020).

Taiwanese consume more than 200 coffee cups per year and fresh coffee consumption has increased by 17% to US\$520 million (Communicaffe International, 2021). Independent coffee shops continue to offer single-origin coffees from around the world, while some 10,000 mini markets offer freshly brewed coffee (The Jakarta Post, 2020). This makes Taiwan the country with the highest consumption of specialty coffee beans in the world.



## 4. Business Model Analysis

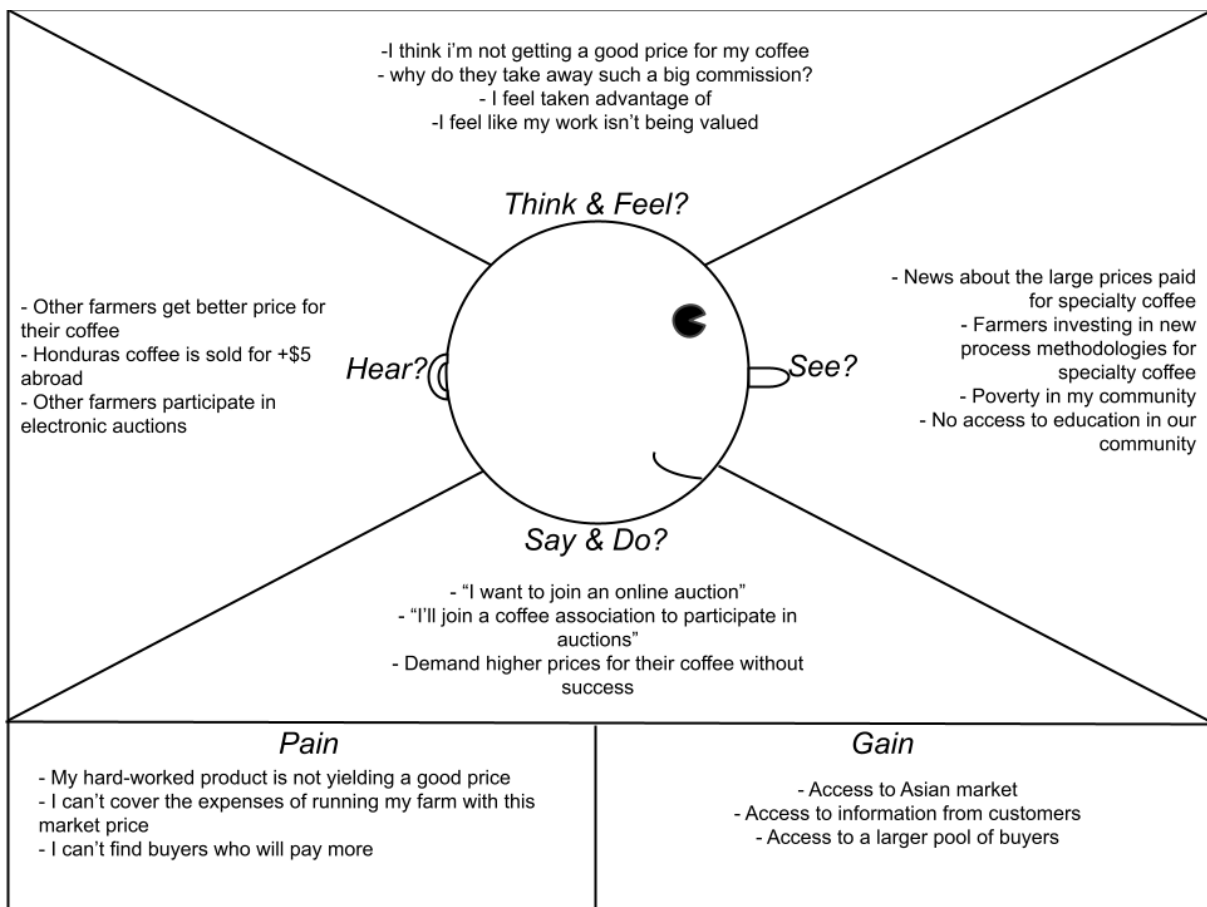
A new business or an existing business can be examined closely if presented through a business model canvas. The business model canvas presents five aspects of the business' external environment and four aspects that serve to create value for the end consumer. The following table 1 presents the different aspects of our business model canvas:

**Table 1 - CAFEX Business Model Canvas**

Key Partners	Key Activities	Value Proposition	Customer Relations	Customer Segments
1. Coffee producers and distributors 2. Honduran coffee associations 3. Honduran government agencies: IHCAFE 4. Coffee retailers in Taiwan 5. Coffee associations in Taiwan 6. Government agency for trade in Taiwan: TAITRA 7. Q-Graders around the world. 8. Logistics partners	1. Platform development 2. Transaction processing 3. Expansion planning 4. Promotion and sales online 5. Influencer advertising 6. Sales strategy development 7. International Shipping	1. Access to a year-round online market of specialty coffee from exotic places. 2. Accessibility to information about the coffee's: origin, market insights, professional ratings, & certifications. 3. Higher revenues for the producers.	1. Taiwanese Specialty Coffee retailers- in order to motivate them to buy batches of high-quality specialty coffee through us. 2. Coffee farmers- to access the most valuable beans. 3. The coffee specialists- online to create marketplace brand awareness and certify coffee batches.	1. Coffee producers in country of origin. 3. Coffee retailers at country of consumption
	<b>Key Resources</b>		<b>Channels</b>	
	1. Specialty Coffee 2. Roasting machine 3. Car and computers 4. Web hosting services and internet access 5. Human capital 6. Financial investments		1. Awareness- email, phone, & social media ad targeting. 2. Evaluation- Online marketplace. 3. Purchase- Online marketplace. 4. Delivery- Delivery services in Taiwan (711, HiLife, courier services) 5. After-Sales- Online marketplace, email, & phone.	
<b>Cost Streams</b>		<b>Revenue Streams</b>		
1. Web hosting services and development. 2. Advertising 3. Coffee grading expenses 4. Certification verification expenses 5. Administrative expenses 6. Software packages 7. Employee salaries 8. Internet access cost 9. Initial capital investment		1. Coffee producers and retailers at country of origin- coffee sales fees, and testing service. 2. Coffee retailers- "freemium" model membership fees		

## 4.1. Customer Segments

At CAFEX, our target audience are two groups within the coffee supply chain: the coffee producers, local cooperatives, and the point of contact from whom the end consumer buys the specialty coffee. These can be classified as customers at country of origin, and customers at country of consumption. Above our target customer description, found in figures 5 and 6 below describing an empathy map that better describes the experience that these customers go through while selling or sourcing specialty coffee.

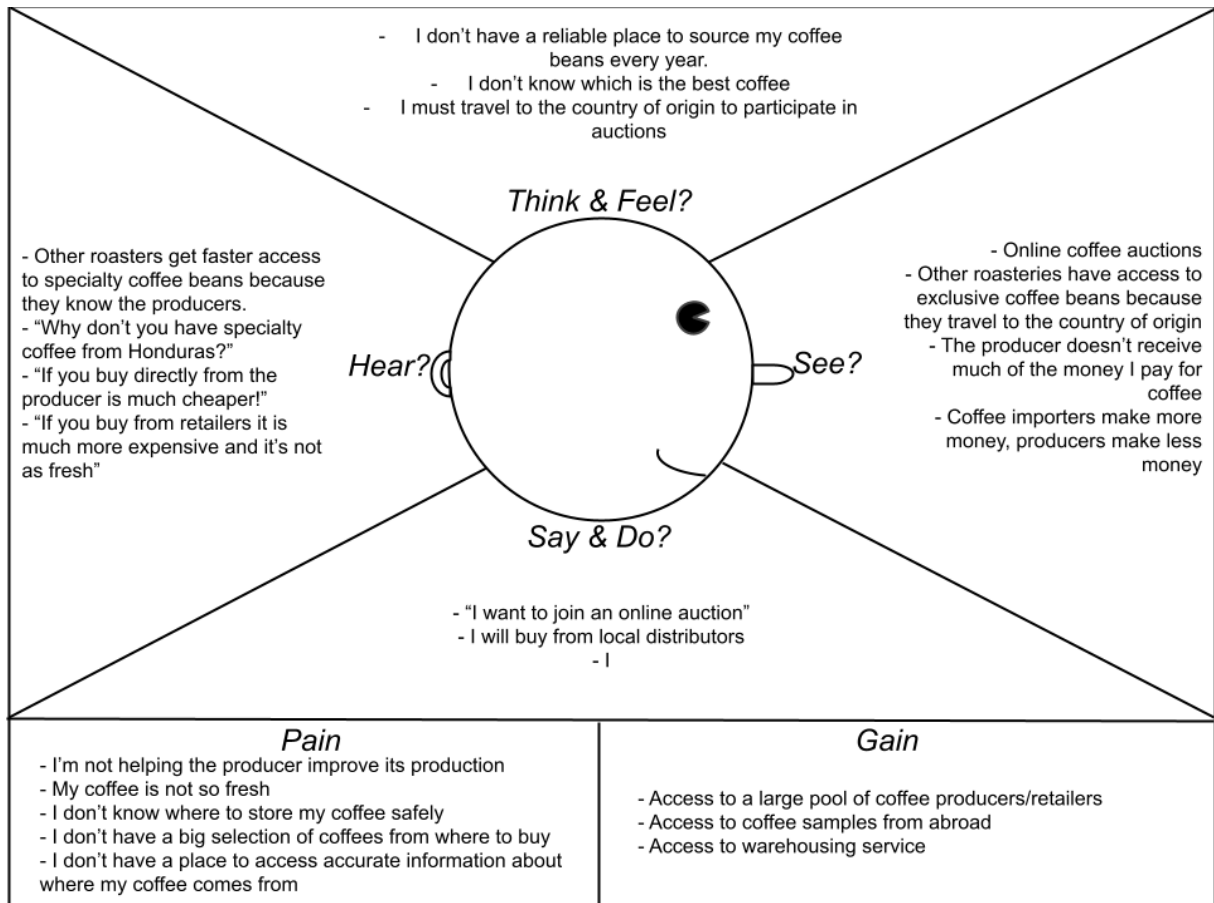


**Figure 5 - Customers at Country-of-Origin Empathy Map**

### 1. Customers at country of origin:

- a. *Coffee Producers & Local Cooperatives*: This is our main customer segment, there are more than 102,000 families in Honduras that grow coffee. They have, for a long time, received very little compensation for the coffee beans they produce. Some of them organize themselves to create cooperatives that enhances their bargaining power by having more volume of coffee available. They lack an

ongoing platform where they can offer their best beans. Our online auction marketplace aims to provide a solution for them to be able to increase their revenue for the specialty coffee that they sell.



**Figure 6 - Customers at Country of Consumption Empathy Map**

**2. Customers at country of consumption:**

- a. *Coffee Retailers Abroad:* CAFEX aims to market and sell the specialty coffee from Honduras to coffee retailers in Taiwan. These retailers have a hard time finding specialty coffee abroad because they do not know producers from abroad. They also face the trouble that they do not have detailed specifications of the coffee they are buying and where exactly does it come from. Therefore, within our platform they will be able to access information about the place of origin of the coffee, the farmer, and the coffee's quality.

## 4.2. Value Proposition

Given that we have three distinct customer segments; we will explain how our value proposition generates value for them by solving their needs. Listed below are two groups, customers at country of origin, and customers at country of consumption.

### 1. *Customers at country of origin:*

#### a. Customer Groups:

i. Coffee producers: producers that live in cities surrounded by rural areas, aged between 20-60 men/women, and they have access to internet.

b. Goal: their goal is to increase their revenues from sale of green coffee beans.

c. Needs: to find coffee buyers with a high purchasing power, to sell their coffee at the highest price possible, to have access to information from customers and feedback to improve their coffee.

d. Benefits: they will have access to a large pool of buyers, access to information about their customers and receive feedback from them.

e. Service: within the **CAFEX** online auction marketplace platform, they will have access to all the benefits above in order to increase their revenues from sale of green coffee beans.

### 2. *Customers at country of consumption:*

#### a. Customer Groups:

i. Coffee Retailers Abroad: these are the retailers at the destination country where they sell their coffee, these are 20–50-year-old men/women, they have access to internet, they sell to a select group of customers that want one thing: specialty coffee beans.

b. Goal: is to increase their revenue by reselling high-quality specialty coffee beans.

c. Needs: to have a good source of green coffee beans, to have access to information about where the coffee comes from exactly, the producers of this coffee, a place to store their beans until they are ready to use them, grading results, quality details, and specifications of the coffee beans.

d. Benefits: they have a wide selection of specialty coffees from Honduras which they can resell in their country, they will have access to ordering samples online before the auction, they will have access to information about the access to

crucial information that will allow them to sell the coffee for a higher price like origin, coffee specifications, grading by international Q-graders, and contact with coffee producers.

- e. Service: within the **CAFEX** online auction marketplace platform, they will have access to all the benefits above and increase their revenue by reselling high quality coffee beans from Honduras.

### 4.3. Channels

The channels used to communicate with our customers to persuade them to purchase specialty coffee or sell specialty coffee are focused mainly online. Our aim is to use technology to improve as many methods of our business model as we can. There are different stages of communication because there are different opportunities to communicate with our customers. The following are the different stages of the marketing funnel and the kind of channels we will use at **CAFEX** to communicate with each group of customers.

1. *Customers at country of origin:*

- a. Awareness: Google Ads, social media ads with Facebook and Instagram, and phone calls.
- b. Consideration, Intent, and Evaluation: **CAFEX** online marketplace, networking events, coffee fairs, and coffee competitions.
- c. Purchase: **CAFEX** online marketplace.
- d. Delivery: online through our **CAFEX** online marketplaces.
- e. After Sales: social media accounts, FAQ blog, customer support through phone calls.

2. *Customers at country of consumption:*

- a. Awareness: Google Ads, social media ads with Facebook and Instagram, and phone calls.
- b. Consideration, Intent, and Evaluation: **CAFEX** online marketplace, e-mail campaigns, and retargeting through online ads.
- c. Purchase: **CAFEX** online marketplace.
- d. Delivery: Delivery services in Taiwan like 7-11, Hi Life, Family Mart, and other courier services.

- e. After Sales: through social media accounts, FAQ blogs on the **CAFEX** marketplace.

#### **4.4. Customer Relationships**

At **CAFEX**, we intend to create long-lasting business relationship with our coffee producers, and as well as our buyers in Taiwan. For us to scale up our business, we plan to constantly create content that engages with each of our two customer groups: coffee producers at the country of origin and the coffee retailers at the country of consumption. Furthermore, we also plan to engage with the existing coffee community specialists and enthusiasts to strengthen our position as a specialty coffee leader. We will also create small marketing tokens like stickers and t-shirts, to engage with our customers on a more frequent basis. We place a lot of value on word-of-mouth advertising because the coffee industry is based on trust, so people tend to listen to each other's advice regarding coffee, its flavor/aroma, and quality. Therefore, we plan to take the opportunity that every interaction will be fed into big data analytics software to listen which are the biggest priorities that our customers have abroad and at home.

#### **4.5. Revenue Streams**

There are three revenue streams that we plan to implement at the beginning, with the opportunity further down the line to implement one more.

First, we plan to raise revenues by charging a 10-15% fee from each coffee sale value. These fees will vary depending on our referral activity. By targeting potential customers online through our channels of communication, we will introduce these leads to our coffee offerings on our site. Therefore, depending on if we referred the customer to the auction, we will charge a higher fee, if we didn't then we will charge a lower fee. As a rule of thumb, for any referral online we will charge a 15% fee, only reducing it to 12.5% in case the coffee sells for too low of a price. Furthermore, if we did not produce the referral, then we will lower the fee down to 10%. Only increasing it up to 12.5% if the coffee sold for a higher price than expected. In order to calculate expected pricing, we will analyze market data from other auctions and the specs of the coffee.



Our second revenue stream will come from coffee cupping (tasting) service. We will hire international Q-graders to taste our coffee and evaluate it. We will ship out coffee samples to them for a prompt assessment, and we will charge the coffee sellers for such service.

Our third revenue stream will come in the form of a “freemium” model, where the coffee retailers that buy the coffee in Taiwan will be able to access our service of access to information about the coffee for free on our platform. (*What You Should Know about Freemiums*, 2021) Furthermore, if they want lower shipping costs, access to more detailed information, access to purchase samples online before the auction, and no advertising in the platform, they will have to pay a monthly/annual membership fee that will give them access to all of this. The membership fees will start off at \$9.99/ month or \$100 per year.

Finally, we plan to include advertising in our platform after our 3 years of operation. We plan to wait some time first because we don’t want to scare out our clients. Once we implement advertising, we will make it subtle enough not to scare out our visitors, but not subtle enough to motivate those frequent visitors to acquire the membership.

#### **4.6. Key Partners**

We have three groups of partners that are essential to running our business: those that will help us grow our customer base in countries producing specialty coffee, those that will assist our operations, and those that will help us grow our customer base in countries that buy our specialty coffee.

1. Country of origin partners:
  - a. Coffee farmers and distributors: they are the most important partner for us to have a product offering for our customers abroad.
  - b. Coffee associations in Honduras: there is many coffee associations in Honduras that bring together many coffee producers, we plan to engage at all of them with as many producers as we can. They will play a very important role at the beginning as we try to grow our exposure to these customers. Some of them are AHPROCAFE, ADECAFEH, ANACAFEH, and AMUCAFE.
  - c. Government agencies: in every coffee-producing country, there are agencies that help facilitate the export of coffee abroad. We plan to create long-lasting

relationships that will help push forward their mission of exporting valuable coffee abroad. For instance, IHCAFE in Honduras.

2. Country of consumption partners:

- a. Coffee retailers: along with coffee farmers, these are our most important partners. They will be the purchasers of coffee through our portal, so we must have a good relationship with them for them to spread word-of-mouth brand awareness for us.
- b. Coffee associations in Taiwan: in Taiwan there is also many associations of coffee industry representatives, and others with coffee fanatics. These will be essential for us to build a big network of coffee buyers in Taiwan. For instance, TCA (Taiwan Coffee Association), and Coffee Quality Institute - Taiwan.
- c. Government agencies: to facilitate the import of coffee into Taiwan, we must have good relationships with the organizations that facilitate it. For instance: TAITRA.

3. Operational partners:

- a. Q-Graders: for us to test and evaluate the coffees, we are sent by the producers, we must have Q-Graders qualified by the CQI as partners to offer the cupping service for our coffees.
- b. Logistics partners: they will provide the shipping service from the country of origin to the country of destination, and furthermore to the final place at the country of origin. These will include local transport partners in Honduras, exporting agency in Honduras, Importing agency in Taiwan, and courier services in Taiwan.
- c. Legal and accounting firm: these partners will help us set up our business in Taiwan and will also help us pay taxes in Taiwan. We will need a partner in Honduras to help us set up the business over there as well and pay local taxes.

## 4.7. Key Activities

The following is a list of all the key activities we will be engaged in for the purpose of increasing our profit:

1. Operations:
  - a. Platform development and continued improvement.
  - b. Transaction clearing through payment services.
  - c. Expansion planning in Asia for buyers, and in Central America for coffee producers.
  - d. Verify certification records.
  - e. Data input into the platform.
2. Marketing:
  - a. Promotion of coffees and auction events through social media, ad targeting, and visiting coffee-related events.
  - b. Advertising our products through coffee influencers.
  - c. Developing and implementing novel sales strategies within Taiwan.
3. Logistics:
  - a. Shipping coffee from Honduras to Taiwan buyers.
  - b. Export/import processing.

## 4.8. Key Resources

For our business model to work, and provide our value for our customers, we must count with the following resources:

1. Physical: specialty coffee, small roasting machine, warehouse in Honduras, and computers.
2. Online: web hosting services, ERP software, CRM software, and internet access.
3. Human: CEO, COO, CMO, IT expert, UI/UX designer, graphic designer, sales reps (2), customer service rep, warehouse operator, community manager, administrative assistant, human resources.
4. Financial: initial capital investment.

#### 4.9. Cost Structure

Within **CAFEX**, we have a cost structure composed of fixed costs, variable costs, and initial capital investment requirement. Our initial capital investment involves setting up a warehouse/office in Honduras, setting up office in Taiwan, business registration costs in Taiwan and in Honduras, domain registration, creating the platform, purchase of coffee lab equipment, and computers. This will be enough to get us set up in the first couple of months of operation. Our fixed costs will include the web hosting and maintenance cost, employee salaries, software package fees, internet access cost, and warehouse/office rent. As for the variable costs, we have utilities, Q-grading fees, shipping fees, and advertising fees.



## 5. Marketing Plan and Sales





### 5.1. Competitor Analysis

To run a successful business, it is important that we identify and understand our competitors. This will allow us to evaluate their performance compared to ours, their products, and their marketing strategies. At CAFEX, we are competing against organizations that auction off specialty coffee. The focus of our business is to auction off coffee, and even though this is a sourcing method competing against others, we are located among the market for specialty coffee auctions. Using research done by Castellano (2020) from Perfect Daily Grind, we have analyzed the specialty coffee auction market described below.

#### 5.1.1. Competitors

Our competitors are described in the following table 2:

**Table 2 – CAFEX’s Competitors**

Company	Supplier	Customer Segment	Product / Service	Price (Estimate)	Location	Key Differentiator
 <p>ACE - Cup of Excellence Auction</p>	Coffee farmers from Comayagua, La Paz, Santa Barbara, Lempira, El Paraiso, Copan.	International specialty coffee buyers	In Honduras: specialty coffee with scores between 94.84-87.16	24-17% of sale price	IHCAFE - Honduras	<ul style="list-style-type: none"> <li>International jurors from +12 countries</li> <li>+25 sponsors</li> <li>30 coffees auctioned</li> <li>Packaged in 30 kg boxes containing 15 kg vacuum-packed bags.</li> <li>Not for profit</li> <li>Auction month: July</li> </ul>
 <p>DO “Café Marcala” Auction</p>	Coffee farmers from Marcala, La Paz, Honduras	International specialty coffee buyers	Specialty coffee from Marcala, Honduras	\$1.5 per certified 100lb sack of coffee	Online	<ul style="list-style-type: none"> <li>Denomination of origin stamp</li> <li>Not for profit</li> <li>Auction month: September</li> </ul>
 <p>Best of Honduras: Late Harvest Auction</p>	Honduran Coffee farmers selling during late harvest season in the summer	Coffee roasters from: Japan, Australia, Canada, United Emirates, Iran, Korea	Specialty coffee with scores between 90.55-85.47	13-18% of sale price	Online	<ul style="list-style-type: none"> <li>35 to 50 coffees auctioned</li> <li>Top 20 auctioned</li> <li>The rest sold as “non-auction” coffees</li> <li>Not for profit</li> <li>Auction month: July</li> </ul>
 <p>ORSIR.tw</p>	Bought at auctions in each country	Taiwanese coffee shops, and end consumers	<ul style="list-style-type: none"> <li>Specialty coffee from around the world</li> <li>Coffee equipment</li> <li>Coffee Class</li> </ul>	NT\$ 800 - 6000 per pound	Taiwan physical and online	Diversity of coffee from different origins around the world

### 5.1.2. Michael E. Porter's Five Forces

To better understand the specialty coffee industry, we have mapped out Michael E. Porter's five competitive forces in figure 7 below. This provides us with insights into the competitiveness of our business before we enter the market, and what we will face going into the market. This is a tool that helps us evaluate the bargaining power of suppliers, the bargaining power of buyers, the threat of new entrants, the threat of substitute services, and the rivalry going on among existing organizations.

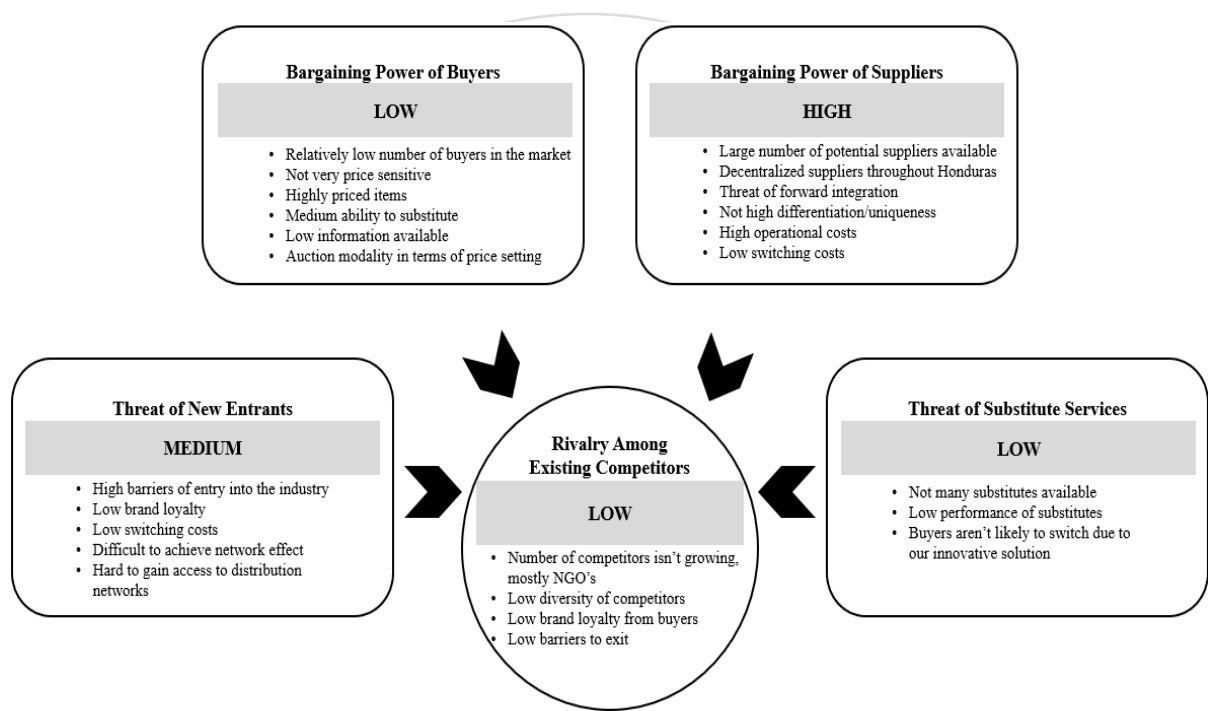


Figure 7 - CAFEX's Five Competitive Forces

### 5.2. SWOT Analysis

Following the description of the competitive forces we face going into this industry, we will now analyze the factors involved in business decision-making using a SWOT analysis. This will help us uncover recommendations and strategies by leveraging our strengths and opportunities by overcoming weaknesses and threats (Schooley, 2019).

### 5.2.1. Strengths

- The first coffee online auction marketplace for specialty coffee.
- Easy access to a large pool of buyers and suppliers.
- More competition among buyers by bidding for the value of the coffee offered by suppliers.
- More competition in the auction process results in higher revenues for the suppliers.
- Access to specialty coffees that are hard to come by.
- Higher access to information for both parties.
- Promoting sustainable agriculture practices through the sale of certified specialty coffee.

### 5.2.2. Weaknesses

- Nonexistent brand recognition among coffee buyers and sellers.
- Low experience in the export/import logistics, which are vital for the trade of coffee abroad.
- High costs of shipping.
- Lack of knowledge in the coffee industry in terms of coffee quality, relying on third parties for appraisal.

### 5.2.3. Opportunities

- Growth in the specialty coffee in Taiwan and in Asia.
- Growing need to access coffees with new flavors and aromas.
- Sustainable agriculture practices awareness among the buyers will make our coffees more attractive.
- Growth in e-commerce adaptation in Honduras, and the extensive existing e-commerce adaptation in Taiwan.

### 5.2.4. Threats

- Growth in the number of online auctions of coffee with older trajectory and more brand recognition than **CAFEX**.
- Currency fluctuations between United States Dollar, and Honduran Lempira may present a threat at the time of paying the producers.
- Shipping inefficiencies might break the trust of our customers, and since the countries involved are very far apart, this threat is very likely.
- Big national exporters.

## **6. Strategic Framework**

### **6.1. Marketing Mix**

To promote our services and product offerings to our customers, we have devised the following marketing mix that defines the actions we plan to take to tackle our pricing, product offering, promotion, and place strategic decisions.

#### **6.1.1. Services**

At **CAFEX**, we aim to provide solutions to both sellers and buyers of specialty coffee. Each of these consumer groups seek different solutions that will help them facilitate trade.

Coffee producers and small distributors in Honduras seek solutions to sell their coffee easier, faster, and with the opportunity to gain a higher valuation. Therefore, at **CAFEX** we offer these customers a platform where they can sell their coffee to a larger audience, with more frequent auctions, access to information about the buyers abroad, and lower fees than our competitors.

Coffee buyers like coffee roasters, distributors, or coffee brands, seek solutions to buy their supply of specialty coffee in a more transparent way with more access to information about the product they are purchasing with the commodity of doing it all from abroad. At **CAFEX**, we provide these customers with an online platform where they can purchase the specialty coffee beans from more frequent auctions. They will have access to more information about the seller for a membership fee. In Appendix #4, a preview of what our webpage will look like for both customer groups can be found.

#### **6.1.2. Price**

The pricing of coffee that is above commodity price is determined by the subjective value that the consumer places on coffee. This is why we plan to conduct auctions where we present detailed information about our specialty coffee offerings and its origin in order to give the bidders enough information to place bids.



In terms of our service, we plan to offer the following service and pricing for our customers:

**Table 3 - CAFEX Service Offerings**

No.	Service	Price
1	For coffee sellers: commission on sale of coffee	10-15% of sale value + packaging cost (coffee price x quantity sold = sale value)
2	For coffee sellers: coffee testing	\$50 (profit + coffee samples + shipping costs) per cupping
3	For coffee buyers: premium membership for access to information	\$9.99 per month or \$100 per year
4	For coffee buyers: auctioned coffee samples	\$20 per sample + shipping fee

We will utilize the penetration-pricing strategy among the coffee sellers in order for them to be enticed to sell their coffee using our service instead of our competitors. As our market reach grows, and we achieve network effect, we will increase the commission percentage, as we will be delivering a higher benefit for our consumers. Furthermore, we will utilize a cost-plus pricing strategy (*How to Price Your Product: 5 Common Strategies*, 2021) for the coffee testing service. We will charge the costs of shipping out samples to our Q-graders plus a \$50 markup for this service per testing. Finally, we will charge a small membership fee to the coffee buyers abroad for access to the assessment of the coffee information from the Q graders.

### 6.1.3. Place

CAFEX will have a strong presence online since most of our communication channels will be online. Our online platform will serve as an e-commerce marketplace where consumers can purchase specialty coffee and coffee producers/small retailers can sell their coffee to buyers abroad. This site will contain information about the coffee, where it comes from, quality, its farmer and their story. Furthermore, the easy user interface will make it easier for buyers to identify which coffee they wish to purchase, and all the information needed for them to make an educated decision at the time of bidding.

Customers will enter the marketplace, place bids for the coffee they want, if they win the bidding price, they will be charged online through a payment provider, then decide a delivery date they prefer, and finally receive their coffee beans on the estimated date of arrival. We will mediate the transaction by receiving the coffee at our warehouse, processing payment, taking down information, and shipping out the coffee to the buyer. Therefore, we will act as middlemen between the seller and buyer, taking a percentage from the sale value of each batch of specialty coffee sold.

CAFEX will have a warehouse in Honduras to store and dispatch coffee to its owner once the auctions are finalized. This warehouse will provide customer service to our coffee sellers who want to enter an auction. This warehouse will be located in San Pedro Sula, Honduras, in order to have fast and easy access to the shipping port (Puerto Cortes) where our coffee will be departing from. It has a 500mt<sup>2</sup> space, 2 bathrooms, parking lot, maintenance fee, and utility services (Inmobiliaria.Com, 2020). In figure 8 below, pictures of the inside and the loading dock of the potential warehouse can be found.



**Figure 8 - CAFEX's Potential Warehouse**  
Source: Inmobiliaria.com

#### **6.1.4. Promotion**

CAFEX will utilize online promotion strategies to advertise our services, enhance our public relations with the community, government agencies, and coffee enthusiasts. Online, there are many channels of communication that we will utilize to communicate with these stakeholders.

Our approach will be that of a pull strategy, where we plan to attract customers towards our brand and our specialty coffee offerings. The following segments define our promotional mix based on the channels that we plan to use to connect with our target audience.

## **Website & APP**

Our website and APP will be the most important way for us to communicate with our target audience and the coffee enthusiast community. It will serve to advertise our products, develop beneficial public relations, and foster any sponsorship opportunities. Furthermore, this is the official channel through which our target audience abroad will be able to communicate with us and purchase from us. The following are the most important features of our website:

### ***Auctions***

This is the most important aspect of our organization. Through auctions, we plan to increase the perceived value of these specialty coffees, driving up the price for the benefit of the producers and our organization. In this tab, the users will find one auction per month when they can find the coffees that they're looking for. The bid price will increase in \$0.10 increments per bid. We will notify our bidders when their bid was defeated by a higher bid in order to lure them back to our site to place a new bid. The auctions will be conducted one by one in order to have as much audience as we can for each one.

### ***Sell Coffee***

In this section, the sellers will have a dashboard where they can track how their auctioned coffee is performing, their previous sales, their earned compensation, a withdrawal section, and information about the bidders. This will be useful for them to track their performance over time. This way they will devise to increase the production of coffees that perform much better for them.

### ***Membership***

In the membership section, customers abroad will be able to sign in and access a dashboard with information about their ongoing auction bids, their bidding history, order samples, and a personalization area where they can set up the kind of coffee that they're looking for.

## Social Media

We plan to use the power of social media to reach our customers wherever they are in the world. We will use Facebook, Instagram, and LINE to promote our products. These platforms will be used to educate our potential customers as well, in order to cement our industry knowledge in the form of small and digestible facts about our coffee and the coffee industry in general. Furthermore, our customer service will use these channels to communicate with our clients as well. This is a much faster way to solve any small questions they may have instead of calling directly to our offices. Finally, we will launch our advertising campaigns through our social media channels.

## Influencers

Nowadays, one of the best and most used ways to reach customers is through the use of influencers. We will hire influencers within the world of coffee that can share posts, reviews, and unboxing experiences with coffee. We plan to share with them samples provided by the seller, with shipping expenses paid for by CAFEX.

## Word-Of-Mouth Referrals

Within our website & APP, we will have a referral page where users can use their unique code to invite their friends and acquaintances in the coffee industry to visit our webpage and either sell or buy coffee. Once they have sold or bought coffee successfully, the person who referred them to our website will gain either a discount on their next sample purchase in the case of coffee buyers or a discount on their coffee testing service for the coffee sellers. Our incentives are summarized in the following table 4:

**Table 4 - Referral Incentive Program**

Referral Incentive Program	Coffee Suppliers	Coffee Buyers
Referred one person to sign up, and placed a bid (or offer a batch of coffee)	15% discount next coffee testing service (valid for one test)	15% discount next coffee sample order (valid for one sample set)
Referred one person to purchase the membership	Free souvenirs like hats, t-shirts, pens, drink sleeves, or coffee mug.	10% discount on their membership price

## **Search Engine Optimization (SEO)**

To drive traffic into our site, we will utilize search engine optimization techniques that will drive our competitiveness in the coffee market. First, our software developer team will make our website readable for search engines. Then, we will create compelling content that answers the most relevant questions that coffee buyers ask through search engines. We will include relevant keywords to fit in that content that we will post on our website and social media channels. Finally, the content that we publish will be share-worthy for our customers. For instance, top 5 or top 10 lists, exclusive pictures, or diagrams, etc. (Moz, 2021)

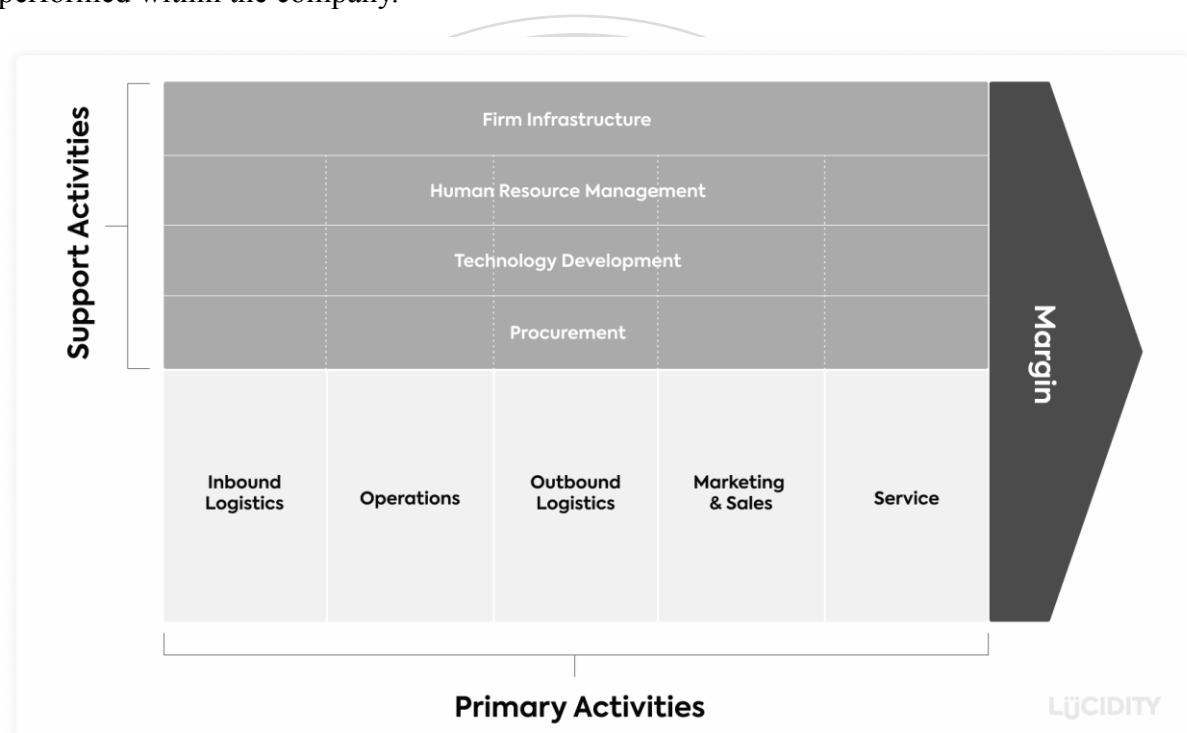
### **6.1.5. Competitive Advantage**

At CAFEX, our competitive advantage entering this industry is two-fold:

1. *Customer Service*: we plan to deliver the specialty coffee to our customers abroad on time and the payment for these to our local customers as soon as the shipment has been received. Furthermore, within our website we plan to have a reviews section where customers can rate their experience when buying from a farm, farmer, and a specific coffee lot they acquired. We will use this feedback to improve our platform, prioritize our offerings, and deliver more value to our coffee suppliers with this valuable feedback.
2. *Social Awareness*: our business philosophy of sustainable agriculture and socio-economic development aims to, not only, help the poorest communities within the coffee industry, but also to set ourselves apart from other coffee retailers that have different priorities. This will show the world that we have the ability to empathize specially with those who have been treated unfairly within the industry, motivate our team to be leaders who can make a change in the world, and create a more inclusive community around specialty coffee.

## 7. Operational Plan

To understand better how **CAFEX** creates value and what it cost to create it, we used the following Porter’s value chain map on figure 8 (*Guide to Porter’s Value Chain*, 2021). It is divided into two areas: primary activities and support (secondary) activities. The primary activities are inbound logistics, operations, outbound logistics, marketing & sales, and service. The support activities are procurement, infrastructure, HR management, and technology development. The following sections describe in detail how each of these activities will be performed within the company.



**Graph 8 - CAFEX's Value chain**

### 7.1. Primary Activities

These activities will develop the creation of value within **CAFEX** and will also showcase our competitive advantage. They include the following:

#### 7.1.1. Inbound Logistics

##### *Testing, Collection & Storage*

Coffee suppliers will first bring their specialty coffee samples to our warehouse, where they

will be tested for by our in-house Q-grader. This person will assess the quality, evaluate damages in the coffee, and produce a report that details the reasons why or why not will the coffee be collected.

Once the coffee has been tested, and approved for collection, the collection procedure will begin. All the coffee beans will be shipped to our warehouse, at the expense of the producer, then stored. This process will require 2-5 business days.

### **7.1.2. Operations**

#### ***Assessment***

Once the coffee is admitted for storage, the quality of the coffee will be further assessed by some independent Q-graders (most likely international). This process will take 2-3 weeks until their scores come in. Q-graders will receive samples with a unique code, the process applied to the coffee, altitude, and roasting specifications. They will not have access to more specific information about the coffee, in order to reduce any implicit bias.

Our Assessment team will also check for certifications awarded to the farm for the sale of their coffee. Such certifications include Fair Trade, Bird-Friendly by Smithsonian, USDA Organic, and UTZ. This information will be posted online along with the auction posting.

#### ***Sign-up***

To participate in one of our auctions, the user must first sign up into our portal. They will add their personal information, submit a profile picture, and a valid form of ID. They must agree to pay a penalty charge of 25% of the sale price plus any fees incurred in case they fail to make payment. Furthermore, they must then submit a “bank letter of payment guarantee” along with the appropriate credit card authorizations for international bidders. This will allow us to put a hold on the credit card for their bid. In case they win, we will hold the amount until the payment is received from their bank.

#### ***Posting Online***

Once all their testing scores come in, the web designer will add this coffee online with an



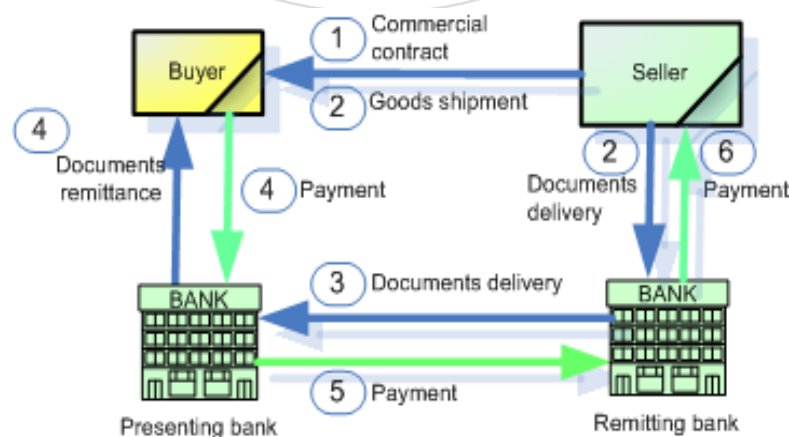
auction date set. This date can be auctioned along with other coffees on the same date or auctioned on its own date. The coffee will remain stored in our marketplace until that date.

**Auction**

Before gaining access to the auction, the buyer will select a delivery option: either CIF + last mile delivery or FOB. The auction starting price will be set to the current market price at the date of the auction. For instance, on June 24th, 2021, the current market price for the July 2021 futures contract was \$1.5225/lb. (*ICE Futures Coffee: ICE Futures Futures Quotes and Market Prices, 2021*). Following this, the minimum bid amount in price per pound of the batch being auctioned off will be \$0.10/lb. The auction will take place at a specific time, and it will last for 1hr, with an extension of 5 minutes in case bidding is still ongoing towards the end of the auction. Bidders will have their payment option locked in with their last bid, so that we make sure the last bidder is the one officially receiving the coffee and paying for it. Once the auction is done, the last bidder will receive a notification in the system online that their coffee is pending for delivery. They will also receive an email with delivery details and the option to delay delivery until a specific date for an agreed-upon warehousing rate.

**Payment**

After the auction, the buyer will receive delivery information along with an invoice to be paid through “Cash Against Documents” form. In this method of payment, the buyer will first receive a commercial contract to be signed and sent back. Once the contract has been received,



**Graph 9 - CAFEX's "Cash Against Documents" Payment Diagram**



the goods will be shipped, and the documents (invoice and bill of landing) will be sent to our bank. Our bank will proceed to send the documents to the buyer's bank. After, the buyer will proceed to make the payment to their bank in exchange for the import documents. The payment will then be sent to our bank and deposited in our account. The coffee seller will then receive the payment after the deduction of our commission fee and any other charges the supplier owes CAFEX like testing services payable. Figure 9 on the previous page explains in detail how the payment between the buyer abroad and our sellers will look like (*Cash against Documents - Manage Risk in Export Business*, 2017).

### 7.1.3. Outbound Logistics

#### *Packaging*

After the auction, the coffee will be prepared for shipping in GrainPro bags like the one in figure 9 below (*GrainPro Bag Zipper*, 2020). According to regulations described in CBI Foreign Affairs (2020), GrainPro bags are often used for exporting specialty coffees. Depending on the size of the batch sold, it will be packaged in either:

- Small - 15 kg (33lb)
- Medium - 25-30 kg (55-66lb)
- Large - 69 kg (152lb)



**Figure 9 – GrainPro Bag**  
Source: GrainPro.com



**Figure 10 – Saco de Yute**  
Source: Amazon.com

We will also offer the opportunity to buy burlap bags with a design from **CAFEX** with the details of the coffee, the farmer, and the farm. The burlap bags (or “saco de yute in spanish) will cost an extra \$5 per bag. A sample of the burlap sack can be observed in the following figure 9. (Beneficio Santa Rosa, 2015)

### ***Shipping***

Later, the specialty coffee batch will be shipped. If the buyer selected FOB, the packaged beans will be delivered to our closest port (Puerto Cortes, Cortes, Honduras) or if the buyer contracted air freight, then we will deliver to the shipping airline office. If the buyer selected CIF, we will take responsibility for transporting the coffee beans. We will provide an invoice with the cost of shipping, insurance, inspection costs, and freight.

Last mile delivery will be provided by a third-party logistics provider in Taiwan. They will be contracted to deliver from the shipping port to the client’s delivery address. The logistics partner will be MENQ Logistic Group (MENQ, 2013), which is based in Taipei, Taiwan.

## **7.2. Supporting Activities**

### **7.2.1. Licenses and Certifications**

To successfully import and export goods we need to count with import and export licenses in both Honduras and Taiwan. For the Taiwan “International Import Certificate” we will apply to the Bureau of Foreign Trade. Since it is not a high-tech commodity the ease of gaining this license must be relatively low. With respect to Honduran requirements for export we will request a certificate of export from the OIC alongside other documents like the certificate of origin form “O” from the IHCAFE (Evelyn Rivera, n.d.).

### **7.2.2. Human Resource Management**

To ensure smooth operations, a high retention rate, and a thriving entrepreneurial culture, we plan on hiring talent that will be compensated in line with industry standards and with perks like group life insurance, retirement fund, company sponsored lunches, coffee, and continued education.

At **CAFEX**, we believe that continued education is a right of every employee. Therefore, we will be providing our employees with learning and development opportunities where they will be able to improve their skills and gain further knowledge in the coffee industry. As part of their onboarding, all the administrative staff will be required to gain their Q-grader certification within the first year of employment.

### **7.2.3. Customer Service Management**

At **CAFEX**, we seriously aim to maintain strong relationship with our customers abroad and our customers at home. In order to do this, we have designed a set of responsibilities for the customer service agent (team in the future) to handle:

1. Reach out to customers and help on any issues they may be experiencing. If there are no issues at hand, proactively discuss the following steps either a future purchase or a future sale.
2. Create and maintain a “self-help” knowledge base portal for our customers with dynamic videos, FAQ’s answers, and instructions to navigating customer-specific purchase or sales journeys.
3. Keep track of all common requests and feedback from customers.
4. Seeking help from other departments in case the issues discussed are difficult, and promptly creating a bug report after each instance.
5. Following up on customers who reached out to report bugs, requested any special features, or left reviews on the site.
6. Up-selling and cross-selling when appropriate.
7. Help with customer on-boarding.
8. Tracking customer satisfaction and generate reports for the managers.
9. Create and maintain relationships with key people in other departments who will assist with troubleshooting.

We will use a CRM tool that will assist our customer service team to connect through different channels with our customers and will be able to draw more valuable insights for the managers to utilize in their decision-making process. We chose HubSpot as our chosen CRM online platform to start with their “Starter CRM Suite” bundle. It includes the handling of 1000

marketing contacts, 2 sales hubs, 2 service hubs, and 2 operations hub starter. Within each of these paid user access to these hubs, they will have access to many more tools that will assist in their day-to-day tasks. Some of the KPIs we intend to track from our customer service team in order to track their performance will be:

1. Customer satisfaction rate.
2. Average first response time.
3. Average issue resolution time.
4. The number of knowledge-based articles they have written.
5. The number of demos and their customer conversion rate.
6. The number of additional upsells and cross-sells that they complete.

#### **7.2.4. Technology Development**

##### **Marketplace Platform Development**

First, we will purchase a domain name for our website: “thecafex.com” from GoDaddy.com. We will purchase the domain along with web-hosting service for \$19.99/month, according to prices from (*Web Hosting | GoDaddy SG*, n.d.). This will include increased processing and speed, unlimited websites, unlimited storage, unlimited databases, unmetered bandwidth, professional email, and security socket layer for all our sites. Furthermore, we also plan to purchase a customized marketplace built for our specific needs. The following table 5, created with data from *Pranjic (2021)* and (*Web Developer Average Salary in Taiwan 2021 - the Complete Guide, n.d.*), detail the time and cost in US\$ and NT\$ for the development of our marketplace website.

**Table 5 – Estimated cost of building a website in Taiwan**

<b>Estimated cost of building a marketplace website in Taiwan</b>			
<b>Features</b>	<b>Time, hours</b>	<b>Cost, \$24.73/hour</b>	<b>Cost, NT\$690/hr</b>
UX/UI Development	42	\$1,039.00	NTD 28,980.00
Authorization and Security	72	\$1,781.00	NTD 49,680.00
User Profiles	42	\$1,039.00	NTD 28,980.00
Home page	84	\$2,077.00	NTD 57,960.00
Search and filters	96	\$2,374.00	NTD 66,240.00
Product page	42	\$1,039.00	NTD 28,980.00
Reviews & ratings	48	\$1,187.00	NTD 33,120.00
Shopping cart	64	\$1,583.00	NTD 44,160.00
Payments	42	\$1,039.00	NTD 28,980.00
Notifications	32	\$791.00	NTD 22,080.00
Buyer panel	120	\$2,968.00	NTD 82,800.00
Vendor panel	164	\$4,056.00	NTD 113,160.00
Admin panel	124	\$3,067.00	NTD 85,560.00
<b>Total</b>	<b>972</b>	<b>\$24,038.00</b>	<b>NTD 670,680.00</b>

## 8. Management and Organization

### 8.1. Company Ownership

CAFEX will be registered as a Limited Liability Corporation (LLC) in Taiwan and as a branch office in Honduras. Opening an LLC in Taiwan will open opportunities for us to apply to any government subsidies that we are eligible for. For instance: The Taiwan SMEs Innovation Award, Business Startup Award, National Development Fund Startup Angel Project, and the Taipei City Industry Incentive Subsidy Project.

Our LLC will have the following requirements and benefits:

1. No minimum capital requirements.
2. Permission for business, import and export.
3. Statutory audit and annual tax.
4. Enterprise Income tax on distributed earnings of 20%.
5. Enterprise Income tax of 17%.
6. Business bank account.
7. Physical office.

CAFEX will be owned by 3 partners when setting up the company and only adding partners when they make large financial contributions, indispensable know-how contributions, access to a large market, or buying off an existing partner. These three initial partners will be the CEO, COO, and CMO who will not earn pay from the company during the initial 3 years of the company.

In Honduras, CAFEX will register a branch office to start-up operations. It requires a US\$1,300 minimum share capital. We will set up a corporate bank account in BAC Credomatic. Corporate tax rate on annual net profits will be of 25%, and a sales tax of 15%. This branch will be in charge of handling all the export of coffee abroad.

CAFEX will hire the following start-up personnel described in table 6:

**Table 6 – CAFEX’s Startup Personnel**

<b>Position</b>	<b>#</b>	<b>Functions &amp; Responsibilities</b>
Chief Executive Officer (CEO)	1	<ul style="list-style-type: none"> <li>- Define the strategic direction of <b>CAFEX</b>.</li> <li>- Attend any public appearance that will enhance the image of our company.</li> <li>- Create a business network that will generate new leads in strategic groups of interest in Honduras and Taiwan.</li> <li>- Act as CFO for the company until one can be hired.</li> <li>- Supervise all the department heads.</li> <li>- Innovate and take educated risks.</li> </ul>
Chief Operations Officer (COO)	1	<ul style="list-style-type: none"> <li>- Manage the Honduran Branch until a branch manager can be appointed.</li> <li>- Execute <b>CAFEX</b>'s business plan.</li> <li>- Establish KPI's for each department of the company.</li> <li>- Maintain strong relationships with coffee producers and small distributors in Honduras.</li> <li>- Establish troubleshooting paths that will help solve operational problems with the respective points of contact.</li> <li>- Identify and solve bottleneck issues in our supply chain.</li> <li>- Innovate and take educated risks.</li> </ul>
Chief Marketing Officer (CMO)	1	<ul style="list-style-type: none"> <li>- Manage the Taiwan branch operations until a branch manager can be appointed.</li> <li>- Execute the business plan's marketing approach.</li> <li>- Establish fruitful relationships with key opinion leaders with the coffee community in Taiwan.</li> <li>- Oversee planning, development and execution of <b>CAFEX</b>'s marketing and advertising initiatives.</li> <li>- Deliver strong growth numbers in both Honduras and Taiwan.</li> <li>- Manage social media accounts for country of consumption.</li> <li>- Innovate and take educated risks.</li> </ul>
IT Engineer	1	<ul style="list-style-type: none"> <li>- Make sure systems are running smoothly and continually make checks.</li> <li>- Troubleshooting for customer service representatives when they face customer complaints related to the system's operations.</li> <li>- Innovate and take educated risks.</li> </ul>
UI/UX Developer	2	<ul style="list-style-type: none"> <li>- Develop the online marketplace and app for iOS and Android.</li> <li>- Generate innovative solutions to include in our website and APP that will create value for our customers.</li> <li>- Align business and marketing goals to the technology at hand.</li> <li>- Innovate and take educated risks.</li> </ul>
Graphic Designer	1	<ul style="list-style-type: none"> <li>- In charge of all the art-related work within our organization.</li> <li>- Deliver projects related to advertising and marketing to the CMO.</li> <li>- Innovate and take educated risks.</li> </ul>
Sales	2	<ul style="list-style-type: none"> <li>- Generate, maintain, and improve sales pipeline.</li> <li>- Meet customers in Honduras and in Taiwan.</li> <li>- Have deep knowledge in the world of coffee and interpersonal relationships.</li> <li>- Innovate and take educated risks.</li> </ul>



Customer Service	1	<ul style="list-style-type: none"> <li>- Respond to any feedback or inquires received from customers on any of our communication channels.</li> <li>- Generate surveys that will generate valuable information about our company from our customers.</li> <li>- Innovate and take educated risks.</li> </ul>
Warehouse Operator	1	<ul style="list-style-type: none"> <li>- Manage inbound and outbound inventory.</li> <li>- Maintain an accurate and up-to-date log of pending shipments to be received or shipped to our customers.</li> <li>- Package coffee while maintaining its quality.</li> <li>- Innovate and take educated risks.</li> </ul>
Community Manager	1	<ul style="list-style-type: none"> <li>- Work with the CMO to attend the needs of our community of coffee sellers in Honduras.</li> <li>- Manage social media accounts for country of origin.</li> <li>- Innovate and take educated risks.</li> </ul>
Administrative Assistant	1	<ul style="list-style-type: none"> <li>- Attend phone calls.</li> <li>- Communicate frequently with the Honduras office.</li> <li>- Keep track of all the service providers used by different company departments.</li> <li>- Keep close relationships with third-parties that help our operations run smoothly.</li> <li>- Innovate and take educated risks.</li> </ul>
Human Resources Manager	1	<ul style="list-style-type: none"> <li>- Develop on-boarding manuals.</li> <li>- Handle employee inquiries.</li> <li>- Present new information for our employees regarding their benefits and compensation.</li> <li>- Design and implement continued education materials.</li> <li>- Innovate and take educated risks.</li> </ul>
Q- Grader	1	<ul style="list-style-type: none"> <li>- Tasting coffee samples and grading them.</li> <li>- Maintain close relationships with international Q-graders.</li> <li>- Innovate and take educated risks.</li> </ul>

We will be outsourcing our accounting needs to a service provider. Furthermore, we will also hire service providers for lawyers, cleaning services, and maintenance.



## **9. Financial Plan**

CAFEX's startup costs include the initial development of our online marketplace, web hosting service, small coffee roasting machine, warehouse rent in Honduras, office space rent in Taiwan, computers, ERP software, CRM software, internet connection in Honduras and Taiwan, and initial hiring of staff.

### **9.1. Costs and Expenses**

CAFEX will incur in three types of costs that will affect the company's finances: capital expenditures related to establishing the company, direct costs coming from the sale of our services, and indirect costs that come from the operation of the company.

#### **Capital Expenditures**

Capital expenditures for CAFEX will be those costs related to acquiring fixed assets, to rent a warehouse/office in Honduras, and to rent an office in Taiwan. These are allocated as fixed assets following Taiwan's prevailing accounting laws. The expenditures are subdivided as follows:

#### **Equipment**

In terms of equipment, we will have capital expenditures related to setting up a small laboratory for testing coffee in the Honduras warehouse, Honduras office equipment costs, and Taiwan office equipment. More details can be found in table 7 below.

**Table 7 – CAFEX’s Equipment CAPEX**

<b>Purpose</b>	<b>Equipment Name</b>	<b>Qty</b>	<b>Per Unit Cost</b>	<b>Total Cost</b>
Coffee Lab Testing	Agratonix Coffee Moisture Tester Model 08150	1	\$ 262.95	\$ 262.95
	Mini Coffee Huller Machine	1	\$ 1,010.27	\$ 1,010.27
	Coffee Bean Grinding Sieve Set Full 10-20	1	\$ 925.00	\$ 925.00
	ROEST Coffee roaster	1	\$ 6,100.00	\$ 6,100.00
	BUNN 1-pound Bulk Coffee Grinder	1	\$ 964.43	\$ 964.43
	Hamilton Beach Electric Tea Kettle, Water Boiler & Heater	1	\$ 24.29	\$ 24.29
	Tonino Coffee Roast color Meter	1	\$ 915.81	\$ 915.81
	HARIO V60 Drip Station	1	\$ 59.49	\$ 59.49
Honduras Office	Desks	5	\$ 120.00	\$ 600.00
	Office Chairs	5	\$ 60.00	\$ 300.00
	Table	3	\$ 120.00	\$ 360.00
	File Cabinet	2	\$ 200.00	\$ 400.00
	TP-Link WiFi 6 Router AX1800 Smart WiFi Router	1	\$ 89.99	\$ 89.99
	Telephone	2	\$ 50.00	\$ 100.00
	ASUS ExpertBook P2451 Thin & Light Business Laptop, Intel Core i7	7	\$ 649.99	\$ 4,549.93
Taiwan Office	ASUS Expert/book P2451 Thin & Light Business Laptop, Intel Core i3	8	\$ 999.99	\$ 7,999.92
	Office Stationery	1	\$ 200.00	\$ 200.00
<b>TOTAL</b>				<b>\$ 24,862.08</b>

## Licensing

In Honduras, CAFEX will incur in the following costs, described in table 8, pertaining to starting a business in Honduras, complied with data from (*Explore Economies*, n.d.):

**Table 8 – CAFEX’s Honduras Licensing CAPEX**

No.	Procedure	Associated Cost
1	Pay the initial capital and obtain the certificate of deposit at a local bank. (Mercantile Registry requires at least HNL 5,000 of startup capital.)	HNL 150
2	Establish the company online through “Mi empresa en linea” government website and filed to the Chamber of Commerce.	HNL 525
3	File the articles of incorporation with the Mercantile Registry at the Chamber of Commerce	HNL 206
4	Apply for the tax identification code (RTN)	HNL 0
5	Register with the local and national Chambers of Commerce	HNL 590
6	Apply for a zoning certificate at the Municipal Authority	HNL 200
7	Apply for an operational permit at the Municipality	HNL 1,250
8	Register for sales tax	HNL 0
9	Register at Social Security Institute	HNL 0
10	Register at the Professional Training Institute	HNL 0
11	Register at Social Housing Fund	HNL 0
12	Exporting permit cost (Evelyn Rivera, n.d.).	HNL 256
13	Certificate of Origin Form A	HNL 54
14	Phytosanitary and Zoosanitary	HNL 0
SUBTOTAL (HNL)		HNL 3,487
<b>TOTAL (HNL/US\$=0.042)</b>		<b>US\$ 146.46</b>

In Taiwan, **CAFEX** will incur the following costs when setting up our business, compiled with data from (*Explore Economies*, n.d.) in table 9:

**Table 9 – CAFEX’s Taiwan Licensing CAPEX**

No.	Procedure	Associated Cost
1	Use the online platform to complete pre-registration inquiry and reservation of company name, file applications for incorporation, taxation registration, labor insurance, national health insurance, labor pension contributions and submission of corporate work rules.	NT\$ 1,150
2	Make a company seal	NT\$ 500
3	Submit a CPA audit report showing that the amount of capital invested can cover company establishment cost	NT\$ 5,000
SUBTOTAL (NT\$)		NT\$ 6,650
<b>TOTAL (NT\$/US\$=0.036)</b>		<b>US\$ 239.4</b>

### 9.1.1. Direct Costs

The direct costs incurred by **CAFEX** include the direct labor costs that represent the cost of services sold to our customers. However, we will be employing a team in Honduras and another team in Taiwan. Therefore, we have detailed all the employment costs that represent both teams. Note that founders will not receive compensation during the first 3 years of the company. The wage of each hired staff member will be based off the average price for their position in the country they are located at.

Per the Honduran labor laws, there are five extra costs that the employer must pay for the employee every year. These include a bonus of 8.33% of the annual pay, a 14th month of pay of 8.33%, vacations pay of 2.77%, social security institute fee of 8.5%, national institute of professional development fee of 1%, and social housing fund fee of 5.5%. Assuming an exchange rate of HNL/US\$ = 0.042, the Honduras team salaries and other liabilities payable are detailed in table 10 below:

**Table 10 – CAFEX’s Honduras Payroll Costs**

<b>Honduras Payroll Costs</b>											
No	Position	Qty	Monthly Salary	Annual Salary	Bonus (8.33%)	Catorceavo (8.33%)	Vacations (2.77%)	IHSS (8.5%)	INFO P (1%)	RAP (5.5%)	Yearly Cost
1	Salesperson	1	40,000	480,000	39,984	39,984	13,296	40,800	4,800	26,400	645,264
2	Warehouse Operator	1	12,000	144,000	11,995	11,995	3,989	12,240	1,440	7,920	193,579
3	Community Manager	1	24,000	288,000	23,990	23,990	7,978	24,480	2,880	15,840	387,158
4	Q-Grader	1	59,975	719,700	59,951	59,951	19,936	61,175	7,197	39,584	967,493
SUBTOTAL (HNL)			135,975	6,526,800	543,682	543,682	180,792	554,778	65,268	358,974	8,773,977
<b>TOTAL (US\$)</b>			<b>5,711.0</b>	<b>274,125.6</b>	<b>22,834.7</b>	<b>22,834.7</b>	<b>7,593.3</b>	<b>23,300.7</b>	<b>2,741.3</b>	<b>15,076.9</b>	<b>368,507.0</b>

During years 1 to 3 of operations, we expect to incur the following salaries and other liabilities payable adjusted for inflation detailed in table 11 below:

**Table 11 – CAFEX’s Honduras Payroll Costs YoY**

<b>Honduras Payroll Year-Over-Year</b>						
No	Position	Qty	Year 1	Year 2	Year 3	
1	Salesperson	1	645,264.0	667,654.7	690,822.3	
2	Warehouse Operator	1	193,579.2	200,296.4	207,246.7	
3	Community Manager	1	387,158.4	400,592.8	414,493.4	
4	Q-Grader	1	967,492.7	1,001,064.7	1,035,801.7	
SUB TOTAL (HNL)			8,773,977.2	9,078,434.3	9,393,455.9	
<b>TOTAL (US\$)</b>			<b>368,507.04</b>	<b>381,294.24</b>	<b>394,525.15</b>	
Inflation rate		3.47%	Exchange Rate(HNL/US\$)		0.042	

Insurance premiums in Taiwan for our employees in the Taiwan office, given that they're Category 1 employees according to the Ministry of Health and Welfare (2021) is calculated by the following formula:

$$\text{Insurance Premium} = \text{Salary basis} \times \text{insurance premium rate} \times \text{contribution ratio} \times (1/\# \text{ of dependents})$$

The applicable insurance premium rate for our category of employees has been fixed at 4.69% by the NHI since 2016, with an average number of dependents of 0.58. Overtime pay has been calculated using an average 5hrs per week of overtime work.

Assuming an exchange rate of NT\$/US\$ = 0.036, the Taiwan team salaries and other liabilities payable are detailed in table 12 below:

**Table 12 – CAFEX’s Taiwan Payroll Costs**

Taiwan Payroll Costs									
No	Position	Qty	Monthly Salary	Hourly Rate (8hrs/day)	Annual Salary	Insurance Premium	Overtime working hours per month	Overtime salary	Yearly Cost
1	IT Engineer	1	62,432.0	390.2	749,184.0	35,136.7	20.0	5,202.7	789,523.4
2	UI/UX Designer	2	90,000.0	562.5	2,160,000.0	101,304.0	20.0	7,500.0	2,268,804.0
3	Graphic Designer	1	91,009.0	568.8	1,092,108.0	51,219.9	20.0	7,584.1	1,150,911.9
4	Salesperson	1	82,300.0	514.4	987,600.0	46,318.4	20.0	6,858.3	1,040,776.8
5	Customer Service Rep	1	35,284.0	220.5	423,408.0	19,857.8	20.0	2,940.3	446,206.2
6	Administrative Assistant	1	70,400.0	440.0	844,800.0	39,621.1	20.0	5,866.7	890,287.8
7	HR Manager	1	80,618.0	503.9	967,416.0	45,371.8	20.0	6,718.2	1,019,506.0
SUB TOTAL (NT\$)			512,043.0	3,200.3	7,224,516.0	338,829.8	140.0	42,670.3	7,606,016.1
TOTAL (US\$)			18,433.5	115.2	260,082.6	12,197.9	140.0	1,536.1	273,816.6

During years 1 to 3 of operations, we expect to incur the following salaries and other liabilities payable adjusted for inflation detailed in table 13 below:

**Table 13 – CAFEX’s Taiwan Payroll Costs YoY**

<b>Taiwan Payroll Year-Over-Year</b>					
No.	Position	Qty	Year 1	Year 2	Year 3
1	IT Engineer	1	789,523.4	796,629.1	803,798.8
2	UI/UX Designer	2	2,268,804.0	2,289,223.2	2,309,826.2
3	Graphic Designer	1	1,150,911.9	1,161,270.2	1,171,721.6
4	Salesperson	1	1,040,776.8	1,050,143.8	1,059,595.1
5	Customer Service Rep	1	446,206.2	450,222.0	454,274.0
6	Administrative Assistant	1	890,287.8	898,300.4	906,385.1
7	HR Manager	1	1,019,506.0	1,028,681.5	1,037,939.7
SUB TOTAL (HNL)			7,606,016.1	7,674,470.2	7,743,540.4
<b>TOTAL (US\$)</b>			<b>273,816.6</b>	<b>276,280.9</b>	<b>278,767.5</b>
	Inflation rate	0.90%	Exchange Rate(NT\$/US\$)		0.036

### 9.1.2. Indirect Costs

At CAFEX, we expect to incur the following indirect costs which are not associated to the sales activities. However, these will help support the smooth operation of our activities. Our indirect costs include office space rental in Honduras and Taiwan, estimated administration overheads in Honduras (the Taiwan office will be located in a shared space office with administration overheads charged along with the rent cost), packaging costs, and marketing expenses.

#### Office Space

CAFEX plans to rent a warehouse that will have a space fitted for a small office where the Honduras team can work from. Furthermore, the office in Taiwan will be for the Taiwan team to work from.

The Honduras warehouse and office will be located in San Pedro Sula, Cortes, Honduras. With a proximity to the largest Honduras maritime port of 1-2 hours driving. It has enough space to

store thousands of coffee sacks. Given the nature of our business, during our startup phase, we don't expect coffee batches to be that many. However, in the future, we expect much more coffee to be stored in our warehouse, at which time we will upgrade to a larger warehouse. The rental cost will be of US\$ 350.00.

In Taiwan, during our startup phase we have decided to rent form "Instant Offices" located in Xinyi Dist., Taipei City, Taiwan. It includes several amenities that will make the stay of the team much more pleasant: private workspace, cleaning services, security, telecommunications, facility maintenance, fixed cost, and a fast move-in procedure. The rental cost will be of NT\$ 120,000, or US\$ 4,296.66, detailed in table 14 below.

**Table 14 – CAFEX’s Office & Warehouse Space Rental Costs**

<b>Taiwan Office Rent Cost</b>	<b>Honduras Warehouse &amp; Office Rent Cost</b>	<b>Total Monthly Rent Cost</b>
<b>US\$ 4,296.66</b>	<b>US\$ 350</b>	<b>US\$ 4,646.66</b>

**Administration Overhead**

These operating expenses relate to the Honduran warehouse and office. These include electricity fee, trash fee, water fee, internet fee, and other miscellaneous expenses. All of these expenses have been converted into US\$ with the exchange rate of HNL/US\$ = 0.042, and variable expenses have been estimated for the operation of an office in San Pedro Sula, Honduras. Find more details in the table 15 below:

**Table 15 – CAFEX’s Administration Overhead Costs**

<b>Overhead Item</b>	<b>Monthly Cost</b>	<b>Annual Cost</b>
Electricity fee	19.00	228.00
Water fee	1.00	12.00
Internet fee	95.55	1,146.60
Miscellaneous expenses	100.00	1,200.00
<b>Total (US\$)</b>	<b>215.55</b>	<b>2,586.60</b>



### Marketing Expenses

Marketing expenses include the online ads that will be bought through Google Ads, and Facebook Ads. Any other marketing activity that would incur a cost if the service was bought from a third party will be performed by our CMO. Our marketing expenses are detailed in table 16 below:

**Table 16 – CAFEX’s Marketing Expenses**

Marketing Expenses					
No.	Item	Cost-Per-Click	Qty.	Monthly Cost	Annual Cost
1	Google Ad (Search Network)	1.16	200	232.00	2,784.00
2	Google Ad (Display Network)	0.45	50	22.50	270.00
3	Facebook Ads (Taiwan)	0.16	200	32.00	384.00
4	Facebook Ads - App Install	2.01	100	201.00	2,412.00
<b>TOTAL (US\$)</b>				<b>487.50</b>	<b>5,850.00</b>

### Packaging Expenses

In terms of packaging, we will be using GrainPro bags which protect the coffee beans against humidity, keeps the inside of the bag free of air coming in, solar ray exposure, and many more benefits. The following table 17 describes the cost of packaging our coffee:

**Table 17 – CAFEX’s Packaging Expenses**

Packaging Expenses					
No.	Item	Cost Per Box (200 pc)	Unit Cost	Lbs. per bag	Cost per lb.
1	Small 2 Track PE Zipper GrainPro Bag	270	1.35	33	0.0409
2	Medium 2 Track PE Zipper GrainPro Bag	480	2.4	66	0.0364
3	Large 2 Track PE Zipper GrainPro Bag	560	2.8	152	0.0184

Assuming that  $\frac{1}{3}$  of sales will come from 33lbs bag sales,  $\frac{1}{3}$  of sales will come from 66lbs bag sales, and  $\frac{1}{3}$  of sales will come from 152lb bag sales, we have an average packaging cost per pound sold US\$ 0.0319.

## Software Subscriptions

The following monthly payments will be made to GoDaddy for web hosting, and to Microsoft Dynamics 365 used mainly for its enterprise resource planning and customer relationship management features. The following table 18 describes both cloud software packages that we will subscribe to:

**Table 18 – CAFEX’s Software Subscription Expenses**

Software Expenses			
No.	Item	Monthly Cost	Annual Cost
1	GoDaddy Web Hosting Subscription	19.99	239.88
2	Microsoft Dynamics 365 Business Central (5 Users)	200	2400
<b>TOTAL (US\$)</b>		<b>219.99</b>	<b>2,639.88</b>

## 9.2. Sales Forecast

The following sales forecast assumes the following:

- Coffee Sales: these refer to the commission gained from the sale of coffee through our online portal.
  - As a reference, we will use the average amount of pounds sold per year through the Cup of Excellence auction: 35,713.33lbs, on our monthly estimate of sales.
  - Due to seasonality of the sale of coffee, the expected number of pounds sold per month will vary as a percentage of the average amount of pounds sold per year through the Cup of excellence auction.
  - We have also used the past 5 years’ average selling price of the coffee sold through the Cup of Excellence auction: US\$12.73/lb.
  - We have used an average of 12.5% of the coffee total sale price as our commission earned in our calculations.
  - In our forecast, we
- Coffee Testing Service: this service will be offered to coffee sellers at the price of \$50.
  - We estimate the cost of each sample to be \$10 per sample paid to the coffee producer, \$10 to be the shipping cost of each sample, and \$10 paid to the Q-

Grader.

- For our estimation, we assume that the volume of coffee tested to be 0.3% of the total coffee sold.
- For our estimation, we have adjusted these costs and prices for US\$ inflation of 2% annually.
- Membership: the membership for our bonus added services on our portal and the access to purchasing samples.
  - We assume a 30% growth rate in the number of subscriptions in year 1, 20% in year 2, and 10% in year 3.
  - We assume a churn rate (the rate at which customers stop doing business with us) of 7% the first year, 5% the second year, and 3% the third year. This reflects our expectation that after year 1 our customer retention rate will increase.
- Coffee Sample Service: this service will be provided for members who wish to taste and evaluate the quality on their own.
  - To estimate the demand for this service, we used the number of people paying for the membership and the percentage of expected amount of coffee sold, using the average pounds sold by Cup of Excellence auction.

Given these assumptions, we have produced the following sales forecast in table 19 for years 1-3 after starting our business.

**Table 19 – CAFEX’s Sales Forecast Years 1-3**

Sales Forecast				
Service		Year 1	Year 1	Year 3
<b>Coffee Sales Commissions</b>	Revenue (US\$)	931,992.97	1,293,424.39	2,295,885.12
	Units	139,281.99	171,423.99	246,421.99
<b>Coffee Testing</b>	Revenue (US\$)	21,067.29	26,452.42	38,785.57
	Units	417.85	514.27	739.27
<b>Membership</b>	Revenue (US\$)	12,977.01	246,163.59	1,533,564.90
	Units	1,299.00	24,641.00	153,510.00
<b>Coffee Samples</b>	Revenue (US\$)	6,678.00	164,992.00	1,612,714.00
	Units	333.90	8,249.60	80,635.70
<b>Total (US\$)</b>	Revenue (US\$)	<b>\$ 972,715.27</b>	<b>\$ 1,731,032.40</b>	<b>\$ 5,480,949.59</b>
	Gross Profit (US\$)	<b>\$ 135,545.42</b>	<b>\$ 493,907.36</b>	<b>\$ 2,632,343.11</b>

Given this sales forecast, we have compiled the following income statement in table 20 to show our expected income and expenditures, and therefore analyze profitability.

**Table 20 – CAFEX’s Income Statement**

<b>Income Statement</b>			
	Year 1	Year 2	Year 3
<b>Sales</b>	<b>972,715.27</b>	<b>1,731,032.40</b>	<b>5,480,949.59</b>
Coffee Sale	931,992.97	1,293,424.39	2,295,885.12
Coffee Testing	21,067.29	26,452.42	38,785.57
Membership	12,977.01	246,163.59	1,533,564.90
Coffee Samples	6,678.00	164,992.00	1,612,714.00
<b>COGS</b>	<b>(837,169.86)</b>	<b>(1,237,125.03)</b>	<b>(2,848,606.48)</b>
Coffee Sale	(821,190.48)	(1,138,757.58)	(2,018,978.14)
Coffee Testing	(12,640.38)	(15,871.45)	(23,271.34)
Membership	-	-	-
Coffee Samples	(3,339.00)	(82,496.00)	(806,357.00)
<b>Gross Profit</b>	<b>135,545.42</b>	<b>493,907.36</b>	<b>2,632,343.11</b>
<b>Gross Profit Margin</b>	<b>13.9%</b>	<b>28.5%</b>	<b>48.0%</b>
<b>Operating Expenses</b>	<b>(714,132.46)</b>	<b>(729,383.96)</b>	<b>(745,101.47)</b>
Taiwan Payroll	(273,816.60)	(276,280.90)	(278,767.50)
Honduras Payroll	(368,507.04)	(381,294.24)	(394,525.15)
Taiwan Office Rent	(51,559.92)	(51,559.92)	(51,559.92)
Honduras Warehouse Rent	(4,200.00)	(4,200.00)	(4,200.00)
Administration Overhead	(2,586.60)	(2,586.60)	(2,586.60)
Marketing Expenses	(5,850.00)	(5,850.00)	(5,850.00)
Software Subscriptions	(2,639.88)	(2,639.88)	(2,639.88)
Depreciation	(4,972.42)	(4,972.42)	(4,972.42)
<b>Operative Profit (EBIT)</b>	<b>(583,559.46)</b>	<b>(240,449.01)</b>	<b>1,882,269.23</b>
<b>Operative Profit Margin</b>	<b>-60.0%</b>	<b>-13.9%</b>	<b>34.3%</b>
<b>Profit before Taxes (EBT)</b>	<b>(583,559.46)</b>	<b>(240,449.01)</b>	<b>1,882,269.23</b>
<b>Profit before taxes Margin</b>	<b>-60.0%</b>	<b>-13.9%</b>	<b>34.3%</b>
Taxes	115,717.41	47,095.32	(377,448.33)
<b>Net Profit</b>	<b>(467,842.05)</b>	<b>(193,353.69)</b>	<b>1,504,820.90</b>
<b>Net Profit Margin</b>	<b>-48.1%</b>	<b>-11.2%</b>	<b>27.5%</b>
Effective Tax Rate	20.0%		

Depreciation of the equipment purchased follows 5-year straight-line depreciation method with \$0 salvage value.



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## 11. Appendix

### 11.1. Appendix #1: Key Partner Coffee Producer List w/ Average SCA Score

The following list details the average score that these specialty coffee producers have earned at the “Cup of Excellence” auction in Honduras over the period 2015-2019 (Cup of Excellence, 2020), and their highest bid received at the auction. The average highest bid received is \$38.71.

**Table 21 - Key Partner Coffee Producer List w/ Average SCA Score**

No.	Coffee Producer	Highest Bid Received (US\$/lb)	Average Score Received 2015-2019
1	Desarrollos Santa Lucia S.A.	\$120.10	94.84
2	Fabio Antonio Caballero Martinez	\$80.60	93.43
3	Remiery Orlando Carvajal Guevara	\$27.30	92.64
4	Roger Antonio Dominguez Marquez	\$13.10	92.25
5	Alma Aydee Pineda Alvarado	\$16.50	91.84
6	Oscar Daniel Ramirez Valerio	\$124.50	91.81
7	Jorge Arturo Benitez Miranda	\$38.60	91.62
8	Eulogio Martínez	\$23.30	91.19
9	Fredy Leonel Castellanos Hernandez	\$10.60	90.42
10	Renery Orlando Carvajal Guerra	\$12.60	90.23
11	Fani Yeselia Moreno Lopez	\$20.09	90.06
12	Leonela Villanueva Pineda	\$20.60	90.04
13	Job Neel Cacerez Diaz	\$30.30	89.95
14	Carlos Alberto Argueta Mejia	\$12.00	89.86
15	Mario Alexis Moreno Leiva	\$22.10	89.82
16	Natalia Pineda Molina	\$17.10	89.65
17	Marysabel Caballero Garcia	\$120.10	89.51
18	Jose Santos Guevara Lopez	\$18.00	89.45
19	Maria Nery Marquez Granados	\$7.80	89.27
20	Juan Manuel Hernandez Lopez	\$39.00	89.22

## 11.2. Appendix #2: Payroll Costs

The following are a list of the average monthly salaries of the different positions that **CAFEX** will be hiring from at both locations: Taiwan and Honduras.

**Table 22 – CAPEX’s Taiwan Payroll Expenses**

Taiwan Payroll Expenses				
No.	Position	Quantity	Average Monthly Salary	Total Monthly Salary Cost
1	IT Engineer	1	NTD 62,432.00	NTD 62,432.00
2	UI/UX Designer	2	NTD 90,000.00	NTD 180,000.00
3	Graphic Designer	1	NTD 91,009.00	NTD 91,009.00
4	Salesperson	1	NTD 82,300.00	NTD 82,300.00
5	Customer Service Rep	1	NTD 35,284.00	NTD 35,284.00
6	Administrative Assistant	1	NTD 70,400.00	NTD 70,400.00
7	HR Manager	1	NTD 80,618.00	NTD 80,618.00
8	CEO	1	NTD -	NTD -
9	CMO	1	NTD -	NTD -
	TOTAL	10		NTD 602,043.00

**Table 23 - CAPEX’s Honduras Payroll Expenses**

Honduras Payroll Expenses				
No.	Position	Quantity	Average Monthly Salary	Total Monthly Cost
1	Salesperson	1	HNL 13,000.00	HNL 13,000.00
2	Warehouse Operator	1	HNL 12,000.00	HNL 12,000.00
3	Community Manager	1	HNL 24,000.00	HNL 24,000.00
4	Q-Grader	1	HNL 59,975.00	HNL 59,975.00
5	COO	1	HNL -	HNL -
	TOTAL	5		HNL 108,975.00

### 11.3. Appendix #3: Cup of Excellence Results 2015-2019

The following are the results for each auction organized by the Cup of Excellence organization in Honduras from 2015 to 2019. These statistics were used to estimate the sales volume expected to sell through CAFEX.

**Table 24 – Cup of Excellence – Honduras Results**

<b>Cup of Excellence - Honduras Results (2015-2019)</b>						
	2015	2016	2017	2018	2019	Average
Total Size (lbs.)	58,873.50	32,611.95	26,526.15	30,164.40	30,390.66	35,713.33
Average Bid (US\$/lb.)	6.64	15.56	16.29	11.47	13.67	12.73
Total Value Sold (US\$)	390,020.40	547,739.40	439,022.09	340,577.67	415,465.64	426,565.04
Participants	43.00	26.00	27.00	41.00	33.00	34.00



## 11.4. Appendix #4: CAFEX Platform Concept

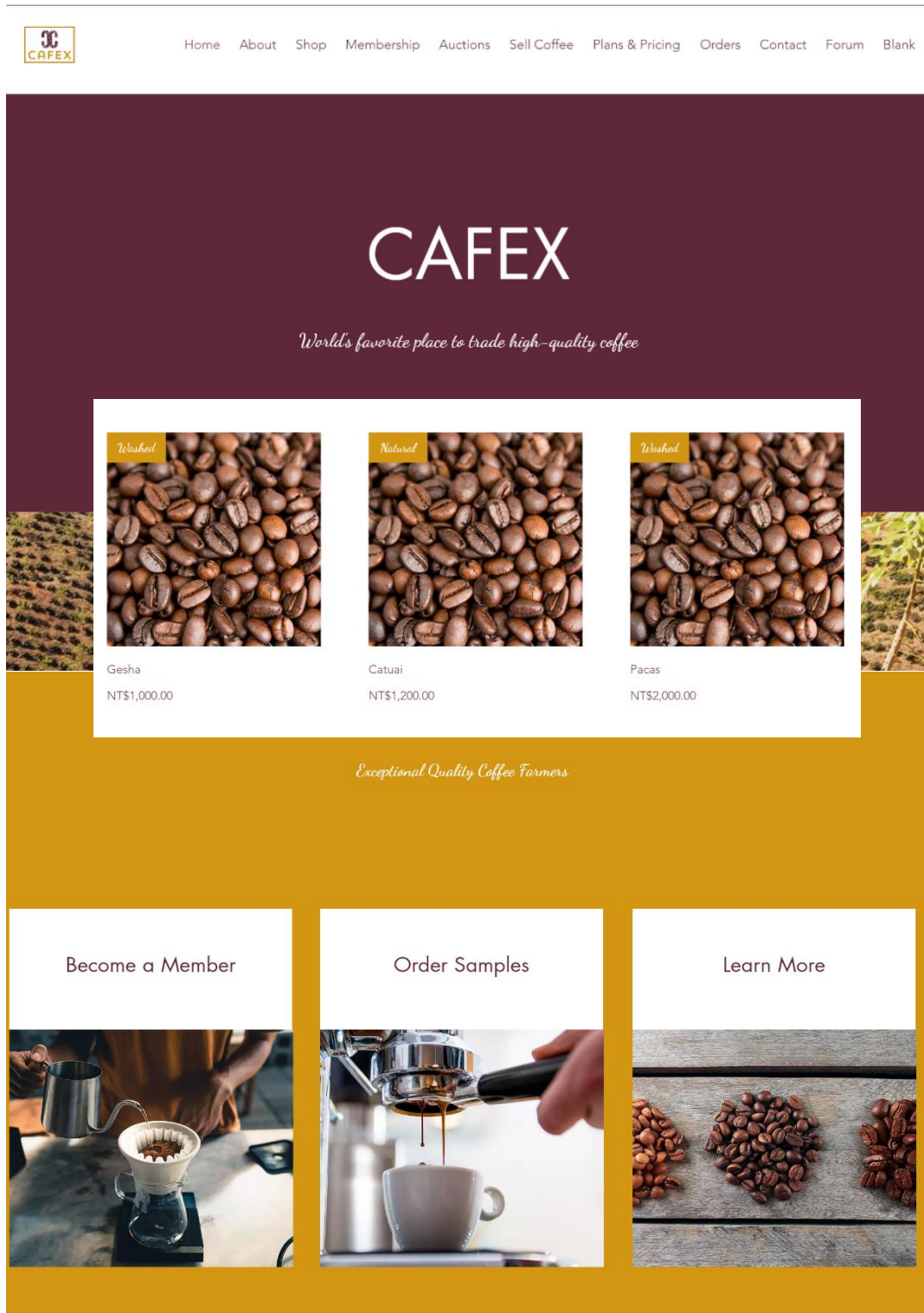


Figure 11 – CAFEX Online Auction Platform (concept)