

# International entrepreneurship case study sample

[Business](#), [Marketing](#)



## **Abstract**

The paper analyzes the viability and available options for a business idea by Kevin Andes and Min-Guk Kim of starting a coffee shop business in South Korea. The two individuals are both endowed with theoretical and practical background in business and management practices. Their choice of strategy have to be guided by a number of factors such as; mode of entry, market size, barriers to entry and competition. They have two main options of either franchising or coming up with a new brand all of which depend on whether product differentiation or brand forms the strongest influence on business outcome within the market. Key facts are presented and analyzed with the paper proposing franchising as the favored business model.

## **Key words: Coffee Shop, Market Size, Competition, Strategy**

International Entrepreneurship

Background

Kevin Andes and Min-Guk “ MG” Kim’s choice of strategy will depend on a number of primary factors, which would guide and determine their business success or failure. Their business idea of integrating coffee shop business with one or more leading universities is viable; nonetheless, their business approach must be unique. Their background as business and management scholars with one a retired entrepreneur and the other a Korean native with extensive skills and knowledge in business management gives them a competitive advantage over potential competitors, (Moon and Kupetz 2011: p1). Andes who is a retired entrepreneur is also able to obtain funding for the

startup. Additionally, there is a large customer base from the existing 3.5 million students and over 70,000 faculty members in South Korean universities, (Moon and Kupetz 2011, p3). Facts also indicate that there is a dynamic coffee culture in Korea and the business has the potential of accommodating both coffee drinkers and non-coffee drinkers while remaining sustainable. Multiple factors to be considered include; mode of entry, market size, barriers to entry, and competition all of which will directly affect the business outcome.

### **Mode of Entry**

The mode of entry will be dependent on whether product differentiation or brand has the strongest influence on business outcome in this market. Franchising is a favored option, from the 2002 Commercial report it is evident that the business model is booming, and there is a growing demand for coffee among Koreans; beside 'their enthusiastic embrace of foreign fashions and trends' ensures that franchise is a viable business model, (Moon and Kupetz 2011: p5 and Saul 2005: p81). The strong and classy brand name made available by franchising would present additional business opportunities. Their coffee shops would have additional goods such as branded coffee mugs or other logo merchandise. As noted by Alon (2012: p19), although franchising is a proven winning business model, success is dependent on the ability to execute and requires significantly new knowledge, expertise and skills which Kim and Andes appear to be sufficiently endowed.

## **Rights**

Obtaining the rights to diversify the nearly non-existent menu and logo products so as to suit wealthier products and a more diverse market is unlikely from any of the major companies; Starbucks, Coffee Bean and Angel-in-U.S. This is because franchising is a systematized method of transferring organizational know-how to agents, yet since they are already operating in the country, conflict of interest could arise in their operations and contracts leading to legal disputes, (Alon 2012; p7, Sherman 2004: p394 and Czinkota, Ronkainen, Sutton-Brady and Beal 2011: p127). Nonetheless, a local master franchising agreement with Sleepless in Seattle is also difficult but not impossible since the company is not yet in Seoul.

They could consider entering into franchising agreement with other established Korean coffee shop brands like Caffè Bene, Davinci, Ediya, Hollys, Pascucci and Tom n Toms. The two must, however, negotiate for terms which ensure that the joint venture is successful and the terms favorable and sustainable. Although franchising would be the best option, it also has a number of disadvantages. For example, in choosing an established coffee house, Kim and Andes would have to pay high franchising fees and royalty to the mother company. The companies are likely to prescribe franchising requirement such as the number of stores to be opened within certain periods and the minimum facility requirement, which may not be sustainable for the two entrepreneurs, (Moon and Kupetz 2011; p5).

## **Going it alone**

Statistics indicate that smaller independent coffee brands in Seoul, some with only single locations, have been equally successful compared to the

major brands. Comparative to other B2C vertical markets, Coffee shops have more brands in many locations. Kim and Andes could come up with a new brand rather than franchising, (Moon and Kupetz 2011: p4). Nonetheless, they should have a unique business model like the one that combines coffee and education they are interested in exploring to set them apart. This is because most other coffee shops offer additional services such as unlimited free internet, comfortable chairs, gentle music background and free cookies or snacks.

The atmosphere of the shops should be of exceptionally high standards since; students would be seeking places with air conditioning and comfortable environments. Their likely competitors also have such high standards as evident from the description of the Starbucks' strategy manager, (Moon and Kupetz 2011; p3). Suppose the entrepreneurs decide to go to the market individually, differentiation would be mandatory hence they will have to come up with a range of creative products that would attract new customers. It will, nonetheless, be difficult to set their shops apart based on product range since Major coffee shops sell similar products with only minimal variations.

## **Strategy**

Their shops should also allow customers to spend as much time as they wish without any interruptions. This would still be sustainable since, from their observation, they had not ordered any coffee which meant that even non-coffee drinkers could still find the coffee shop enjoyable. The time spent in the coffee shop should not be restricted since evidently; Korean students spend a lot of time not only in the library studying, but also in open spaces

meeting new friends, (Moon and Kupetz 2011; p3). Korean students are also increasingly shifting to coffee shops to study, meet friends, drink coffee and take a nap. The shops should, therefore, allow students to spend as much time as they wish to besides being comfy.

The models of other leading coffee shops in the united states, mainly Dunking Donuts, McDonalds and Seven Monkeys in which customers buy their coffee and exit the stores is not favorable, especially if the shops are to be attached to the university campuses. For Koreans, it is evident that coffee shop is a culture since the population tends to attach coffee drinking into their lifestyles. With a strong brand name, pricing should be high end in the range of KRW 4, 000 or about US\$3. 5. From the discussion with the student, it is evident that the majority of customers are more sensitive to the shop's reputation and the brand name, (Moon and Kupet 2011; p4). Nonetheless, since their target market is South Korean university students, they have to modify their price appropriately since, the price, atmosphere and proximity to the parking lot, are factors considered by students, (Moon and Kupetz 2011; p4).

## **Conclusion**

In conclusion, the business idea is viable since based on the current academic research; coffee is no longer ' an item of personal preference' but ' an essential part of the Korean palate.' In my opinion, brand is more critical in this maturing market comparative to differentiation hence franchising could be the favored mode of entry, but they must select a franchise that fits their style and goals, (Mahmood and Kahn 1999: p64). This type of franchising will build on three well establish business phenomena: product

standardization, mass marketing and economies of scale, (Kwansa and Parsa 2002: p102).

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