

Brewing Value

Industry Value Chain Analysis – Cost, Value, and Porter’s Five Forces with VSTRAT™

VSTRAT.ai

Hank knew how to brew a great cup of coffee: secure the best beans, carefully roast them, use the right equipment, and serve great java to office workers. Bosses loved a great cup and their employees were pleased. However, brewing coffee and brewing a business turned out to be more different than a cup of his best and supermarket plonk.

Hank always wanted to serve coffee, but he didn’t want to make a coffeeshop when there already was one on every corner. Instead, he decided to offer premium coffee inside businesses. The Fortune 500 crowd seemed hopeless with their centralized buying, but small and medium enterprises looked promising.

Finding customer businesses wasn’t all that difficult. He had six already. But business was like an aging cup of java that needed to be constantly topped off to keep warm. After all, Hank knew how to secure and supply the beans but the equipment kept breaking down, add-ons like premium creamers kept running out, and while he knew the businesses, he would have preferred to have some idea who was enjoying his coffee.

Hank’s salesperson Steven, a former beer salesman, said selling coffee to businesses was easier than selling beer to bars but wasn’t sure who his customer was. There were executives who signed the checks, the facilities people he dealt with and the employees who drank the brew. Hank told him to “just guess,” an answer Steve didn’t seem apparently enthusiastic about.

On a site visit to a management consulting firm he ran into an employee, Rajib. When asked if liked the coffee, Rajib said it was fantastic. Rajib asked about the business.

Always being one to strike up a conversation, Hank told him about his troubles and Rajib suggested Hank create an industry value chain. Figure out where the costs are, what the bosses are willing to pay to wire their staff, who the competitors are, and who are the end users and influencers.

Returning to his office, surrounded by sacks of beans, Hank sat down determined to focus on his business. What does go into a cup of his coffee? Seemed to be lot more than just good beans and water. Who are the competitors and is his best outlet really office buildings? Finally, who are the end users and what influences them? For all the components that go into a cup, what are the costs, what are people willing to pay, and how could he reduce those costs and increase willingness to pay while retaining quality?

Questions:

1. Who are the suppliers, competitors, distributors, influencers and end users for Hank's business?
2. Is there any component of Hank's value chain where willingness to pay can be increased and cost decreased without affecting quality?
3. Who are the end users, influencers, and who else may affect the buying decision?