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Case Study 4 Coda Coffee

Introduction

Coda Coffee is a company that is concerned with ethically sourced, premium coffee and utilizes direct relationships with coffee farmers. Coda Coffee pays higher-than-market prices for coffee to ensure fair compensation to farmers and is interested in sustainable and socially responsible business practices. Examples of this are their Farm2Cup certification and B Corp status.

Bext360 is a technology company that develops SaaS solutions to improve the transparency and efficiency of global supply chains. Some of these technologies are artificial intelligence (AI), blockchain, machine vision, and utilizing the Internet of Things (IoT). Bext360 focused on providing farmers tools to analyze the coffee cherries they produce, allowing faster payment and allowing stakeholders to track the supply chain journey of a product from origin to consumer. Because Bext360 develops SaaS, this enables different actors in the supply chain to access valuable tools that ensure ethical sourcing of commodities.

Coda Coffee's Business Issues

Coda Coffee faces several business issues and challenges that come from its commitment to ethical sourcing and sustainability in the coffee supply chain. Integration with Bext360 addressed many issues that Coda had before but the technology did not solve all of there problems relating to their mission and business strategy.

Coda Coffee's business issue is the high cost associated with the logistical, competitive, and market challenges of ethically sourcing coffee and ensuring that their ethical and premium pricing model for coffee cherries effectively translates into fairer wages and better conditions for the smallholder farmers who are their source of coffee. This is foundational as Coda was built on the belief that "fairness and quality were inseparable". The business issue encompasses several key challenges such as quality assurance, value perception and high cost, supply chain complexity, scalability and sustainability.

Assuring ethical sourcing and fair wages and good conditions for farmers would require direct relationships which Coda Coffee values already but this creates a new problem of how Coda can scale its business and maintain its commitment. This alludes to the need for Coda to

communicate this value to the social aware clientele that they serve. The technology that Coda utilizes also seems to create a barrier of entry for the demographic that they seek to serve with their business practices as they utilize expensive technology which many cannot afford.

Coda must articulate the value of their ethical sourcing and technological initiatives to their wholesale and retail customers, ensuring that the end consumers recognize and support the company's mission and practices. Market positioning with a business model that includes higher costs due to ethical practices, means effective positioning in the market is the way that Coda can resonate with consumers who are socially conscious yet also concerned with product quality and price.

The need for Coda to be transparent and assure for their own business and to those who are interested is very important to its longevity. B Corp status, marketing, and Farm2Cup do not provide data to the customer about the product they have so transparency as an important social issue in this current state does not fulfill this market segmentation that Coda is targeting. Customer awareness of social issues is the sole determiner of this positioning as the customers must have awareness to even value what Coda Coffee does. The ability to have trust in Coda Coffee's ability to ethically allocate products is the driving force for their target segmentation as without it they fail at their business mission.

Coda Coffee Competitive Analysis

Coda Coffee's mission revolves around three things which are education, sustainability and partnership. Furthermore, the commitment to sourcing ethically produced coffee with primary focus on quality. This commitment involves paying 3 times as much for their coffee cherries, direct engagement with farmers, and providing education on sustainable practices, which contributes to community development and environmental protection.

Coda Coffee's generic strategy uses differentiation as a strategy as Coda offers high-quality, ethically sourced coffee, which is distinct from standard mass-produced coffee. I based this on their ethical sourcing and Farm2Cup certification. Being socially aware and the willingness to pay a premium for social responsibility at this point only appeals to a niche market of consumers despite its projected growth.

Threat of New Entrants in the coffee industry has relatively high barriers to entry due to the need for capital, strong brand awareness and consumer trust. Due to Coda Coffee's differentiation strategy by means of ethical practices and certifications, should protect against new entrants to some degree.

Bargaining Power of Suppliers Coda Coffee utilizes direct relationship with smallholder farmers and cooperatives. Coda is investing in building long-term relationships through partnerships and paying premiums for better quality and ethical practices. This approach fosters a mutual symbiotic relationship that promotes fair treatment of farmers.

Bargaining Power of Buyers in the specialty coffee segment is not high as buyers who prioritize ethically sourced and high-quality coffee cherries have less bargaining power as fewer alternatives will exist due to the differentiation strategy employed for this market segment.

Threat of Substitutes for coffee is moderate to high in the coffee industry as there are many alternatives in the realm of coffee, including lower-cost mass-market options. The ability of substitution in the niche market of ethically sourced coffee, where Coda resides, is lower as there are not many established or new entrants to this market segment.

Rivalry Among Existing Competitors is intense in the coffee industry. Coda's differentiation strategy, focusing on ethical practices and quality, puts them in a unique position but also puts them in competition with other companies that wish to target the growing market of socially aware consumers.

Organizational Structure for Coda's organizational structure is flat and decentralized as Coda values close long-term relationships and given their commitment to ethical practices of which value quick decision-making closer to the ground level. Coda's business model benefits from a structure that allows flexibility and responsiveness to the needs of their farmers and customers. Their structure is also influenced by both wholesale and retail operations, requiring a dynamic approach to manage these two different aspects of their business.

Coda Coffee Stakeholders

Farmers and Cooperatives – The individuals and groups who grow the coffee beans that Coda Coffee sources. Cooperatives often consist of smallholder farmers who pool their resources to improve bargaining power and access to markets.

Customers - Wholesale customers include distributors, restaurants, and cafes that sell Coda Coffee to end consumers. Retail customers purchase coffee directly from Coda's storefronts.

Employees - This group includes everyone from the founders and leadership team to the roasters, packagers, sales staff, and administrative personnel.

Bext360 - Technology and service providers that Coda partners with to enhance its supply chain transparency, efficiency, and sustainability.

Local Communities – Includes all regions where Coda sources its coffee. They have interest as Coda's efforts can directly or indirectly impact regions that coffee is sourced from.

Investors and Financial Institutions - Individuals or entities that provide the capital necessary for Coda Coffee's operations and growth. This can include banks, venture capitalists, and private investors.

Regulatory/Certification Agencies - Governmental and non-governmental organizations that regulate and certify business practices, those with interest relating to labor, fair trade, environmental impact, and product quality.

Industry Associations and Advocacy Groups - Organizations that represent the interests of the coffee industry, promote sustainable practices, and advocate for ethical sourcing.

CareGroup's Alternatives

1) Increase Transparency for Customers

Develop a mobile application that allows consumers to trace the origin of their coffee. By scanning a code on the packaging, customers could access detailed information about where the coffee was grown, the farmer's story, and the journey of the beans.

Customers would gain a more interactive and personal connection to the coffee's origin, reinforcing trust and loyalty.

Farmers might receive more recognition and potentially better support as their stories become known.

Employees would need to manage the new technology and customer interactions that the app entails.

Investors might see the app as a value-add that differentiates Coda from competitors, potentially increasing market share and brand equity.

2) Establish a Farmer Development Fund

Create a fund that invests in the development of coffee-growing communities thereby lower the barrier for farmers to partner with Coda Coffee. This would include education and agricultural technology. It could be funded by a portion of Coda's profits or through a voluntary contribution from customers at the point of sale.

Local Communities would directly benefit from resources.

Customers could perceive their purchases as more impactful knowing a portion of the sales goes to community development.

Farmers that partner with Coda Coffee would increase, thereby increasing better living standards and increasing influence of sustainable farming practices, improving the reach of Coda's mission of fairness and quality.

Investors could view this as a long-term investment in supply chain stability and brand reputation.

3) Implement Own Blockchain Technology

Coda Coffee could develop their blockchain technology thereby giving them greater control of the data and how it is used. The only way to provide complete transparency for Coda's supply chain is for full control of their data insuring that the data that is processed adheres fully to the mission of Coda Coffee.

Farmers and suppliers could benefit from immediate payment and secure, transparent transactions.

Customers would be able to better trust the securement and the origins of their coffee, reinforcing trust in the brand.

Employees would require require a lot of training in new technologies and processes.

Investors could view blockchain investment as a strategic move to secure future market share and as a potential risk if it does not provide a return on investment.

Coda's Best Alternatives with IVK as an example

I believe that the best alternative for Coda Coffee is **Increase Transparency for Customers** because the of the market segment that Coda Coffee targets, the price they pay for coffee cherries, and the value they place on quality partnerships with their farmers.

The traceability would be established by scanning a QR code on the coffee packaging with a mobile app. Customers could track the journey of their coffee from the farm to their cup with the security of the already used blockchain ledger that is immutable. The information could detail facts about the origin of the coffee such as the specific farm, a backstory of the farmer and how Coda has been a major part of their growth, the harvesting process, and the path the coffee took through the supply chain.

My ideas are based on chapter 17 "INNOVATION" from our textbook presents concepts about creativity and utilization of IT from an organizational standpoint. Also Xerox PARC's inventions was commercialized through other successful companies which relates to Bext360 and how they strive with partnerships. to Chapter 17 is what made me think about this alternative because it covers how IT can be used for crowdsourcing to generate a wider variety of ideas and perspectives. This relates to the app development because Coda Coffee has no way to interact directly with their customers which could lead to the failure to capitalize on groundbreaking ideas relating to their stakeholders. Therefore, an innovative way for Coda Coffee to enhance its transparency and deepen engagement with its customers is through a mobile application.

Executive Summary

Coda Coffee, a company committed to ethically sourced and premium coffee who partners with Bext360 to enhance supply chain transparency and efficiency using advanced technologies such as AI and blockchain. The company stands out in the competitive coffee industry through its differentiation strategy, focusing on high-quality, ethically sourced products, and maintains a unique position by ensuring fair compensation and sustainable practices through partnerships worldwide.

I recommended that Coda Coffee enhances customer transparency through the development of a mobile application, enabling consumers to trace the origin of their coffee and connect with the stories of the farmers. This approach not only aligns with the company's mission of fairness and quality but also strengthens customer trust and brand loyalty, offering a strategic advantage in appealing to a niche market of socially conscious consumers. Through innovative and technologically advanced solutions, Coda Coffee can overcome its business challenges, sustain its ethical commitments, and maintain a competitive edge in the specialty coffee market.