**Practice Case: Illy Café Business Case**

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Andrea Illy is CEO of the global premium coffee company that bears his family’s name. As one might expect, he is passionate about coffee – its science, its health benefits, its taste, its beauty. Illy also has a dream that someday soon the coffee market might be transformed into something approaching the market for wine. Where connoisseurs discuss the fine points of various origin coffees and blends, where customers are willing to pay a premium for the finest examples of the coffee-making art, and where the growers, roasters and baristas will be compensated fairly for the expertise they contribute to every cup. Unfortunately, the current coffee market differs from such an ideal. Coffee growers in most parts of the globe work at a barely subsistence level. One bad harvest (made all the more likely by the ravages of climate change) or a sudden decline in the commodity price of coffee can drop them below subsistence to hunger. Even in good times, growers have little incentive to improve their operation – they have minor contact with the roasters or customers and no knowledge of how their crops get translated into the cup. This disadvantages not only the grower but also the consumer – coffee sourced from good quality beans is hard to find. lly believes that the solution to the sad state of affairs is to initiate a “virtuous circle” that draws the grower, the roaster, the barista and customer together. Growers with better knowledge of the market will work to improve their crops or experiment with new varieties. Roasters and preparers will educate their customers as to the qualities of various beans, roasts and preparations. Customers, in turn, will be willing to pay more for the best beans and that premium will be sent back up the chain to pay for even more quality and variety. And so on. Certainly there have been some positive signs. Indeed, many observers argued that a “third-wave” of transformation in the coffee market was already starting. (The first wave is said to have occurred when Maxwell House and Folgers made coffee a mass commodity, the second wave when Starbucks initiated a move to quality and higher prices.) Specialty coffee roasters had worked to build cafes and brands around origin-based beans sold directly to the roasters without reference to the commodity prices of coffee. With these third-wave roasters, every coffee came with a story of its origins and growers could count on occasionally eye-popping premiums for their beans. As yet, specialty coffee represented a small sliver of the overall market and there were other signs that it might not ever grow beyond a small circle. New trends like coffee-based drinks and single-portion coffee in pods (e.g. K-cups, Nespresso) actually shifted more of the value-added towards roasters without a premium for growers. A consolidation was taking place among mass roasters that was even sweeping-up third-wave roasters in its wake. Observers argued that could lead to greater uniformity with even less emphasis on origin-based, direct-traded coffee. Illy’s hope is that someone would come up with an innovation that would solidify the beginnings of the third wave and help reshape the market. Such a change would not necessarily have to involve illycaffè; Andrea Illy believes as the world’s premium brand, an increased emphasis on quality in the market would only help his company. The most important thing was to make the coffee supply chain more equitable and coffee better-tasting.

**Questions:**

1. What is the real problem this company facing? And how do you identify it?

2. Which part of business components need improvement? Why?

3. What kind of company transformation that might help the company to strife in the market?

4. Propose an idea/ideas to create a new product

5. How do you propose the solution?

**Answers:**

1. Profitability, coffee quality, and coffee farmers farming methods. Illyi want to solve those problems because of company visions and missions. Quality delas with the quality of coffee beans, roster, machinery, and barista. Profitability delas with market growth and profit based on quality of products. Farming deals with maintaining relationships with farmers and educating farmers.
2. All of the business components to be improved.
   1. HR: Focus on the internal and the external as the business needs to train and educate the farmers of the coffee.
   2. Operation: Focus on maintaining proper of pre-processing and processing the coffee to become fine product.
   3. Delivery: As the company are competing with many coffee shop, such as Starbucks and Nestle, they need to improve or create a unique product. But not only the product are important, but how do the company delivers the product. Such as making an comfortable place and high quality of coffee
   4. Logistic: Use internet and machine learning to get best result for providing raw materials so the company doesn’t have to pay much for logistics that are too far away
   5. R&D: Make sure the research and development about the coffee especially the coffee beans, coffee processing to achieve their best taste.
   6. Product: Make sure the product delivery to the customer is good and also the product can compete with current trend
3. Transform business element as I mention in number 2
4. New Products:
   1. Aside from high quality of original coffee, make additional essence and variety of coffee
   2. Sell coffee based product not only for drinking but also in food
5. Make innovation, run as the propose solution above and always thinking out of the box.