Federal State Institution of Higher Professional Education

Saint-Petersburg University

Graduate School of Management

# INDEPENDENT COFFEE BUSINESSES' COMPETITIVE STRATEGIES IN THE EVOLVING MARKET OF BAKU, AZERBAIJAN

## BACHELOR THESIS

Bachelor thesis

of the 4th year student of bachelor program,

International Management,

Musayeva Elnara Khabilovna

**Signature**

Scientific advisor:

**Blagov Yuriy Evgenevich**

Saint Petersburg

2024

**STATEMENT ON THE SUBSTANTIVE CHARACTER OF THE COURSE PAPER PREPARATION**

I, Musayeva Elnara Khabilovna, the 4th year student of bachelor program in St. Petersburg State University, Graduate School of Management, direction International Management, group 20.Б-09, confirm that my coursework on the topic of "Independent Coffee Businesses' Competitive Strategies in the Evolving Market of Baku, Azerbaijan", which is submitted for public defense on 14th of June 2024, does not contain elements of plagiarism.

All direct citations and quotations from printed and electronic sources, as well as previously defended coursework and graduation qualification papers, candidate, and doctoral dissertations, have corresponding links.

I am familiarized with the educational process regulations in force at the Institute "Graduate School of Management" of St. Petersburg State University, according to which the detection of plagiarism (direct borrowing from other sources without appropriate links) can become the basis for setting the grade "Fail" for annual course paper.

**Musayeva Elnara**
the 4th year student of bachelor program in Graduate School of Management,
group IM,

Signature: _____

Date:  29.05.2024

**Table of contents**

**Introduction**

The growing popularity of coffee shops around the world has made them an integral part of modern social life and culture, especially in Baku, Azerbaijan, where the coffee industry is experiencing rapid growth and development these days. This study focuses on the dynamic and competitive environment in the Baku coffee shop industry in terms of the strategic challenges and opportunities facing local independent coffee shops in the light of growing international competition.

The relevance of this study is emphasized by the transformational shift in the coffee culture of Azerbaijan: from a country traditionally drinking tea to a country that perceives coffee as a symbol of modernity and social activity. The shift is not simply a change in consumer preferences, but reflects broader social, economic, and cultural transformations within Azerbaijani society, especially in Baku, the country's most populous and economically dynamic city. The emergence of international coffee chains alongside local independent coffee businesses has created a competitive environment that requires strategic understanding and adaptation to thrive.

The problem underlying this study is the intense competition that local coffee shops face from well-established international chains. This competition forces local entrepreneurs to develop effective strategies that leverage their unique strengths and address critical factors for business competitiveness. These include understanding consumer behavior, creating a compelling brand, managing operating costs and delivering quality services.

In this study, the analysis of local coffee shops' competitive strategies is conducted primarily from a customer perspective. Effective competitive strategies contribute to the success of local coffee in terms of both customer satisfaction and financial performance. Essentially, success is achieved when coffee business owners implement a customer-based approach, not only focusing on quality prices for products and services, but also ensuring that such elements meet customers' preferences and expectations. This includes increasing brand awareness, maintaining high levels of customer attraction, and achieving customer loyalty.

Theoretically, this research addresses several gaps in the existing literature. In essence, competitive strategies in the coffee industry have been researched extensively within the context of both global and well studied markets while the specific context of Azerbaijan is less explored, so this study gives broader understanding of how the unique local factors shape competitive strategies. Along with that, while the coffee shop industry is a global phenomenon, local context affects business strategies in a major way, as each region has distinct characteristics that can affect the operations of both local and international businesses. Studying Baku's market provides insights into how global trends are adapted to local conditions, which can enrich the theoretical frameworks

of localization strategies in global business operations. Such frameworks may explain how businesses in less typical, non-Western business environments respond to global competitive pressures, potentially leading to new models of strategic management that could be tailored to similar markets.

The study analyzes how global business models like coffee shops adapt to local contexts, which relied on theories that underlines the strategic importance of local resources and capabilities in ensuring competitive advantages. It also explores the strategic response by local coffee shops to the pressures from the international chains and assesses cultural shifts from tea to coffee consumption with a subsequent effect on consumer behavior and business strategies. In general, research of the Baku coffee shop industry seeeks to illuminate unexplored areas of coffee industry and providing a foundational analysis that ensures understanding of strategies to succeed in a competitive market. This approach not only advances academic discourse but also supports practical implementations for ongoing business challenges in Baku.

By examining the competitive strategies adopted by local coffee shops, the study aims to understand how these businesses are navigating an increasingly competitive environment dominated by international brands. This exploration may cover aspects such as marketing strategies, customer attraction, product uniqueness, pricing models, operational practices, etc. While competitive strategy outlines the broader framework for gaining market advantage, it is the success factors that offer a detailed roadmap for implementation. Success factors are the critical elements that significantly impact the success of a strategy. Investigating these factors is crusial as they clarify the tangible and practical elements that drive a strategy's effectiveness, also it provides insighst into what makes certain approaches successful. This, in turn, allows local coffee businesses to adapt and improve their strategies to maintain and strengthen their position in the emerging Baku coffee market. By focusing on these factors, we can bridge the gap between theoretical strategy and real-world application for local Baku market, providing businesses with specific, actionable performance drivers to enhance their competitive advantage and long-term success.

**The object** of this empirical study is local coffee shops in Baku, Azerbaijan. **The subject** of the research is factors that influence the success of competitive strategies of local coffee shops in the evolving market of Baku, Azerbaijan.

## Research Problem

As it was stated above, the intensification of competition within the coffee shop market in Baku, primarily due to the influx of international coffee chains, poses a significant threat to local

coffee businesses. These local establishments should navigate a landscape where global brands bring considerable marketing expertise and operational efficiencies attracting more customers.

Therefore, the primary problem addressed by this study is to identify what factors influence the effectiveness and success of strategies that allow local coffee shops to maintain and improve their competitiveness in these difficult market conditions.

**Research Goal**

Respectively, the goal of this research is to identify the critical factors influencing the success of the competitive strategies for local coffee shops in Baku, Azerbaijan, in the face of growing international competition.

**Research Objectives**

To describe the coffee industry and competitive market of Baku, Azerbaijan.

To identify and classify the competitive strategies employed by small businesses.

To analyze related literature for understanding the competitive dynamics and strategic responses of independent coffee shops.

To analyze how local coffee shops can gain a competitive advantage against other small competitors and strong coffee chains.

To determine the critical factors that contribute to the success of local coffee shops in a competitive market of Baku, Azerbaijan.

**Characteristics of research data and methodology**

The research will be based on qualitative methodology approach with the incorporation of a quantitative method as additional stage . The data from academic and professional literature will be collected as a theoretical base. Further primary data collection and data analysis methods will be conducted:

1. Semi-structured interviews: Conducting semi-structured interviews with owners and managers of local coffee shops in Baku (5 interviewees). These interviews will explore their experiences, strategies for competition, challenges faced, and perceptions of customer preferences, mostly focusing on factors that influenced their success in their coffee business. Interviews aim for a diverse sample that represents various sizes and types of coffee shops in different locations around the city. The questions of the interviews will be based on literature review. The interviews will be recorded and collected data will be translated (if necessary) and summarized to create a clear overview. Thematic and coding analysis will be conducted to identify patterns, similarities, and differences in responses to come up with main aspects important for the research.

2. Surveys: Designing and distributing customer surveys (105 respondents) to collect additional data on consumer behavior, preferences, frequency of visits, spending patterns, and factors influencing their choice of coffee shop. This will be done online through social media platforms popular in Azerbaijan. Descriptive statistics will provide summary of the survey results with further interpretation.

Interview questions are objected to identify, confirm, or refute factors influencing the success of coffee shop competitive strategies found in literature review. Surveys among consumers are conducted to get a broader picture from the other side of stakeholders: there are consumer expectations for the company and the company builds its strategy based on existing expectations and preferences. Therefore, interviews will show to what extent the company perceives expectations of their customers in terms of the strategies they implement, while survey could confirm and supplement interview findings, further specifying the general directions of conclusions and recommendations of the research.

**Short description of paper structure**

The paper consists of three main chapters following the introduction. The first chapter lays the foundation of the study: background of the problem, including exploration of the coffee shop industry in Baku, significance, and the rationale for the study, ending with conducted extensive review of academic and professional literature covering all the important aspects for this study. The second chapter consist of research methodology and data analysis description. The final chapter presents the results of the research and their interpretation. Paper concludes with general conclusions of the research, recommendations for local coffee businesses and suggestions for future research.

*Chapter 1. Foundation of the study*

First chapter serves as an essential groundwork by providing the background of the problem, exploring a coffeeshop industry in Baku, and presenting significance and rationale for this research. This chapter also includes a theoretical base with a comprehensive review of academic and professional literature covering all critical aspects relevant to the study. The main purpose of this chapter is to give a clear context to the competitive environment faced by independent coffee businesses in Baku, particularly in light of growing presence of international chains. By understanding the industry dynamics, historical background, and current market conditions, this chapter lays the foundation for identifying the factors that influence the success of competitive strategies of local coffee shops. This fundamental understanding is critical to the formulation of the research question and objectives that guide further chapters of the study.

**1.1 Background**

Nowadays Coffee Shops are becoming the third most important place for some individuals after home and workplace. Moreover, the coffee business is one of the special spheres in the hospitality industry that continues to increase its popularism, because the coffee shops can be considered a place that serves many purposes such as communicating, working, and studying (Hattox, 2014). In today's world, coffee became the second most famous beverage, after water (Butt & Sultan, 2017) and the consumption of coffee at coffee shops has become an international cultural activity. Having a cup of coffee and spending time at a coffee shop are regular events across the world. Furthermore, according to Manzo (2010), coffee houses have evolved into a crucial component of modern social interaction. The increasing trend of coffee shop businesses can be realized on a global scale (Ardekani & Rath, 2017).

The coffee shop trend has increased significantly in Western countries in the last decades (Mintel, 2016). But not only in western countries, but the coffee-drinking culture is also going to be more popular day by day in Asian countries as well (Friend, 2016). As Azerbaijan's biggest, most urbane city, Baku has become a center for such brand-new trends and styles. In the context of all Post-Soviet Countries' political and socioeconomic transition from a socialist state to a capitalist state, the rise of coffee enterprises can be explained by the increasing prominence of commercial capitalism and impact mostly from the Western countries (Topic, 2009). And Azerbaijan is one of these Post-Soviet Countries where the number of coffee businesses starting is increasing significantly in the last years. It is critical to underline the impact of the time when Azerbaijan was under the control of the USSR, the government prohibited the establishment of new businesses such as coffee houses and chain restaurants (Kwiatkowska, 2019).

Drinking coffee was not a common tradition in Azerbaijan before the 21st century. Instead of this, tea was known as one of the most popular beverages in Turk culture (Kwiatkowska, 2019).

Coffee became a new emerging culture in Azerbaijan. An important development in modern Azerbaijan is also increasing the popularity of coffee among residents. The huge integration of modern coffee shops in Baku, Azerbaijan has started with internationally well-known companies. In modern Azerbaijan, in the economically developed market, famous worldwide coffee companies started to open franchise companies (Hasanov, 2019). In 2012, "Gloria Jeans Coffee", the first modernized coffee shop was opened in Baku (Kwiatkowska, 2019). Nowadays, many worldwide companies such as Starbucks, Second Cup, and Traveler's coffee have many franchise businesses in Baku. Furthermore, the independent, local coffee shops, also joined this trend and achieved success in the competitive market.

Starting from 2012 till the last 3-4 years, the coffee houses that started their business by franchising with big chains became very popular in Baku, Azerbaijan. A large number of companies from all around the world apply the franchising model to develop and expand their own businesses, and to set up a strong brand identity in the global market. It is obvious that at the beginning of the coffee trend in Azerbaijan, investors chose to franchise with big chains in order to avoid general start-up failures. Therefore, the franchise is a smart choice for new companies which will have more opportunities in business start-up and development. However, the cost to acquire a franchise is quite high and the owner has less control over his business (Baresa, Ivanovic & Bogdan, 2017). Because of this reason, the owners started to open their independent businesses.

Nowadays, the local coffee shop companies play an important role in the coffee industry in Baku. In these local coffee houses, it is quite possible to see many people spending hours with friends, working on their laptops. Independent coffee houses are the general trend in this industry nowadays, but still, some of them fail at the beginning of the business. Nair & Blomquist (2019) describes business failure as a business holder's inability to establish an ascendable business model. Failure is a general problem with many small businesses globally. The lack of knowledge and experience of small business owners in business management, and marketing techniques bring difficulties to the survival of a small business (Higdon, 2016). In fact, many small business owners choose an independent business in order to have full control and freedom over their business. The owner of a small business is an individual who runs, manages, and makes all of the company's management activities with the primary goal of achieving personal objectives (de Oliveira et all., 2015). The choice, to be an independent owner, also bring the advantage of liberty in implementing original and creative ideas in the business (Perrigot, Hussain & Windsperger, 2015). Gibbons (2011) states that small coffee business entrepreneurs try to establish a brand image, generate client loyalty, and establish a similar environment to bigger coffee shop chains.

Some local coffee shops in Baku became very successful and well-known with correct administration and marketing strategies. Business success appears when the business owner has

established a client-based plan in addition to the quality and price ratio of the products and services (Fombrun, Ponzi, & Newburry, 2015). Today, successful independent coffee shops in Baku, play a crucial role in the coffee industry and even compete successfully with big international chains.

**Background of the competition problem**

At the present stage of creation and development of the economy, the issue of competitiveness of coffee shops, as one of the subjects of small business, is assessed as very relevant. One of the conditions for increasing competitiveness is to reduce the cost of operating a coffee shop, the quality of service, and the implementation of a promotion policy. The competitiveness of an organization is an economic category based on competition, which encourages business entities to work in a market environment. The ability to produce products that are in demand both inside and outside the country determines a higher level of competitiveness. Competition promotes the development of a spirit of rivalry between competing parties, the preservation and strengthening of enterprises' positions in the market, as well as the stimulation of financial and economic activities of subjects in this activity.

Through the mechanism of market demand and supply, consumer demand reaches enterprises producing products, and through them - suppliers of resources. Thus, competition forces organizations of producers and suppliers of resources to properly meet the needs of consumers (Bochkarev 2019). At this stage of the development of market relations, new relations arise between producers of products and their consumers, in which the manufacturer is obliged to consistently take care of finding advantages that will provide him with an appropriate level of competitiveness. To do this, he needs to choose the optimal strategy for his business.

Thus, in order to effectively operate the strategy of ensuring the development of the company's relations with customers, it is important to translate it into the plane of certain tasks aimed at target segments of the consumer market, brought to the attention of each employee of the company. It is also necessary to take into account the importance of segmentation of the catering market in the development and implementation of a strategy for the development of sustainable relations between the company and consumers.

As it was stated, the coffee shop market is actively developing and will become highly competitive in the near future. Based on the above, it is worth concluding that the coffee shop market is quite attractive for entrepreneurs, due to its gradual growth. At the same time, the development of the market also determines the development of competition in this segment of the economy. Therefore, there is a problem of opening a coffee shop due to the monopoly of chain-type coffee shops.

Given the uncertainty of the external marketing environment, there is a need to create long-term competitive advantages of enterprises that would allow them to remain effective in today's highly competitive environment. One of the most important factors in increasing the competitiveness of enterprises is the availability of long-term development strategies. Strategy development in the most general terms represents a long-term vision of the company's activities, the formulation of goals and objectives, as well as ways to achieve long-term goals.

The process of forming a competitive strategy consists, according to M. Porter's methodology, in the analysis of external and internal factors that can influence the effectiveness of the company's strategy implementation. At the same time, the external environment of the company, which is to be taken into account in the development and implementation of the strategy, is quite broad, includes a set of factors of both macro importance and industry significance (Porter, 1998). However, the key element of the company's external environment is precisely the industry in which it operates. The formulation of a competitive strategy is influenced, in particular, by such factors as the structure of the industry, the specifics of the interaction of its participants, the nature of the impact of industry entities on the enterprise, etc. Non-industry factors and forces have a more relative importance compared to industry ones. This is due to the fact that a combination of external factors, as a rule, affects all enterprises in a particular industry, and the solution to the problems of forming competitive strategies lies in the company's ability to effectively interact with these forces (Ansoff, 1989). The level of intensity of competition in a particular industry is not a random phenomenon, and it is mediated by the influence of the basic economic structure of this industry and cannot be directly related only to the behavior of the main subjects of the competitive environment. As M. Porter notes in this context, "... competition in the industry arises from its fundamental economic structure and goes far beyond the behavior of existing competitors."

Thus, various factors influence the choice of a competitive strategy for opening a coffee shop. Competition itself prevents small entrepreneurs from entering the market. The problem of opening a coffee shop in Baku is both competition and the choice of a competitive strategy.

## 1.2 Rationale and significance of the study

The coffee industry has lately become one of the most cost-effective spheres in the food and beverage sector (Han et al., 2018). With the huge development of the coffee industry and coffee shop chains, a lot of research was focused on the globally known coffee brands. Han et all., (2018) made quite wide research about the generation process of brand loyalty of clients in chain coffee shops. However, not the facts about independent coffee businesses were included in the study.

Many independent coffee businesses had started in Baku over the past years, but some of them could not survive and failed in the increasing competitive market. Much research has been held on avoiding business failures, Jean Van Rensselar (2012) states, that making some simple changes can dramatically decrease the odds of failure. The ways for coffee shops to keep their competitive advantages have been analyzed widely by Rizea et al., (2014), however, the study was mainly aimed at the global chains. The coffee shop industry is a very profitable business sector with high margins and growing demand for big companies like Starbucks and Dunkin' Donuts, however small independent coffee businesses struggle to compete with such companies – Rizea et al., (2014), mention in their research. Haryati et al., (2022) completed a study where coffee shops' marketing mix and its impact on customer satisfaction were examined. However, this research was limited to Malang city and mostly focused on the marketing mix's influence on customer satisfaction levels. Boroumandfar (2021) mentions in one of his researches, that because of the strong competition in the coffee sales sector, independent coffee shops have been obliged to highlight customer happiness as a key factor in their long-term success. Kwaitkowska (2019) made wide analyses of Azerbaijan's general food and beverages culture. She declared coffee as a new arriving culture in the country and mentioned that the coffee trend looks to be promising in Azerbaijan .Although it was provided wide information about coffee's integration into Azerbaijan's culture, there was no extensive research on the development of coffee shops in Azerbaijan.

Conclusively, even though many studies were conducted about the coffee industry, most of them pointed to the global coffee chains. Independent coffee businesses were not analyzed deeply in general literature. Furthermore, the dramatically increasing coffee shop trend in Baku, Azerbaijan was never investigated seriously, especially considering currently ongoing and increasing coffeeshop business trend . Therefore, it is the first time the study has been conducted to find out important factors for local coffee shops strategies in Baku in order to remain success in business in the competitive market.

Thus, the formulation of a competitive strategy of enterprises should be carried out through a comprehensive analysis of the possible impact of various factors — both the nature of their current influence and the potential for influence during the planning period of the company's strategy — in the medium or long term.

In Azerbaijan's fast-growing capital Baku, the local coffee shop industry is facing a critical point with a constantly growing presence of international coffee chains. This study allows participants in the coffee business market in Baku to understand current trends and consumer needs, as well as to track the dynamics of changes in the market. It will also help entrepreneurs identify their competitive advantages and work out a strategy that will allow them to achieve

success in this industry. By studying the strategies employed by successful independent coffee businesses, researchers can identify best practices that contribute to their success. These findings can be shared with other businesses, helping them to improve their own operations and increase their chances of survival in a competitive environment.

Independent coffee businesses often prioritize sustainability in their operations, whether it's through environmentally friendly practices or supporting local suppliers. Studying their strategies can help promote sustainable business practices in the coffee industry and contribute to the overall sustainability of the local economy.

Coffee shops often serve as community hubs, fostering social interactions and promoting local culture. Studying the strategies of independent coffee businesses can help researchers understand the role they play in shaping the cultural landscape of Baku and contribute to the preservation of local traditions and customs. Moreover, independent coffee businesses are often at the forefront of innovation in the industry, experimenting with new products, services, and business models. By studying their strategies, researchers can identify trends and emerging best practices that can benefit the entire coffee industry, both locally and globally.

In summary, the study of independent coffee businesses' strategies to survive in a competitive market in Baku, Azerbaijan is crucial for gaining market insights, identifying best practices, promoting sustainability, creating employment opportunities, preserving local culture, and fostering innovation in the coffee industry.

Thanks to this research, entrepreneurs will be able to make more informed decisions based on data and analysis, which will help them minimize risks and increase their profitability. Thus, this research is of great importance for all participants of the coffee business market in Baku, helping them to successfully compete and develop.

### 1.3 A Review of the Professional and Academic Literature

### 1.3.1 Strategies and Competitive Advantage
**Strategies classification**

Michael E. Porter in his work "Competitive Advantage: Creating and Sustaining Superior Performance" defines competitive strategy as creating a unique and valuable position that is different from competitors, a distinctive position of value that involves doing things differently or doing similar things in other unique ways. This involves much clearer choices about how a company deliberately operates and competes in the market to achieve and sustain performance gains over time, taking advantage of differences in activities, resources, and capabilities to achieve competitive advantage. Porter clearly emphasizes the value chain and the critical role it plays as a

tool for identifying and organizing activities that provide greater value to customers or are performed at lower cost.

In the context of business and competitive markets, strategy can be defined as a set of purposeful actions that a firm takes to achieve and maintain superior performance relative to its competitors. This includes analyzing the external environment, determining the firm's potential, and implementing actions that take advantage of opportunities and mitigate threats by leveraging the firm's strengths while focusing resources on long-term goals. And in this light, Michael E. Porter, a leading expert in the field of competitive strategy, emphasizes the fact that strategy is not only about choosing what not to do, but also about deciding what actions to take. According to Porter, strategy means creating an exclusive and valuable position that includes a set of actions that are different from those of competitors, or similar actions in different ways.

The concept of strategy over time has been addressed by several authors. One of them is Chandler, who proposes that the strategy is the definition of the long-term goals and objectives of a company, the adoptions of actions, and the allocation of necessary resources for the achievement of the objectives. For Andrews, the strategy is the model of the objectives, policies, purposes, goals, and plans to achieve them addressed in such a way that they define in which business the company is or will be. According to Porter, the strategy is to select the set of activities in which a company stands out to establish a sustainable difference in the market; the differentiation arises of the activities chosen and how they are carried out.

Different theoretical approaches to strategic management offer insights into how businesses can navigate competitive markets. For instance, the processualist approach and resource-based strategies highlight the importance of informal learning, personal vision, and the negotiation among organization members to define acceptable objectives. Strategic Management involves the formulation and implementation of major objectives and initiatives, considering the external and internal environment in which the organization competes. Strategies should be measurable, clear in objectives, and should include resource consumption, assignment of responsibilities, and be checkable (Guillermo Fuertes & Miguel Alfaro, 2020).

Porter's generic strategies help to determine the strategic position of an organization to gain a competitive advantage (Porter, 1985). Michael Porter states four generic strategies based on the market where they compete (broad or narrow) and the source of competitive advantage (cost and differentiation), namely, cost leadership, differentiation, cost focus, and differentiation focus. This is the firm's choice of competitive scope, and the scope distinguishes between firms targeting a broad industry segment or the narrow industry segment. Not only the large firms, but small and medium enterprises (SMEs) must also analyze its strategic position of the firm. Therefore, it is essential to identify the strategies these firms are adopting.

Market-Driven Strategies: Authors Zulu-Chisanga et al. (2016) and Wei et al. (2014) have emphasized the importance of market-driven strategies, particularly for small and medium-sized enterprises (SMEs). These strategies focus on market orientation, competitive intensity, and technological dynamics, suggesting that a firm's close contact with its customers and ability to sense, evaluate, and design new products according to customer needs are crucial for achieving sustained competitive growth.

Differentiation Strategies: Differentiation strategies, another category of strategic positioning, when a company provides customers with products or services that they perceive as unique or superior in some aspects valued by customers, allowing the company to charge premium prices. Uniqueness can be a result of product design, branding, technology, customer service, or any other attribute. Michael E. Porter notes that differentiation requires innovation, quality control, brand building, and often larger investments in research and development.

Cost-based strategies. The literature shows that cost-based strategies refer to gaining competitive advantage through operational efficiency or strategic positioning. These approaches are supported by the work of Peppard and Ward, who note that any organizational strategy must define what the company wants to achieve in the future and how to achieve it, considering the options and available resources to make the necessary changes. The cost-based approach focuses on strategies aimed at achieving prices higher than competitors or reducing costs through operational efficiency (Fuertes & Alfaro, 2020).

Resource-based strategies. The resource-based view is highlighted by theorists like Barney, who argue that competitive advantage stems from a firm's resources and capabilities that are unique, in the sense that they are valuable, rare, inimitable, and non-substitutable. According to Guillermo Fuertes and Miguel Alfaro (2020), this approach is based on the organization's internal capabilities that are its primary source of competitive advantage, so employing internal resources is key to achieving and maintaining competitive advantage.

Dynamic Capabilities: The concept of dynamic capabilities, as mentioned by authors such as Teece, Pisano and Shuen refers to a company's ability to incorporate, develop and reconfigure internal and external resources to meet rapidly changing environments. According to this model, industries with fast-changing environments can be characterized by the ability of resource base modification coupled strategic directions adaptation as a significant source of competitive advantage (Guillermo Fuertes & Miguel Alfaro, 2020).

Blue Ocean Strategy: The Blue Ocean Strategy, developed by Kim and Mauborgne, promotes the creation of new markets or "blue oceans" that are uncontested and devoid of competition. It suggests redefining the market boundaries, stimulating new demand and looking for ways to lower costs while differentiating itself from competitors – with an overriding focus on

innovations which create values for business as well as its customers (Guillermo Fuertes & Miguel Alfaro, 2020).

Each of these strategies are ways in which organizations can evaluate their current positioning toward long-term success within any industry including competitive markets like coffee shops in Baku, Azerbaijan. These strategic frameworks give businesses an understanding of how they can navigate through complex landscapes while at the same time taking full advantage of their unique strengths and market opportunities.

**Competitive strategies**

The intensity of competition has increased across all industries, making it difficult for many SMEs to focus on the dynamic market, develop their product lines, and, if required, create a unique position in the minds of consumers (O'Cass & Sok, 2014). The level of competition that SMEs are faced is described as competitive intensity, and it limits their influence by requiring them to adopt market-driven strategies in order to achieve competitive growth. Reijonen et al. (2015) state that because the current market is being replaced by an extremely dynamic environment, it is essential that managers or entrepreneurs of small and medium-sized enterprises (SMEs) boost their market dynamism. In order to stay competitive in the market environment, SMEs are therefore required to enhance their dynamic market practices.

Market strategies and competition intensity appeared to be significantly connected in the study conducted by Sabai-Khin et al. (2012). In contrast, some researchers' findings—Asikhia (2010) and Frambach et al. (2003), for example—showed that competitive intensity has no obvious impact on the possibility of an organization expanding since it does not affect innovative products. The increased market dynamic resulting from competition among different businesses has, in fact, enhanced the competitive performance of SMEs and exposed certain vulnerabilities (Gajowiak, 2015). According to Reijonen et al. (2015), small and medium-sized enterprises (SMEs) have generally been forced to accept environmental dynamism because to their limited ability to influence their environment in the same way as larger businesses. Thus, depending on the market-driven strategic culture of competitive intensity, this may bring both opportunities and challenges to SMEs.

The vehicle for competitiveness changes as competition increases, suggesting that consumer products have to change as well if the company intends to remain above the intense competition in the business environment (Gajowiak, 2015). In such an uncertain market context, however, competitive intensity as a component of market-driven strategies could assist in meeting the specific needs of customers and the stakeholders of the firm.

Competitive growth is the process that lets SMEs achieve and maintain higher levels of employee capability, customer happiness, and profit and return growth. When a SME operates in a proficient, creative, and professional manner, maintains productivity, increases sales and profitability continuously, and expands its market share by highly inventive techniques, it has the potential for competitive growth (Pongpearchan, 2016). Therefore, in order to satisfy the needs of the target customers and drive the desire to continuously and consistently configure and reorganize the enterprise's resources and capabilities in order to achieve competitive growth, an entrepreneur or manager's responsive and tactical abilities can be influenced by the effectiveness of market-driven strategies (market orientation, competitive intensity, and technological dynamics) in SMEs.

Furthermore, the SME's competitive growth can be seen in its continuous responsiveness to the market, its ability to quickly adapt to the changing needs of its customers through employing strategic market resources like competitive intensity, market orientation, and technological dynamics, and the ability to provide managers and entrepreneurs with the resources they must understand and quickly meet client expectations.

Most of the competitive strategies for SMEs, like the local coffee shops, are most likely adopted to enable these businesses to differentiate themselves from existing competition, probably through the development of better products, services, or uniqueness attractive to a specific segment of the customer base willing to pay a premium price within these segments. Generally, the SMEs take niche strategies focusing on the specific consumer needs that are not so apparent to the bigger corporations. This approach enables local businesses to stay close to their markets, adapt rapidly to consumer needs, and maximize their flexibility in operations.

Regional market dynamics also drive the shape of the competitive landscape of coffee shops. Different regions, their markets having various rates of penetration by international chains and local preferences, influence strategies at play in local coffee shops that might be used to thrive. The increase of the coffee specialty trend is a way for local coffee shops to grab market shares by differentiating themselves from the mass market chains that offer a more traditional and often low-quality coffee.

A local coffee shop should always be responsive and should practice flexibility in embracing changes in its business model and strategy to answer the changing needs of the consumers. This also means embracing new technologies, realigning with health-conscious trends, and answering economic factors like recession and inflation, which affect the spending behavior of the consumer. (Jr, 2023, Sandino Coffee).

**Brand awareness and customer loyalty as a key to success of competitive strategies**

Brand awareness refers to the degree of familiarity that consumers have with the distinct qualities or image of a service or product. Keller (1993) emphasizes that brand awareness has been noted to be an important aspect since it determines perception and buying behavior of the decision uncertainty condition. Thus, high brand awareness has the capability establish and strengthen customer trust, resulting in repeat purchase behavior (Aaker, 1991). Therefore, the brand is likely to come into consideration in the purchase process. Brand awareness contributes significantly to a firm's competitive advantage. Keller (1993), in his seminal work on brand management, argues that high brand awareness can increase the recognition of a company's products or services in crowded markets, making them more likely to be chosen over less familiar competitors. This effect is particularly strong in markets where consumers make purchase decisions quickly, as familiar brands are more likely to attract consumer attention and be perceived as trustworthy.

For local businesses, brand awareness is crucial as it introduces potential customers to the business for the first time and helps build prior trust. Keller (1993) emphasises that brand awareness increases consumer response to a brand and higher awareness often results in greater foot traffic in local environments. According to Baldauf, Cravens and Binder (2003), high brand awareness in the local market simplifies the decision-making process for consumers, leading to faster and more favourable decisions in favour of familiar brands.

Customer loyalty can be defined as "the willingness of the customers to return repeatedly to a firm to transact some kind of business based on the delightful experiences and the value that he gets from that firm.". Oliver (1999) explains that true brand loyalty arises when a brand has commitment towards repurchasing a preferred product/service on a consistent basis in the future, hence showing repeat purchasing behaviors. Loyal customers will be less price sensitive in the context of switching to competitors and will have higher sensitivity in terms of recommending the brand to others. Furthermore, fostering customer loyalty increase the number of repeat business from satisfied customers and thus, through a powerful word-of-mounth marketing tool, will directly or indirectly impact customer attraction efforts.

The relationship between customer loyalty and competitive advantage is well known. Loyal customers often serve as a stable source of revenue and contribute to a company's resilience against competitive forces. Oliver (1999) describes loyalty as a deep-rooted commitment to continuously purchase a preferred product/service in the future, leading to repeat purchases of the same brand or set of brands. Such loyalty can insulate a company from the impact of competitive actions such as price wars or fighting new competitors.

Loyalty is particularly important for local businesses because of their limited

marketing budgets compared to large corporations. Dick and Basu (1994) suggest that customer loyalty is achieved through relational attitudes that predict repeat purchase behaviour and the tendency to favour one business over competitors. Such loyalty not only ensures repeat business, but also creates customer advocates who then participate in word-of-mouth dissemination, which is critical to the success of local businesses.

Aaker (1991) argues that brand equity, defined by brand awareness, is a precursor to building customer loyalty. High brand awareness fosters familiarity and trust, which are crucial for building loyalty. Firms with high brand equity can utilise it to implement differentiation strategies, thereby gaining competitive advantage. Porter (1985) also notes that differentiation supported by brand awareness and loyalty can enable firms to charge premium prices or ensure customer preference in purchase decisions.

Local companies can use brand awareness and customer loyalty as strategic tools to develop competitive strategies that effectively exploit local market dynamics and customer behaviour. According to Porter (1985), competitive strategy involves differentiating a business in the eyes of the customer as unique. For local businesses, the use of local identity and personalised services can create this differentiation. Day (1994) suggests that loyalty and awareness can shape competitive strategies through market segmentation and targeting, allowing companies to focus on the most profitable market segments.

**Brand Loyalty as a Mediator**

Competitive strategies that utilise brand awareness and customer loyalty can significantly affect market performance. Barney (1991) in his theory of resource-based approach (RBV) argues that resources such as loyalty and brand awareness are valuable, rare, unique and irreplaceable that contribute to sustainable competitive advantage. Empirical studies such as those of Kotha and Vadlamani (1995) have shown that such competitive advantages can lead to higher market performance in terms of market share and profitability.

Recent research has begun to examine customer loyalty not only as an outcome of competitive strategies, but also as a mediator that enhances the effectiveness of these strategies. Chinkota and Ronkainen (1993) discuss how loyalty can enhance the effect of competitive strategies such as market penetration or product development by providing a more receptive market for new or improved products.

**Gaining the attention and attraction of customers**

According to Kelleer (1993), customer aattraction is a strategy or set of actions aimed at winning new customers or entering new market segments This is often translated into branding, unique selling propositions and marketing campaigns in a way that attracts the attention of potential customers and generates interest in purchasing the product. In other words, to know exactly the tastes, preferences and purchasing behavior of customers so that they can appropriately design marketing messages that really resonate with potential customers and convert them into actual customers.

Creating engaging brand experiences: Schmitt (1999) introduces the concept of 'experiential marketing' that local businesses can use to create memorable brand experiences. These can be community events, seminars or unique in-store experiences that resonate with local culture and preferences.

Use of online and social media platforms: As Kietzmann, Hermkens, McCarthy, and Silvestre (2011) point out, social media platforms are a reliable means of increasing brand awareness and building customer loyalty. Local businesses can use these platforms to engage with customers by posting relevant content, responding to feedback and publicising local community events.

Quality and Value Proposition: According to Kotler and Keller (2006), providing superior value through high quality products and services is essential to capture and retain customer attention. Local companies can differentiate themselves by offering unique products that are not available in large chain shops and thus add a value proposition based on unique products and high quality service.

**How independent coffee shops can gain a competitive advantage**

After building a business plan, the question remains whether it is competitive in principle. How independent coffee shops can gain a competitive advantage? Attractive markets promise a great future and gains for new entrants, but the entry of new enterprises into markets remains its dangerous side, and of course, small entrants face greater risk in comparison with big and strong entrants (Markman & Waldron, 2014). It is important to understand that, for big and international enterprises failure to enter ends up with exit, however for small and new enterprises it ends with death and disbandment (Markman & Waldron, 2014). Such differences also explain why small and big businesses compete in different ways, especially while competing against each other (Hochberg, Ljungqvist, & Lu, 2011). Small enterprises compete with strong and international enterprises in every way they can (Mele, 2015). Competitiveness ability against big competitors is crucial for small businesses for their existence (Galdeano & Olaverri, 2020).

Competitive advantage is the consequence of the value that the business creates for its consumers. (Samoedra, 2021). A competitive advantage is intended to raise earnings as planned, increase market share, boost customer happiness, and ensure a company's existence (Samoedra, 2021). The capacity to establish and sustain competitive advantage in areas is governed by internal and external variables which is essential for effective market competition (Wolak-Tuzimek, Duda & Sierandzka, 2021). Internal competitive advantage sources include peculiar strengths, progressive novelty, knowledge management, human resources, business management, and organizational culture (Wolak-Tuzimek, Duda & Sierandzka, 2021).

Only enterprises which focus on all areas of competition, such as quality, price, speed, customer response, and innovation, can survive and advance their positions, allowing them to stay ahead of their competitors by achieving sustainable competitive advantage (Darroch et al., 2015). Eidizadeh, Salehzadeh, and Esfahani (2017) found out in their study which focused on the competitive advantage that business intelligence, knowledge sharing, and organizational innovation have a positive impact on the competitive advantage of companies. With the help of business intelligence, managers may make better decisions and execute company operations more efficiently by developing practical strategies for the organization, resulting in a competitive advantage for the organization (Eidizadeh, Salehzadeh & Esfahani, 2017). Moreover, it is important to share the knowledge with intra-organizational members, it will increase the opportunities to create new and valuable knowledge assets which will lead to competitive advantage (Eidizadeh, Salehzadeh & Esfahani, 2017).

Somaedra (2021) analyzes the effect of entrepreneurial competency on enterprises' competitive advantage. According to her findings:

1. An entrepreneur must have enough knowledge about the business to maintain business continuity;

2. Entrepreneurs must identify their competitors and have the ability to compete on ethical standards and social responsibility;

3. Competence in finance, making budgets, finding the source, purchasing, selling, calculating profit and loss;

4. Entrepreneurial should have good human relations- he/she should maintain, and improve relations with people who interest the business, such as employers, and suppliers.

Moreover, Somaedra (2021) identified that social media marketing has a notable influence on competitive advantage. Social media is a very effective tool for maintaining and building strong relationships with customers (Akkaya, 2019).

The analysis of competitive strategy is critical for the company's operations. The evaluation of competitive advantages enables a business to determine the direction of its future activities, identify the most appropriate partners, settle a more competitive position and increase the profitability and efficiency of its operations (Ryabova, 2016). Today, international coffee shops are spread over almost all parts of the capital of Azerbaijan (Kwaitkowska, 2019), and the existence of global coffee chains is a challenge for local, small coffee businesses (Septiani & Slamet, Farhana 2020). Septiani, Slamet & Farhana (2020), discussed in their research how the store atmosphere affects consumer trust and loyalty to improve the competitiveness of local coffee shops. Besides the taste of coffee, the other factors that can make customers choose local coffee shops are interior design and the concept of the place (Septiani, Slamet & Farhana, 2020). However, Ting et al., (2018) mention that, the taste of the coffee is one of the most important factors in coffee shops, as it helps to gain a competitive advantage by increasing customers' desire to come back to the store. According to the research held by Hussain & Ali (2015), the atmosphere of the store affects customers' purchase intention in a positive way, so it can be helpful to gain a competitive advantage.

## 1.3.2 Market Dynamics and Industry Impact
**How do global companies and business trends affect local business?**

Companies operating outside national borders — so—called multinational corporations - can provide host countries with many advantages, such as employment opportunities and the latest technological innovations. At the same time, multinational corporations use their considerable size to select the most favorable conditions for the organization. They can potentially drive local operators out of business because local firms, on average, do not receive the same economies of scale (Thompson, 2019). However, the desire to optimize the supply chain means that multinational corporations often cooperate with local suppliers of raw materials, components and other consumables. These contracts are a great opportunity for local companies, which will help increase revenues and reputation, because signing the contract highlights the local company as an organization that supplies large international networks (Achrol, 1997).

At the other end of the supply chain, a multinational company can use domestic distribution firms to deliver its products into the hands of local consumers. The importance of being aware of global trends is undeniable. In a world where technology, consumer behavior, and market dynamics are evolving globally, local businesses need to keep their finger on the pulse. The impact is extensive, affecting everything from supply chains and industry regulation to competition dynamics and cultural shifts (Barbosa, 2024). Thus, large network companies set the tone for local companies within the framework of global industry trends. The coffee industry is also no

exception. When local business development flourishes, there is a greater demand for services and skilled labor. One often fuels the other. The momentum generated by the development of local businesses continues to attract more businesses and investments.

The characteristics inherent in these fast-growing cities are not so obvious in areas with slow growth. Instead, other constraints are preventing job creation and business development, halting the entire economy of the region. Baku is one of these cities, so Linda Ray's (2020) statement on this issue is valid from the point of view of small business sustainability factors in the future. Moreover, the inherent traditional way of life in Azerbaijani society also affects business. When anti-growth advocates seize political power in cities, they hinder the development of new businesses. The voting public uses the power of their elected officials to obstruct construction, filling, and development. The community's unfriendly attitude towards new business is alienating developers, who prefer to build in areas that welcome their investment and support growth politically, which means they will face fewer municipal obstacles (Ray, 2020).

There are many discussions on how some of the global business trends, such as the emergence of artificial intelligence (AI), geopolitics influencing trades, or the rise of electric vehicles, remote monitoring, and remote work, all present risks but also opportunities for local businesses. Therefore, it becomes very critical that local businesses develop and cultivate the ability to adapt to these trends, gain from technological advances, and develop a global mindset that will be able to remain competitive in the market. Those could be changes in new technology utilization, focusing on improving the customer experience or even data analysis to tailor business operations to local preferences  (The impact of global business trends on local businesses, Rauva)

Whether it's adapting to new consumer expectations, embracing innovative technologies, or understanding cultural nuances, staying informed is the key to local businesses remaining agile and relevant in a global context. According to the Barbosa B. (2024) article staying informed enables businesses to identify new opportunities for growth and innovation, stay ahead of the competition, and make informed decisions that can positively impact their bottom line. To illustrate the importance of staying informed, consider the following table:

New consumer expectations, innovative technologies, or being culturally sensitive: being updated will allow local businesses to stay agile and relevant in a global context. According to the Barbosa B. (2024) article, staying informed business is one that is able to identify the new areas for opportunity, growth, and innovation. It enables them to stay ahead of the competition, and informed decisions may, in turn, positively influence their bottom line. To illustrate the importance of staying informed, the following table is provided :

**Table 1**. The Impact of Global Business Trends on Local Businesses

| Global Trend | Impact on Local Businesses |
|---|---|
| Technological advancements | Opportunity to streamline operations and reach a wider customer base |
| Changing consumer preferences | Need to adopt to products and services to meet evolving demands |
| Shifting industry regulations | Requirements to comply with new standards and regulations |

Source: Bernardo Barbosa "The Impact of Global Business Trends on Local Businesses", 2024

In a globalized, highly competitive markets, local businesses are challenged by the demands for high customer service from global players, the need for a digital strategy, and the need to collaborate within their region to create innovation. Other demands that local businesses face, and in which they are advised and encouraged to be strategic, relate to innovation and collaboration within the community. Local businesses should also have a well-structured strategy to address diversity and inclusion issues related to employees, customers, and suppliers in the global market.

**Growth stages for new businesses**

A lot has been written in the scientific literature on the stages of growth of a new business. Small businesses are the drivers of economic growth in a market economy, and they are an important aspect of any country's economy (Spremo & Mićić, 2015), however small business owners fight against many issues in the early running years of their businesses. Marano (2018) mentions, that over 60% of small businesses fail during the first three years of operating.

According to studies, more than half of all new businesses fail before reaching their fifth year of operation (Henry, 2017).

Many new businesses face failure in different stages of operation. Tech (2014) mentioned 3 stages for the new businesses: 1. Early; 2. Growth; 3. Later. In addition, 3 different stages were also determined by Paschen (2017):

1.      The pre-start-up stage is when the owner evaluates his idea's ability to become a profitable and successful business. At this stage, the owner should identify, the main competitors, target market, and suppliers.

2.      The second stage is when the business idea is proven and ready to start. At this stage, the founder should think about possible improvements and create an appropriate business plan.

3.      The growth stage is when the business starts to be profitable and productive. After

successful application of 3$^{rd}$ stage, the business has the potential to grow in the future.

### 1.3.3 Strategic Challenges and Success Factors
**The challenges independent coffee businesses can face**

According to Pandey and Pattnaik (2017), new businesses are failing because of different reasons such as lack of experience of the entrepreneur, lack of strategic HR management, and overestimating market demand. Shuklev (2016) mentions the key challenges for new businesses in the start-up phase as below:

1. Lack of recourses
2. Lack of experience
3. Lack of knowledge about the business
4. Lack of knowledge by customers
5. Lack of highly skilled workforce
6. Choosing the wrong location

Gumel (2017) categorizes the challenges faced by small businesses into three different groups based on the success factor model of Lampadarios (2017):

1. Challenges facing entrepreneurial factors: Lampadarios (2017) explains entrepreneurial factors as a variable that is related to the owners and managers of the small business and includes their experiences, skills, and background.

2. Challenges facing enterprise factors: Enterprise factors represent the age and size of the company, financial resources, customer relations management, business network, marketing, and strategic development (Lampadarios, 2017).

3. Challenges facing external business environment: External factors that affect the small businesses are political, socio-cultural, ecological, legal, and economic factors (Lampadarios, 2017).

The new businesses frequently have limited personnel and financial recourses (Bosch et al., 2013), which brings issues for the survival of the business (Salamzadeh & Kesim, 2015). According to McGowan (2017), poor financial planning and lack of financial opportunities led many new businesses to fail. Srinivas and Nagaraja (2013) state that, finance is a critical issue for businesses in their launch and growth stages. Therefore, the new businesses including coffee shops, may not benefit from the company in the initial stage, but they should have a target for the long run.

According to Kuhn (2021), most independent coffee shops are failing within 5 years from opening, also, he mentions that one of the most critical challenges for the coffee shops is establishing customer loyalty. Client loyalty is related to greater turnover and reduced customer acquisition expenses (Dhisasmito & Kumar, 2020). Turnover may rise as loyal clients purchase more frequently from the same enterprise, creating greater opportunity for up-and cross-selling (Kühn, 2021), moreover, loyal customers are less price-sensitive than non-loyal ones (Pandey et al., 2020). Loyal customers also refer to other clients, therefore customer acquisition expenses are also decreasing in this situation (Ryu and Lee, 2017). As a result, building customer loyalty is one of the crucial challenges which play a barrier role for surviving and profitability of independent coffee businesses.

**Success and failure factors of small coffee businesses**

There are many factors for the success and failure of a small coffee business. All of them are described in the analyzed scientific literature below.

Small and medium-sized businesses have an essential role in the economic growth of any country, as they are playing a vital role in generating wealth and employment (Samadzad & Hashemi, 2022). Small businesses should not be considered only as a small company, they have exceptional characteristics, and in this sector, every business aims for a different goal and is run by owners with different skills and capabilities (Mandachitara & Allapach, 2017). Different characteristics of entrepreneurs and enterprises lead some businesses to succeed while some of them fail (Mandachitara & Allapach, 2017). According to previous studies, defining success in small enterprises is not an easy task, because success can be explained differently by different people (Mabhungu & Van Der Poll, 2017). Simpson et al., (2012) explain that success in business is defined by its growth and profitability. Traditionally success is measured by criteria such as profit and growth, also personal fulfillment and feeling of achievement are inborn factors to measure success (Chong, 2012). In the independent coffee shop sphere, success can be defined as reasonable pricing, quality, and quick service (Gurd & Thomas, 2012).

The qualities of the entrepreneur, management methods, and the effect of the external factors, which determine the business size of small enterprises are components of the success or failure of a business (Muhammed et al., 2010). According to the research held by Samadzad and Hashemi (2022) business environment, financial resources, business support, leadership and management, individual character, business attributes, infrastructure, HR management, and networking are the main factors that lead to success in small and medium-sized businesses. Many scholars shared their ideas about the factors which lead to the development of small businesses (Samadzad and Hashemi,2022).

1.      Some assume that a company's potential is mostly influenced by the characteristics of the entrepreneur (Pourebadollahan et al., 2010).

2.      Sen & Taylor (2007) consider that characteristic of the enterprise itself is more important.

3.      Also, business partnerships play a crucial role in the improvement of small enterprises (Sen & Taylor, 2007).

4.      The other group of scholars mentions the importance of the business plan and framework as a factor that leads to success in small businesses (Putra & Hasibuan, 2015).

Moreover, there have been several research conducted to find out critical success factors for small businesses. Chong (2012) identified that managerial skills, financial resources, marketing, customer service, competitive prices, location, and family support are the necessary determinants of success in small enterprises. Ng and Kee (2012) identified key factors for businesses in economically growing countries as leadership and management, capital management, entrepreneurial characteristics, competence, motivation, and market orientation. Furthermore, Nikolic et al., (2015) divided success factors for small businesses into two groups: Individual factors and non-individual factors. They mention owner and manager experience, personal characteristics, and motivation as individual factors, while non-individual factors cover internal factors such as marketing, competitiveness in the market, innovation, and external factors such as poor capital, economic circumstances, and high level of competition. In addition, Lampadarios (2017), categorize success factors into three different groups: Entrepreneurial factors (owner age, educational background, experience, and skills), enterprise factors (financial capital, business size, network and connections, marketing and planning) and business environment factors (economic, socio-cultural, political, legal and regulatory). Furthermore, Santalova, Soklakova & Balabanova (2020) identified 7 key success factors for companies as below:

Market size; Financial liquidity; Product quality; Brand promotion; The professionalism of the staff; Location; Customer orientation.

Justino & Tengeh (2015) mentioned in their research that there is a high failure rate in small businesses. They proposed Nemaenzhe's (2010) business failure process model in their study.  In Nemaenzhe's model, the three-step sequence is mentioned. The first phase argues that inefficient business management leads to internal failure in small businesses (Nemaenzhe, 2010). The second phase demonstrates how combining levels of resources and opportunities differently (for example, if both are lower) can end up with the failure of business, mostly due to the inability

of the managers to control them (Nemaenzhe, 2010). The third step emphasizes a mix of four failure factors (monitoring and control, experience and planning, income constraints, and cash control), which claimed that when these components are not properly managed and are influenced by external factors as well, they lead to the small business's final failure (Nemaenzhe, 2010).

### Financing and capital management as a critical factor

Financing and capital management as the most important factor directly affects the choice of strategy. There are many ways to manage money. Let's consider one of them.

As it is mentioned by many researchers financing is one of the key factors that may bring failure or success for the new businesses. All business owners wish to be timely independent, constant and successful in their businesses, however in order to be so, adequate and quality financing is important for small enterprises (Pticar, 2016). The business process is the same almost for all the companies, it covers purchasing process and sales process which ends up with the circulation of assets, and the goal here is to create value, maximize profit, and the growth of the company (Pticar, 2016). Pticar (2016) mentions that in small businesses the role of ownership and the role of management is mostly held by one person, and among all the other goals, the entrepreneur focuses to reach maximum profit and increase the minimum capital. However, uncontrolled capital and inadequate financing put the business in a potential danger which becomes a barrier to achieving success (Pticar, 2016). Pticar (2016) identified four functions of financing and capital control in business:

1. Planning, controlling, and deploying all financial resources of a business unit
2. Coordinate receivables and payables
3. Follow all cash flow and financial ratios
4. Financial control and analysis

Many small enterprises are losing control over their capital and financing because of the poor finance management knowledge of the owner/manager (Almansour et al., 2019).

### The importance of a business plan

The importance of a business plan is undeniable. Most small business ventures do not have an appropriate business plan. In a competitive market, it becomes difficult to imagine success without business planning. The poor knowledge and experience in understanding the business environment lead new companies to a big loss (Pandey & Pattnaik, 2017). Many owners opening coffee shop struggles in understanding the business environment. The ability to understand the business environment allows business owners to figure out all different directions for the future (Ibnussina, 2015). Long, Geng, and Shakeel (2016) proved that business planning plays a crucial

role in business growth aspiration. Small business owners without appropriate long-range planning are more capable to fail (Gupta & Dutta, 2011). According to Spring (2014), we can add that, the small business owners must have a short-term goal with possible solutions to achieve them. A coffee-selling enterprise should be backed by a correct business plan and should continue to improve creativity and innovations, so the business survives (Rahardjo, Hasbulla & Taqi, 2019).

## 1.3.4 Conceptual Framework

Based on conducted literature review, conceptual framework was compiled.
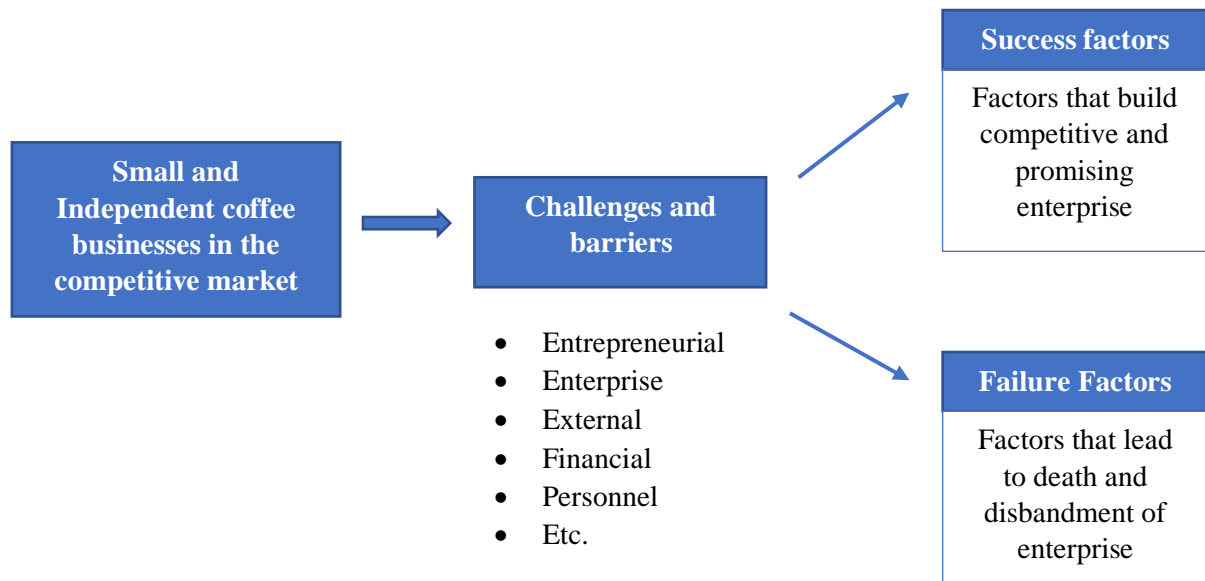


Picture 1. Conceptual Framework (source: composed by the author)

**Conclusions on conducted literature review**

1. **Main findings:**

Table 2. Main findings from literature review summary table

| Main findings | Description | Implications for Local Coffee Businesses |
|---|---|---|
| Strategic adaptation to global influence | Local coffee shops in Baku are largely influenced by the modern strategies of international coffee chains. | The global influence of such local business operators is a force that similarly adapts to not just compete, but also maintain a foothold in the market through effective integration and innovation of global trends. |

| Importance of strategic management | This means that effective strategic management, especially in understanding and applying competitive strategies such as differentiation, cost leadership and market segmentation, is a very necessary component. | Porter's concepts and the resource-based approach are some of the important ways to help businesses both leverage internal strengths and address external challenges. |
|---|---|---|
| Dynamic capabilities | The ability to respond is key to market changes, customer preferences and technological advances. | The dynamic capabilities of local coffee shop owners will allow businesses to easily reconfigure their resources and change strategies at will, while remaining competitive in a rapidly changing market environment. |
| Customer-based approach | It is important to build relationships with customers and learn their preferences, further providing services and products developed on this basis. | This will include creating a unique customer experience that effectively differentiates local coffee shops from both global chains and other local competitors. |
| Brand awareness and customer loyalty | What matters to local coffee shops is how to build a strong local brand and customer loyalty. | This will certainly guarantee not only repeat business, but also protection from competitive pressures. |

Source: composed by the author based on conducted literature review

## 2. Critical factors and their relevance to the research problem:

Table 3. Critical factors from literature and their relevance to the research problem

| Critical factor | Description | Relevance to research problem |
|---|---|---|
| Differentiation strategy | This could be in the form of special coffee products, unique ambiance, or  superior customer service. | Differentiation helps to build loyal customer base and justifies premium prices. |

| | | |
|---|---|---|
| Customer engagement and loyalty | Engage customers through great service and by building loyalty programs are essential. | Loyal customers will ensure a continuous flow of revenues and may even become advocates of the business through word-of-mouth, which is critical for competing with the bigger chains that have a lot more to spend on marketing. |
| Operational efficiency | Streamlining operations to reduce costs without sacrificing quality, which is critical to price competitiveness. | The good operational processes to reduce cost without compromising quality enable the local coffee shops to be competitive on price with the international chains, crucial to attract cost-sensitive customers. |
| Technological incorporation | The use of technology for better service through CRM (Customer Relationship Management) systems, mobile ordering, and payment systems will affect the customer experience and, thus, operational efficiency positively. | Allows local stores to compete with international chains on price. |
| Market research and consumer insight | Constantly researching consumer preferences and market trends and adapting offers accordingly. | Make possible for the local shops to adjust their product offerings and marketing strategies in the effective way, hence meeting the expectations of their customers and increasing market relevance. |
| Community involvement and local marketing | Building a strong local presence is about engaging with community activities, as focusing on local marketing efforts can enhance the visibility and attractiveness of local coffee shops compared to international competitors. | Strengthens local presence and competitiveness. |

Source: composed by the author based on literature review findings

The conducted literature review offered rather thorough insights into the multi-faceted approaches that have to be assumed, so that competitiveness can be sustained and enhanced with increased international presence and market growth. At the core of such discussions is strategic

management that has to be embraced by local coffee shops. Such strategic management requires global trend adaptation and the cultivation of unique local strengths.

International coffee chains have faced enormous competitive challenges brought on by their global reach, but at the same time, local coffee shops can also innovate by integrating creative combinations of global trends with local flavors and preferences. In fact, crucial strategic concepts, for instance, Porter's generic strategies, and the resource-based view have been cited to play a vital role in enabling firms to make the most of their internal resources and capabilities and forming a sustainable competitive advantage.

One of the most vital findings is that of dynamic capabilities, which allow a business to constantly adjust with the changes in consumer tastes, technological progress, and market dynamics at an accelerated pace. The possibility of rapidly reconfiguring resources and changing the directions of strategy becomes the main source of maintaining of market relevance and competitiveness.

Customer-based strategies are very critical. For local coffee shops, brand loyalty and retaining customers by forming strong and personal relationship with them, understanding, and meeting their current needs, and providing high-quality and exceptional experiences differentiate them from the global players. Second, brand loyalty and customer retention provide a sustainable revenue base and reduce exposure to the competitive environment.

Operational efficiency and the adaptation of technology would contribute a great deal toward enhancing customer experiences and improved cost management, which allows the local coffee shops to compete powerfully on price and convenience.

In conclusion, the literature review underscores the essence for local coffee shops in Baku to adopt a strategic balance between differentiation, customer engagement, operational effectiveness, and technological integration. Thus, these businesses, by capitalizing on their uniqueness and developing sustainability within the coming competitive market, will not just survive but thrive and successfully compete. Such strategic operations will help local coffee shops in gaining and keeping customers, therefore resulting in their long-run successes in the emerging market of Baku, Azerbaijan.

*Chapter 2.Methodology*

This chapter explains the research methodology in detail. The focus is on the design of the study and the implementation of the qualitative and quantitative methods applied in this study. The chapter justifies the choice of methods, which include semi-structured interviews with local coffee shop owners and managers as well as customer surveys. It describes the research approach, sampling methods and target population. Qualitative interview data provides greater insight into the experiences and challenges of coffee shop owners and quantitative survey data provides statistics to support these findings. The chapter also describes methods of data analysis, including coding and thematic analysis of qualitative data and descriptive statistics for quantitative data. Overall, this chapter aims to ensure that the results of the study are reliable and consistent with the objectives of the study.

**2.1 Research Method**

The goal of the inductive technique is to build a new theory, whereas a deductive approach is to test an existing theory. The inductive approach can be used to acquire quantitative data, whereas the deductive approach can be used to obtain qualitative data (Brotherton, 2015). The main limitation of the inductive approach is that thinking is limited to the outcomes. On the other hand, the deductive technique, which reveals causal linkages between ideas and variables, is employed to avoid divergent views (Kumar, 2018).

It is extremely important to identify the purpose of the study while conducting research (Macdonald & Headlam, 2018). The purpose of a descriptive study is to gain a better knowledge of a particular phenomenon. It gives an accurate perspective of the problem under consideration, detecting potential connections and links. Exploratory research allows the researcher to establish an initial impression of the topic matter while also allowing them to revise their minds later if necessary (Macdonald & Headlam, 2018). Explanatory research, on the other hand, includes descriptive elements while also attempting to identify relationships between distinct qualities (Macdonald & Headlam, 2018). In this study, explanatory research was implemented.

Qualitative data is a sort of primary data that is obtained utilizing small-scale samples, observations, and interviews, as a result, it is descriptive and describes circumstances that may be examined but not quantified. The analysis of obtained data in qualitative research might be difficult and time-consuming, however, the questions involved in the study can be quickly assembled. On the other hand, quantitative data is a type of primary data that relates to numbers or quantities that can be quantified Brotherton (2015). It requires bigger samples and can be conducted by applying questionaries and surveys. This method takes more time to plan and create, but not much time to analyze the collected data.

The researcher decided to apply qualitative research for this study by conducting interviews and additional quantitative tool in the form of surveys, because it was found as the best match for this study.

Firstly, semi-structured interviews with owners/managers - this qualitative method is justified because it allows for an in-depth exploration of the experiences, strategies, and challenges faced by local coffee shop owners and managers. Given that the study aims to understand the factors influencing success of strategies that local coffee shops use to compete, interviews provide an opportunity to delve deeply into interviewees' responses, revealing rich and detailed information that structured surveys may miss. This method aligns with the objectives of the study by reflecting the unique perspectives and tactical decisions of individual coffee shops that are critical to determining success factors in a highly competitive environment.

Secondly, customer surveys - the quantitative component complements the qualitative information from the interviews by collecting data on consumer behavior, preferences, frequency of visits, spending patterns and factors influencing their choice of coffeeshop. This approach is justified by the need to validate and generalize the results of qualitative analysis to a wider range of consumers. Surveys allow us to collect data from a larger sample size, allowing to identify patterns and trends in consumer behavior that can influence the strategic decisions of coffee shop owners.

Although the collection of primary data through interviews is qualitative, the survey acts as a quantitative tool to provide statistical evidence to support qualitative findings. This mixed methods approach increases the trustworthiness of research findings by ensuring that they are well supported by a variety of data sources. The survey results may reveal discrepancies or add factors that were not fully captured in the interviews, providing re-evaluation or refinement of initial findings. This combination increases the reliability and validity of the overall research findings and recommendations. This approach allows for a more detailed understanding of how coffeeshops' competitive strategies align with consumer expectations in Baku, providing a solid basis for developing effective business strategies. Surveys are not just an add-on, but a critical component that complements and enhances the information obtained through interviews, ensuring that research findings are comprehensive and reflect the diverse perspectives of all stakeholders involved.

## 2.2 Data Collection

### 2.2.1 Population and sampling

A person, group, institution, nation, item, or any other entity or mass about which scientific inferences are wanted is referred to as a target population (Bryman, 2019). The target universe

and the achievable universe are two subsets of the target population. The achievable universe is the population that the researcher can immediately reach if he/she wishes, however, the target universe is the area that is difficult to reach (Bryman, 2019).The addressed population of this research is independent local coffee shop owners and managers as well as customers that visit their coffee shops, to have an appropriate analysis of cited objectives above. The sampling method was used to choose a sample and decide on a smaller version of the population since the researcher was unable to perform the research for the entire population. The two types of sampling procedures are probability sampling and non-probability sampling. Probability sampling makes use of random selection, allowing for strong statistical inferences about the entire group. Non-probability sampling, on the other hand, is a non-random selection based on convenience or other variables in order to obtain data quickly. As a result, in this study, non-probability sampling was used.

Purposive sampling was identified as the best suitable technique for this research: the best matches were selected from small coffee shop owners and managers. This method allows personal judgment in order to find the best-fit answers for the research (Brotherton, 2015).

The sample in this research is a population of five owners/managers of small coffee shops based in Baku, Azerbaijan, and operating for more than 3 years successfully, and all the segments of customers of coffeeshops in Baku, Azerbaijan in the amount of 105 respondents.

### 2.2.2 Research Design and Collection Process

Firstly, the qualitative method was used for the data collection process. The data was obtained through a series of semi-structured interviews. Firstly, 5 local coffee shop owners were contacted, to ask if they accept to participate in the study or not. 1 of the owners suggested to make the interview with the manager of the enterprise because the owners were not participating in management, and the manager was in business since the beginning. 4 owners agreed to participate in the study by themselves. Moreover, the researcher decided to include the data collected from the pilot study in the final analyses as it went very smoothly and not any changes were needed in the end, 4 owners and 1 general manager of different local coffee shops agreed to participate in the study. After the research design was completed and all questions were set, all the participants were contacted by phone to decide on a specific time and day.  All the participants were in Baku, so it was decided to carry out the interviews face to face, however, because of their busy working hours, 2 respondents were interviewed via WhatsApp videocall after their work time. Every interview was voice recorded through the researcher's computer.

The questions were based on the literature review. The semi-structured interviews were based on 15 questions representing 3 objectives.  Moreover, some background questions were asked in order to get some general information about the participants. The questions are designed

to provide a comprehensive understanding of the experiences and strategies of coffee business owners in Baku, Azerbaijan. The goal is to understand the factors that influence the creation, operation, and success of these businesses in a competitive market. These questions explore areas such as owners' experiences, decision-making processes, problems they face, attitude towards customers and their preferences, and strategic choices that contribute to their success. By collecting this information, the study seeks to identify and confirm critical factors influencing the success of independent coffee businesses.

Further, the quantitative data was obtained through the conducted survey among customers of local coffeeshops in Baku, Azerbaijan. For the primary data collection a comprehensive questionnaire was designed and distributed among the customers of the coffee shops in Baku, Azerbaijan. The survey included 16 questions, most of them in the multiple-choice format to ensure ease of analysis, and clarity of responses in interpretation. The questions were prepared based on the general objectives of the study including understanding the preferences of customers, their frequency and patterns of spending, and factors influencing their choice of the coffee shop. Descriptive survey design aimed at collecting quantitative data from a broad number of respondents. This design was adopted for its efficiency in gathering large amounts of data and its effectiveness in providing a profile of the current opinions and behaviors within the customer base concerning independent coffee shops in Baku, Azerbaijan. Before the full distribution the questionnaire was pilot tested on a small number of respondents to ensure the clarity, relevance, and understanding of the questions. The feedback from the pilot test helped in modifying the questions to enhance reliability and validity of the survey.

The final questionnaire was distributed online through social networks specifically selected because of their popularity and the potential reach of the large audience quickly. The platforms were selected based on their popularity and the possibility of reaching the target group of respondents- the coffee shop visitors within the Baku city. An open invitation was sent out on Instagram, WhatsApp, Vkontakte and Telegram, encouraging users to participate and share the survey link, hence using the snowball sampling technique. This method allowed rapid data collection and large sample sizes that enhanced the statistical reliability of the findings.

Throughout the survey process, ethical considerations for anonymity and confidentiality of the respondents was maintained. The survey introduction included information about the purpose of the study, voluntary participation, anonymity of respondents, and the confidential handling of data. Responses from the survey were automatically collected and stored in the Excel file. Data cleaning was done to obtain incomplete or outlier responses.

The customer survey design and implementation ensure that the research is able to capture accurate, relevant, and significant data to inform strategic understanding regarding the behavior and preference of customers in the competitive coffee shop market of Baku, Azerbaijan.

### 2.2.3 Data Analysis Methods

The interviews were recorded, and the answers were transcribed fully and saved as a Word Document. Except one, all interviews were taken in Azerbaijani, so they were translated into English. Then, all the collected data was summarized to create a clear overview. After converting all the data, the similarities and differences in answers were found out, answers were categorized in an Excel file in order to clarify the similar or different responses. Interviews results were interpreted using a structured coding framework derived from a literature-based conceptual model. During the analysis recurring themes were identified and quantified to determine the most significant factors influencing business success. The Interviews Answers summary table is given in Appendix, it gives more detailed information about the respondents' answers.

As for surveys, the collected data from the survey responses were exported in a statistical software Excel for comprehensive analysis. Descriptive statistics were calculated to understand the key characteristics of the data, providing simple summaries of samples and percentage measures. The results from the descriptive statistics were interpreted to draw conclusions about customer behavior and preferences. The Survey Responses summary table is given in Appendix to provide more detailed information on responses of the survey.

After both of the empirical research methods were applied and interpreted, the final discussion of the results was provided based on updated conceptual framewok from literature review conclusions, most critical of the identified factors were confirmed and supplemented based on interviews with managers and customer surveys.

*Chapter 3. Research results*

This chapter presents the interpretation and discussion of the research results from semi-structured interviews and customer surveys. The objective is to analyze the factors influencing the success of competitive strategies of independent coffee shops in Baku, Azerbaijan. The information obtained through these empirical methods will help to understand the challenges these businesses face, the strategies they use, and their performance. The purpose of this chapter is to illustrate the results of the interviews and surveys, discuss key themes and findings, identify critical success factors and challenges for local coffee shops, analyze customer behavior, and provide a comprehensive overview of the competitive dynamics in the Baku coffee shop market.

## 3.1 Interviews data interpretation

The results of obtained data from participants of this study are illustrated in this section. Owners and managers of 5 local, independent coffee shops in Baku, Azerbaijan participated in this research and were interviewed by the researcher to collect the primary data needed for this study. The purpose of this study is to look at the important aspects that would assist local coffee businesses to successfully compete in the market of Baku, Azerbaijan. Additionally, advice by local coffee shop owners for setting up a coffee business is also included in this paper.

### Barriers and challenges that local coffee shop owners face

While analyzing the obtained data, it was observed that for two coffee shops, the first challenge they faced was the poor experience of their owners in their field. Participant A and Participant B mentioned their issue about being inexperienced. Participant C stated the difficulties in the documentation process that enterprises faced while legalizing their operation. Moreover, establishing customer satisfaction was another challenge for Participant C. Meanwhile, Participant D and Participant E pointed out difficulties in competition with international chains in the early stage of their operation. For both, it was almost impossible to compete with big chains before local coffee shops became popular. Furthermore, limited capital sources were a problem for Participant E, however, they handled it very well according to his opinion.

Participant D mentioned two other barriers they experienced which were about finding the correct location and finding appropriate suppliers. Similarly, for Participant C and Participant E choosing a location was a hard decision because of different reasons. Participant E pointed out that that was a difficult choice because they had to take rent fees into consideration. On the other hand, Participant A and Participant B did not mention finding location as a big challenge they faced while setting up a business. Moreover, except for Participant A, all respondents of the interview believe that coffee shop business location is the essential factor. Participant B especially

highlighted that in the coffee shop business high profits can be made with a high volume of sales, and it is only possible in crowded areas. Participant A does not consider location as a critical factor and mentions that as soon as you meet the customer's expectations even if you do not locate in a good location, it will not make a huge issue for the business.

In addition, Participant A, Participant B, and Participant C highlighted the difficulties in gathering the right team which they went through at the initial stage of operation. Participant A mentioned that as it was not a very popular sphere it was quite difficult to find highly skilled employees to work for their business. Similarly, Participant B especially pointed out that they collected the core team in their 3$^{rd}$ month of operation. In comparison, for participant D and Participant E, gathering a team was not a huge issue, as they knew a team they will work with before. For Participant E, having experienced people around was a factor that made collecting the right team easier. Another key fact to remember, all the respondents in the interview find the staff as a crucial element that drives to success in the coffee shop business. Participant C stated that the team plays the most important role in quality in coffee enterprises and without a good team it is hard to expect success. Another key point is the training of the team, Participant E pointed out the importance of consistent training which they apply to their team members in order to establish a high-skilled staff.

To continue with external factors that affected coffee shops, Participant B, Participant C, and Participant D could not mention a major external influence that had an extremely negative impact on their business at their early stage of operation. Just Participant C brought high rent fees in central areas of Baku as the only example of external negative effects, which were not impacted their business significantly. In comparison, Participant A highlighted 2 external effects which influenced their business negatively. The first was about the unpopularity of coffee among residents at the time they started to operate. The second external effect was the limited supply sources, there were not enough suppliers for coffee products and equipment in Azerbaijan. Moreover, Participant D pointed out the dominance of international coffee chains in the market as a negative effect they felt like a local coffee enterprise. Almost all respondents mentioned Covid-19 as an external factor that affected all businesses in a negative way including coffee businesses.

On the other hand, businesses may also face external opportunities which help them to operate in a better business environment. For instance, Participant D and Participant E mentioned the support of the government to small businesses in the last years, which is a really important opportunity for local businesses in order to operate more confidently. To add, Participant B pointed out the increasing popularity of coffee in Baku, as an important opportunity for their business.

To summarize, every entrepreneur had faced some critical challenges at their initial stage of operation. After looking at obtained data, it has been seen that they face mostly common barriers, however, some of them experienced different challenges than others. It found out that, every entrepreneur has different experiences and different points of view about the problems they faced. After analyzing all the answers of respondents, the challenges at the initial stage of businesses mentioned in literature review can be accepted more confidently. Especially, the theory of Shuklev (2016) about the challenges at early stages (lack of sources, lack of knowledge, lack of experience, lack of knowledge by customers, lack of high-skilled workforce, choosing location), can be proved again after participants' responses to addressed questions.

The following table provides an overview of the results of the barriers and challenges coding analysis based on the conceptual framework.

**Table 4**. Barriers and challenges overview based on conceptual framework

| | |
|---|---|
| **Entrepreneurial** | **Inexperience** (a lack of experience impacting decision-making and operational efficiency)<br><br>**Fear of failure** (noted by newer entrants into the market who were uncertain about the competitive landscape) |
| **Enterprise** | **Competition with international chains** (that have significant market power andvbrand awereness)<br><br>**Unique Value Proposition** (to differentiate from competitors) |
| **External** | **Regulatory and documentation issues** (involved in setting up and maintaining business operations)<br><br>**Supply chain disruptions** (obtaining supplies reliably, especially from international sources)<br><br>**Market conditions** (economic downturns or shifts in consumer preferences) |
| **Financial** | **Capital access** (to start or expand operations)<br><br>**Cost management** (especially with fluctuating expenses like rent and supply prices)<br><br>**Unexpected costs** (a common issue that affected profitability) |

| | |
|---|---|
| **Personnel** | **Hiring Skilled Staff** (especially baristas who can maintain the quality of the coffee offered)<br><br>**Training and Development** (to ensure high service standards) |
| **Other challenges** | **Location decisions** ( the right location that balances visibility with affordable rent)<br><br>**Customer retention** (Strategies to keep customers returning in a highly competitive market) |

Source: composed by the author based on interviews data analysis

**Success and failure factors for independent coffee shops**

While analyzing possible success factors for independent local coffee shops in Baku, it was found that, every enterprise had different factors that brought their success. Participant A mentioned the innovative work as a premier success factor for their enterprise and then added that entrepreneurs should never be scared about bringing some innovations. Moreover, Participant A showed their staff as a critical factor that brought their success and stated the fact that their staff members always support each other which is an important determinant. Similar to this response, Participant E pointed out the skills and experience of their team as a critical success factor for their enterprise. Also, Participant C mentioned the training of the team members while talking about the staff as a success factor.

In addition, Participant B, Participant C, and Participant D pointed out the location of their coffee shop as a necessary factor that played a crucial role in their success. Participant D stated that, if they choose the wrong location, they would not be successful.

Furthermore, Participant B stated that loyal customers are their real profit generator, by this, he pointed out the importance of customer loyalty in their successful business. It is already clear that quality is a crucial factor in coffee shops, in addition to this, Participant B highlighted the consistency in quality which also played an important role in their success. Participant C also mentioned the quality of their product as a success factor of their coffee shop.

For both Participant B and Participant E, motivation is a crucial factor that brought their success. Participant B especially stated that, as soon as they are motivated, they will continue to grow, and success will stay like a dream without motivation. Participant E highlighted self-confidence as well, as a success factor. These two factors are psychological factors that cannot be gained with experience, knowledge, or hard work. Moreover, management, relationship with customers, and discipline are other factors that drove to success, Participant E mentioned. Participant D pointed out the wide menu in their enterprise as an important factor that attracts

many customers.

While talking about the business plan, almost all respondents mentioned that there should be an organized business plan before starting a coffee shop business. However, Participant A, Participant B, and Participant C pointed out the unexpected conditions which entrepreneurs cannot predict before. Participant C mentioned that the business plan must be flexible because of some unexpected conditions. Similarly, Participant A and Participant B stated that entrepreneurs must be ready to overcome unexpected issues. On the other hand, an organized business plan is a crucial success factor for Participant D and Participant E. Participant D stated that, if the business plan is created correctly by professionals, it is easier to succeed. Furthermore, Participant E reminds one key factor that, it is more important to follow the business plan in a disciplined way and work hard to fully implement it. Overall, all respondents agree that it is better to be more organized by creating a business plan before starting a coffee business. Some respondent finds it is extremely important, meanwhile for some of them it is not the most important factor as it seems.

In addition, Participant D mentioned that if you want to establish a perspective enterprise you should have good connections and adds that they overcome many issues because of personal connections. On the other side, 4 respondents also find personal connections as an advantage in the business environment in Baku, however, they do not point it out as a major success factor in this sphere. Participant B highlighted the moments when his connections were helpful, for instance, in finding good suppliers or in a relationship with government authorities. However, without this factor coffee shop enterprises can still be as successful as they are today, personal connections are just a small advantage.

To continue, the role of capital management is an essential factor for most businesses. While collecting data about correct capital management, it was found that all respondents highlighted it as a very important success factor. On the other side, if capital management is done wrong, it will be a major failure factor for coffee shop enterprises. Participant E stated that unnecessary expenses and miscalculated income are destroying many businesses nowadays, and Participant B mentioned that the wrong capital management is a common mistake.

After collecting and analyzing the data it was observed that respondents almost pointed out the same factors which bring businesses success and failures. Lampadario's (2017) theory about success factors has been proved again, almost all aspects of the theory have been pointed out by respondents. The difference was respondents' thoughts, every entrepreneur has a slightly different point of view about success factors. Moreover, it is quite normal that every coffee enterprise has its own different factors which brought success.

**How local coffee shops can gain a competitive advantage**

The competition in the coffee shop sphere in Baku has increased in the last years while analyzing the data collected from interviews it was found that all participants agree with this. Participant A pointed out his opinion that enterprises should try to establish their customer base before targeting other enterprises' customers and added that this is a common mistake most coffee shop businesses do in Baku. Moreover, Participant A mentioned that innovative attempts can increase the chances of gaining a competitive advantage in the market. For instance, in their enterprise they do different price strategies, they implemented fixed prices for all types of coffee, vcband the price only changes because of the size of the coffee. Like Participant A, Participant E also mentioned innovation as an important factor for gaining an advantage in the competitive market. Wider menu selection and their minimalist interior design are factors that attract more customers to their enterprise, Participant E mentioned. Furthermore, Participant E highlighted a very important factor, which is an advertisement, advertisement plays a crucial role in increasing competitive advantage, especialy social media and word-of-mouth.

Participant B and Participant D pointed out that competition in the market is a perfect indicator for a healthy business environment. Participant D brought a big terrace in the enterprise as an example of competitive advantage. However, in their enterprise there is no big terrace, instead, their difference from competitors is having their place in the library. This difference helps them to overcome their competitors. On the other hand, Participant B mentioned that their differences are low prices, interior design, and more personalized service to customers.

Furthermore, Participant B highlighted that by increasing customer satisfaction with the quality and affordable prices it is possible to increase competitive advantage. High- quality products, high-quality service, and affordable prices are major indicators for achieving an advantage in the competitive market.

International coffee chains are one of the barriers for small coffee shops in Baku, Azerbaijan. However, last year many people choose to visit local coffee shops instead of big coffee chains. Participant A believes that added national and cultural values in local coffee shops attract many clients to small coffee enterprises. Similarly, Participant C mentioned that traditional values are one of the reasons that attract guests to local coffee shops. Also, according to his response, the quality in local coffee shops is not worse than international brands.

Participant B pointed out interesting interior designs in local coffee shops as a factor that makes them special in comparison with big brands. Moreover, Participant B mentioned that independent coffee enterprises offer a wider menu to clients. He added that more personalized service and better relationships with customers make local coffee shops more special than international coffee chains. Furthermore, popular coffee chains are located only in city centers,

however small coffee brands are in every part of the city, this is the other reason because people mostly want to go to the most convenient place for them.

Participant D and Participant E believe that lower prices make local coffee shops more attractive to coffee lovers. Local coffee shops are more affordable. Participant D think that during Covid-19, international chains have increased product prices significantly as they make a price strategy on a global basis, on the other hand, local coffee shops did not increase prices that much, as a result, they became more affordable for people. In addition, Participant E mentioned that people want to try different atmospheres and menus, which makes local coffee enterprises more popular.

When the researcher asked about enterprises' future, except for Participant A and Participant E, all other respondents especially mentioned that they are looking forward to opening new branches. Participant B mentioned that in order to survive in the competitive market for the long run it is essential to grow. According to his own theory, if the business stops growing, it will fail at one point. Additionally, they plan to develop a loyalty program for their customers and establish a stronger brand image.

Participant C highlighted that the most important is to set up a strong base, as soon as the business is set up strongly, it is easier to expand the business. Moreover, Participant D pointed out that they try to expand their business even to foreign countries such as Turkey and Russia.

On the other hand, Participant A highlighted that they do not plan to risk by growing too fast, they try to develop customer satisfaction more and more. He thinks that by that way they will grow their business anyway. Furthermore, Participant E pointed out consistency in quality as an important factor for surviving in the long-term in the competitive market. According to their plan, they want to keep quality consistent by providing training for their staff members.

After analyzing the data collected from respondents, it was found that every entrepreneur has different ways to compete with their competitors. Some similarities were found between participants' answers and existing literature.

The following table provides an overview of the interview results on coding analysis of success and failure factors based on the conceptual framework.

**Table 5**. Success and failure factors overview based on conceptual framework

**Failure Factors**

- **Poor financial management** (Inadequate handling of finances led to difficulties in sustaining operations)
- **Lack of market research** (Some managers noted faiures when expansions were made without adequate market understanding)

**Success Factors**

| Customer focus and experience | Quality of service and products (key to attracting and retaining customers)<br><br>Customer engagement (direct interaction with customers and personalizing the service to increase loyalty) |
|---|---|
| Strategic choice of location | Selecting the right location for maximum customer footfall, high-traffic areas or places near landmarks, universities, or business districts are preferred<br><br>Location flexibility (although a good location is crucial, some managers noted success in less ideal locations by compensating with exceptional service and unique offerings) |
| Unique offerings and differentiation | Menu innovation (offering unique coffee blends or food items that aren't available elsewhere or of better quality)<br><br>Atmosphere (creating a unique and inviting ambiance that enhances the customer experience and aligns with local culture or contemporary trends) |
| Marketing and community engagement | Social media (to market their coffee shop and engage with the community for boosting visibility and attracting younger demographics)<br><br>Community events (participating in local events (partnerships) to increase brand visibility and integrate the coffee shop into the local community) |
| Financial management | Cost control (effective management of operating costs, including careful procurement and inventory management, to maintain profitability)<br><br>Revenue diversification (strategies for diversifying revenue streams, such as offering delivery services or selling branded merchandise) |
| Team building and staff training | Skilled staff (hiring skilled staff and continually investing in their training is key to maintaining quality)<br><br>Team cohesion (building a strong, cohesive team that supports each other and works well together enhances overall operational efficiency and customer service) |

| Adaptability and innovation | **Flexibility in business model** (being able to adapt to changing market conditions and customer preferences, such as offering delivery services during the COVID-19 pandemic) |
|---|---|
| | **Innovative practices** (including fixed pricing strategies for different coffee sizes, unique pricing models, or incorporating technology in the service process) |

Source: composed by the author based on interviews data analysis

According to the interviews, international chains pose a serious risk to Baku's local coffee shops, requiring them to adopt various competitive strategies. The owners and managers of these coffee shops prioritize the utilization of entrepreneurial factors including financial resources and business planning, in addition to personal experience and management skills. Additionally, the current condition of the market and consumer preferences are significant external factors affecting their strategy.

It is clear from the interviews that the success of local coffee shops in Baku depends on a deep understanding of the local market, a strong customer focus and the ability to offer a differentiated experience. Owners need to overcome various challenges, including competition with international brands, by capitalising on their unique strengths and closely aligning their strategies with customer expectations and local cultural values.

## 3.2 Survey data interpretation

The results of obtained data from respondents of the survey are illustrated in this section. Customers of all segments of coffee shops participated in this research and were questionned by the researcher to collect the primary data needed for this study. The purpose of this survey is to provide information on customer preferences and behavior to confirm and complement previous findings on the critical elements that contribute to gaining competitive advantage for local coffee businesses.

*Age and occupation:* According to survey results, 18-24 (47%) and 25-36 (36%) are the major age groups visiting coffee shops, emphasizing that it is the young adult customer base forming the major segment served by the coffee shops. Most of them are employed (39%) and self-emplyed (20%) followed by students (27%), which suggests that services in the coffee shop should target working professionals and students, both of which can have different preferences in terms of ambiance and menu options.

*Visit frequency*: The vast majority visit coffee houses 2-3 times a week (40%), while the daily visitors make 22%, which means customers have a stable and strong visiting pattern.

*Reasons for visiting coffee shops:* Customer preferences within visits to a coffee shop could indicate exactly what is of most importance and valuable to customers in their overall coffee shop experience. Relaxation (64%) and quality of coffee (33%) are primary motivators, emphasizing the importance of a comfortable, relaxing atmosphere and welcoming ambiance, as well as providing high quality coffee. Also, location/convenience (25%) is indicated as one of the most important reasons.

*Coffee preferences*: With understanding the most popular types of coffee that coffee shops will be able to tailor in menu to customers preferences, it is more likely to influence the success of their business. It is interesting to note that lattes (54%) are the largest selling coffee, while cappuccinos (37%) are the second biggest, indicating that these are areas to build on for product excellence.

*Spending habits:* Knowing what customers are willing to pay makes it possible to develop pricing strategies that will attract more customers and increase revenues. Customers have different spending habits, but detailed data shows flexible spending options, with a significant portion of the segment willing to spend money on quality offerings. According to results, customers prefer spending approximately $10-15, pricing items around this pricing point may maximize volume of sales.

*Choice factors*: The factors influencing customers' choices of coffeeshops are critical to understand what drives customer loyalty and satisfaction, which are key to the success of any coffee shop. Coffee quality (72%), location (67%), and ambiance/atmosphere (51%) are significant factors influencing customer choice.

*Brand Loyalty and discovery channels:* Analyzed statistics show that 59% of respondents visit both international chains and local coffee shops. As for brand role, there are noticeable preferences for brand awareness influencing the choice of respondents (70%). It can be also concluded that the brand awareness spreads through word of mouth, which is very common in the society of Baku and has the power to influence the choice of coffee shop. According to answers on regularly visited coffee shops and reasons for loyalty, respondents mention some international coffee chains as Second Cup, Gloria Jeans coffee, Starbucks, mostly reasoning for convenient location (popular and located in the center of the city), highlighting the taste of coffees and level of services, as well as their loyalty programs. However, local coffeeshops are frequently chosen because of location near to work, home, or study area, as well as emphasizing unique appeal, atmosphere, design, and menu options. Social media (64%) and word of mouth (36%) are the main ways customers learn about new coffee shops, highlighting the importance of a strong online presence and customer

satisfaction that drives recommendations. Moreover, the majority of respondents (56%) have been influenced by promotions to visit particular coffee shop that offers loyalty programs.

*Unique features and role of sustainability*: Customers are most satisfied with cozy seating areas (56%) and special unique coffee blends (33%). Suggesting that comfort and specialty can help differentiate a coffee shop. Local food in menus is also one of the features that customers value. A significant majority (83%) are ready to pay the premium price for unique experiences or sustainable practices, showing the opportunity to innovate and underline sustainability in the coffee shop business.

*Desired improvements:* More than half (53%) expect improved customer service, followed by faster service (46%), and more product variety (39%), which offers some possible areas of operational improvement that can help in enhancing customer satisfaction.

## 3.3 Discussion of overall results

The final analysis of the collected empirical data is based on a conceptual framework developed by the comprehensive literature review of factors that influence success of coffee businesses in the Baku market. This methodical approach allowed to empirically update and refine the literature results to better explain the specifics of competitive advantage in Baku's coffee shop industry.

Moreover, the analysis revealed several key areas toward which the coffee shops should focus on to maintain and enhance their market position. Differentiation through unique offerings and an inviting ambiance appeared as crucial. Both the literature review and empirical data underscored the importance of unique products and a café atmosphere that enriches culture which help local coffee shops gain advantage.

Customer engagement and loyalty were also highlighted as important elements. In fact, success at the local coffee shop level probably relies heavily on exceeding the expectations of the customer in service and product quality provided; that is what builds a strong relationship with the customer and fosters true customer loyalty. Besides, the coffee business managers particularly noted that brand loyalty was the prime driver of the revenue stream of the business and survey results pointed the effectiveness of retention by loyalty programs and targeted promotions, maximizing repeat visits.

Operational and financial efficiency in coffee shops remain foundational to the success of coffeeshops. According to research findings, maintaining high standards of operations, coupled with sound financial management are essential to sustaining competitive pricing strategies and manage costs effectively, which are the two key factors that contribute to long-term viability.

In order to improve operational effectiveness and customer service, technology integration is crucial. Such elements as advanced CRM systems, mobile ordering, and payment solutions are an essential strategy to stay relevant and competitive as it reflects current technology trends and consumer expectations.

The importance of being adaptive was also confirmed by this research study. For small coffee shops it is better to consistently adjust their product mixes and marketing strategies based on ongoing market research, which indicate changes in customer preferences and trends. Community involvement and effective local marketing were further identified as strategies that increase the visibility and attractiveness of coffee shops, as well as help build a strong, recognizable brand.

One of the most important and major factors of success is the strategic location decision, as it emerged repeatedly across the interviews and surveys. High footfall areas are mostly preferred, but still exceptional customer experience can significantly mitigate the disadvantages of less ideal locations .

In conclusion, the final and updated list of critical success factors based on conceptual framework gives significant contributions to this research on independent coffee businesses in Baku, Azerbaijan developed by combination of empirical data collected through interviews and surveys with the theoretical base of the literature review. The results are crucial for understanding and assessing the factors that empower local coffee shops to compete alongside the big international chains and other local coffee businesses, within competitive market of Baku, Azerbaijan.

 Further based on overall analysis of the research, the final summary table of main factors influencing the success of competitive strategies of local coffee businesses in Baku is provided as a representation of result according to research goal and final objective of the study.

**Table 6**. Main factors influencing success of local coffee shops' competitive strategies in Baku

| Main factors | Strategic elements | Description with empirical insights |
|---|---|---|
| **Unique offerings and ambiance** | **Product uniqueness and coffee quality** | Develop a range of specialty coffee products, including seasonal flavors and blends unique to Baku, that cater to local tastes and preferences, trying to make the quality and taste of coffee as better as it could be. This approach not only differentiates the shop from competitors but also creates a memorable product that customers seek out. |

| | | Focus on offering a variety of of coffee types preferred by local consumers, like lattes and cappuccinos, which were highlighted in the survey as popular ones. Consider incorporating local flavors or ingridients to come up with a signature drinks as unique offering. |
|---|---|---|
| | **Ambiance differentiation** | Design the interior to reflect local preferences and trends, creating a welcoming and distinctive environment. This will be characterized by a vibrant , modern space that also offers quiet areas for students and professionals to work or study. |
| **Customer experience focus** | **Service excellence** | Train staff to provide outstanding customer service, focusing on personal interaction and quick resolution of any issues. The aim is to make the customer feel valued and appreciated, which is crucial for building loyalty. Moreover, trained baristas will provide the high-quality coffees. |
| | **Customer Relationship Management (CRM):** | This system can track purchase history, preferences, and feedback, allowing for more personalized service and targeted marketing efforts.<br><br>The CRM could be used to capture the peak times when customers are most likely to visit, so that marketing campaigns can be tailored during these times and thus derive the best context and relevance for the promotions and communications. |
| **Loyalty programs and promotions** | **Rewards for loyalty** | Design a loyalty program that rewards frequent customers with discounts, special offers, or exclusive access to new products. This program should be easy to understand and use, encouraging repeat business and fostering a sense of belonging among customers. |

| | | This may include promotions whenever students are taking examinations or, at happy hour prices after typical work hours. |
|---|---|---|
| | **Targeted promotions** | Use data from the CRM to offer promotions that are tailored to customer preferences and past purchasing behaviors. This personalization can make promotions more effective and increase the return on investment. |
| **Operational and financial efficiency** | **Cost management** | Continuously monitor and optimize operational processes to reduce waste and lower costs without compromising product quality. |
| | **Pricing strategy** | Develop pricing strategies that reflect the value provided while remaining competitive. Consider tiered pricing for different levels of products or services, allowing customers to choose options that fit their budget. |
| **Technological integration** | **Digital ordering systems** | Implement mobile ordering and payment systems to increase convenience for customers. This technology can reduce waiting times, streamline operations, and gather data on customer preferences. |
| | **Social Media engagemnt** | Actively use social media platforms to engage with customers, promote new products, and share behind-the-scenes content. This not only increases visibility but also helps in building a community around the brand. |
| **Market research and consumer insights** | **Consumer behavior analysis** | Regularly conduct market research to keep up with changing consumer preferences and trends. This should include surveys, focus groups, and observation of customer behavior within the shop. |
| | **Product adjustment** | Regularly refresh the menu reflecting seasonal preferences and new trends in coffee keeping offerings exciting and relevant for the customer base. |

| Community involvement and local marketing | Local partnerships | Establish partnerships with local universities and businesses for discounts or a loyalty scheme benefiting customers directly within local communities—an approach that could foster brand loyalty among main segments. |
|---|---|---|
| Strategic location | Location selection | Choose locations based on a combination of foot traffic, accessibility, and alignment with the target demographic. However, even less ideal locations can be compensated for with exceptional service and product offerings. Prioritize location that is closer to educational institutions and business hubs, or city center area as they happen to be the primary destinations. |
| | Local integration | Tailor the design and offerings of the store to blend into the culture and sentiments, respecting local customs and preferences,which helps in building a local customer base and differentiating from international chains. |

Source: composed by the author based on research findings

### Conclusion

This research provides valuable and important understanding of the factors that drive success in this growing and highly competitive coffee market of Baku, Azerbaijan. The main goal was to identify critical factors influencing the effectiveness and success of local coffee shops' competitive strategies in light of growing international competition. The existing gap in the literature has been filled and some major similarities were found between the current study and existing literature. Through a comprehensive literature review and empirical research based on semi-structured interviews with coffee shop owners and managers, as well as customer surveys that adjusted and supplemented the results, the study achieved its objectives. Thereby, the study provides a comprehensive understanding of the market dynamics and what strategic response is necessary for successful competition in the coffee shop business.

Based on conducted literature review, the importance of differentiation as a competitive strategy was underscored. Michael Porter's generic strategies especially differentiation were underlined as crusial for local coffee shops. This involves offering unique products such as specialty coffee blends tailored to local tastes and special atmosphere and ambiance that resonates

with local preferences. The Resource-Based View theory emphasizes the organization of the distinctive local resources and capabilities to develop the sustainable competitive advantage. The review also pointed out the significance of dynamic capabilities which allow companies to adapt within market dynamics, quick changes in customers preferences and advances in technology. Moreover, the role of brand awareness and customer loyalty was emphasized as critical for assesing success of local ocffee businesses as customer attraction is a main driver for revenue streams.

Empirical research findings supported these theoretical findings. The interviews with local coffee shop owners revealed that a successful differentiation by their unique, high-quality offerings and a cozy environment is important to attract and retain a customer. According to the interviewees, most challenges are posed by competition with international chains, limited capital and choosing right location. However, those who successfully navigated these challenges did so by focusing on creating a unique value proposition and exceptional customer service that drives their sales. This was confirmed further through the customer surveys, where most consumers mentioned unique and qualitative coffee products and cozy, personalized ambience as what they value most.

The empirical findings have reinforced customer engagement and loyalty as critical drivers of success. Coffee shop owners emphasized that superior customer service and personalized experiene were essential to build strong relationships with their customers. Customer loyalty increases dramatically with effective loyalty programs and customer engagement through social media and community partnerships. This loyalty ensures repeat business and also generates a positive word of mouth leading to new customers and increasing brand awareness. As it was researched, good coffee quality, atmosphere and location are the critical elements that attracts customers and therefore drives the brand loyalty and brand recognition.

Moreover, the key established factors of successful strategy are operational efficiency and financial management. The adherence to high operational standards and soundness in its financial practices enables the business to provide competitive prices and handle cost issues. The use of technology, such as CRM systems and mobile ordering and payment solutions do improve operational efficiency and support the customer experience, making it easier to compete with international chains.

Adaptability was another key finding. It is the ability to continiously adjust product offerings as well as marketing strategies based on market research and insights made on consumer behavior. Coffee shops that can quickly consider changes in consumer preferences and dynamic market responses had a higher probability of retaining and increasing their market share.

The strategic location of the coffee shop was found out to be one of the significant

indicators of success of competitive strategies. However, while high footfall areas are beneficial, the the study found that exceptional customer service and high-quality product offerings can balance the disadvantages of not-so-ideal locations. Community involvement and local marketing efforts also play a crucial role in enhancing the visibility and attractiveness of coffee shops, helping to build a strong, recognizable brand.

Finally, it can be concluded that local coffee shops in Baku achieve their competitive strategies' success through differentiation, customer engagement, operational efficiency, adaptability and strategic location. These factors contribute to building a powerful brand and a loyal customer base, which are critical determinants of attracting and retaining customers. Strong brand awareness ensures that the coffee shop associated with high quality remains at the top of consumers' minds, and customer loyalty drives repeat purchases and positive word-of-mouth. All of these elements together result in financial success through increased revenue while ensuring long-term sustainability in this competitive market. By applying these insights, local coffee shops could develop effective competitive strategies that could help them succeed in the competition of the emerging coffee market in Baku.

### Managerial implications

Based on all of the analysis of the research, including literature findings and empirical research, some managerial implications could be defined to expand the contributions and benefits of this study. Although, the interpretation of interviews and surveys as well as the discussion of the final results include the empirical insights and advice for local coffee businesses to increase their competitiveness, more detailed practical implications of the research outcomes are provided further.

1) Research has shown that consumers are most attracted to unique and high-quality coffee blends, with lattes and cappuccinos proving to be their favorites. Based on these, coffee shops can develop exclusive coffee blends that incorporate local flavors and ingredients that resonate with local tastes. Seasonal and limited-time offers can also create excitement and urgency among customers.

2) Customers value interactive and educational experiences in coffee shops. It will be interesting to organize regular coffee tastings, barista training seminars and coffee courses to attract customers and create a community around coffee culture.

3) Atmosphere is a crucial factor when a buyer chooses a coffee shop. It can be suggested investing in an aesthetically pleasing interior design that reflects some thematics while maintaining

a modern and cozy atmosphere. Use comfortable seating, warm lighting and artworks to create a cozy atmosphere. Interviewees also emphasized the importance of comfort and functionality to attract repeat customers. Coffee shops should ensure that their layout allows for both social interaction and private workspace. Include amenities such as free Wi-Fi, charging stations, and quiet areas for working professionals and students.

4) Survey respondents expressed a desire for a wider variety of food and drink options, so the menu should be expanded to include a variety of coffee drinks, teas, smoothies, and health-focused options such as vegan and gluten-free snacks should be considered. By offering local or European pastries, coffee shops can also cater to customers' tastes. They also usually prefer to order food from coffee shops, so it is recommended to provide a wider selection of menus, such as Azerbaijani cuisine or cuisine from other regions (usually European). Customers are also increasingly concerned about health and sustainability. That's why coffee options from organic sources and recyclable packaging can be featured. Highlight these options on your menu to attract environmentally conscious consumers.

5) Although there are many of consumers ready to pay premium for high quality service and offerings, it is better to develop pricing strategies that offer value for money, such as combo deals, loyalty programs, and discounts for students and frequent visitors. Ensure that premium products are priced appropriately to reflect their quality without scare away cost-sensitive customers.

6) Customers appreciate payment flexibility. Accept various payment methods including mobile payments, contactless cards, and online pre-ordering to enhance convenience and accessibility.

7) Personalized service was highlighted as a key driver for customer loyalty in both interviews and surveys. It is necessary to train staff to recognize regular customers and offer personalized recommendations based on their preferences with fast and pleasant service. Implement a CRM system to track customer preferences and purchase history. Update technologies in equipment for the production of coffee and other products for faster and better quality service.

8) As customers really prefer coffee shops that offer loyalty programs, develop a robust loyalty program that rewards repeat customers with discounts, free items, and exclusive offers. Engage with the local community through social media, local events, and partnerships with other local businesses.

9) Convenience of online ordering was appreciated by a significant portion of survey respondents. Implementing a user-friendly online ordering system and partner with delivery services will reach a broader customer base. Ensure the system is optimized for both desktop and mobile use.

10) The benefits of using customer data to refine operations should be noted. Use data analytics to monitor sales trends, customer preferences, and inventory levels. This can help in making informed decisions about menu adjustments, promotional strategies, and stock management.

11) Effective local marketing strategies are recommended by several interviewees. Use social media platforms to engage with local customers, share updates, and promote events. Utilize geo-targeted advertising to reach potential customers in the nearby.

### Contributions to academic theory

The local coffee enterprises in Baku have never been studied before, for this reason, there has been a lack of literature on this topic. It can be pointed out that this research successfully fulfilled the existing gap in the literature which was identified at the beginning of the study. By collecting primary data through interviews which were taken from independent and local coffee shop managers and surveys among all segments of customers, the researcher was able to identify critical factors which help local coffee shops to compete in the evolving market of Baku, Azerbaijan. Particularly, this study explored the challenges faced by small coffee enterprises, the major success and failure factors, and ways of gaining a competitive advantage by local coffee shops.

### Limitations

Some limitations were faced while conducting this research. The first limitation of this study is the size of the sample, only 5 respondents were interviewed and 105 customers questioned, it is relatively small and may not fully represent the broader market. Secondly, not all the respondents were speaking English, as a result, it could result in minor discrepancies while translating. Furthermore, despite the fact that the participants are successful and experienced people in the coffee shop industry, the analyzed field has become popular in the last few years, as a result finding a participant with many years of experience in this field is almost impossible. Additionally, the study was conducted within a specific geographic and cultural context, which may limit the generalizability of the findings to other regions or countries. Another limitation is the reliance on self-reported data, which may be subject to biases such as social desirability or

recall bias. Future research could include more objective measures, such as financial performance data or direct observations of customer behavior, in addition to self-reported information from customers. The study also primarily focused on qualitative data from interviews and surveys, which, although providing rich information, could benefit from being supplemented with more quantitative data to provide more robust statistical analysis.

**Further research**

Research in this context can also be done for other branches of the hospitality field. It is necessary to research various types of local and foreign hotels and restaurants located in the area. The development of these sectors in Azerbaijan makes it conducive for a study on the recommended topic. Additionally, exploring the impact of digital marketing and e-commerce on the competitiveness of local coffee shops would be valuable, especially considering the growing importance of online presence and digital engagement in consumer decision-making. Lastly, for future studies, the local coffee shops can be investigated in other regions in order to identify more accurate findings for the global coffee market. Some different results can be realized because of different business circumstances and different national values in different countries.

## References

1. Spremo, T., & Mićić, J. (2016). Small enterprises: Key source of employment and economic growth // Zbornik radova Ekonomskog fakulteta u Istočnom Sarajevu. 1(11), 63. [Electronic source] - Retrieved from: https://doi.org/10.7251/zrefis1511063s [Access date: 02.03.2024]

2. Henry P. (2017). Why Some Startups Succeed (and Why Most Fail) [Electronic source] // Entrepreneur - Retrieved from: https://www.entrepreneur.com/article/288769 [Access date: 07.03.2024]

3. Paschen J. (2017). Choose wisely: Crowdfunding through the stages of the startup life cycle // Business Horizons. 60(2), 179-188. [Electronic source] - Retrieved from: https://doi.org/10.1016/j.bushor.2016.11.003 [Access date: 07.03.2024]

4. Pandey S.C., & Pattnaik P.N. (2017). People issues in start-ups: challenges and solutions // Strategic HR Review. 16(4), 194-196. [Electronic source] - Retrieved from: https://doi.org/10.1108/SHR-09-2016-0081 [Access date: 07.03.2024]

5. Shuklev, B. (2016). Management of small business, Faculty of Economics, Skopje, 4th edition.

6. Gumel, B. I. (2023). Mitigating SMEs Challenges in Nigeria and Strategies for Sustainable Success. Eliva Press. [Electronic source] - Retrieved from: http://books.google.ie/books?id=w7UC0AEACAAJ&dq=Gumel,+Babandi.+(2017).+Critical+Challenges+Facing+Small+Business+Enterprises+in+Nigeria:+A+Literature+Review.+International+Journal+of+Scientific+and+Engineering+Research.+8.+796-808.&hl=&cd=1&source=gbs_api [Access date: 07.03.2024]

7. Lampadarios, E. (2017). Developing a new framework for small business success - LSE Research Online. [Electronic source] - Retrieved from: http://eprints.lse.ac.uk/id/eprint/79999 [Access date: 21.03.2024]

8. Salamzadeh, A., & Kesim, H. K. (2017). The enterprising communities and startup ecosystem in Iran // Journal of Enterprising Communities. 11(4), 456-479. [Electronic source] - Retrieved from: https://doi.org/10.1108/jec-07-2015-0036 [Access date: 21.03.2024]

9. McGowan, E. (2018, June 6). From Early to Acquired: What Are the Stages of a Startup? Medium. [Electronic source] - Retrieved from: https://medium.com/startupsco/from-early-to-acquired-what-are-the-stages-of-a-startup-f17c21ef2cd5 [Access date: 02.03.2024]

10. Kühn, S. (2021). Predictors of customer loyalty towards South African independent coffee shops: a mixed-method approach // Management Dynamics: Journal of the Southern

African Institute for Management Scientists. 30(1), 16-36. [Electronic source] - Retrieved from: https://hdl.handle.net/10520/ejc-mandyn-v30-n1-a2 [Access date: 21.03.2024]

11. Dhisasmito, P.P., & Kumar, S. (2020). Understanding customer loyalty in the coffee shop industry (A survey in Jakarta, Indonesia) // British Food Journal. 122(7), 2253-2271. [Electronic source] - Retrieved from: https://doi.org/10.1108/BFJ-10-2019-0763 [Access date: 21.03.2024]

12. Pandey S.C., & Pattnaik P.N. (2017). People issues in start-ups: challenges and solutions // Strategic HR Review. 16(4), 194-196. [Electronic source] - Retrieved from: https://doi.org/10.1108/SHR-09-2016-0081 [Access date: 21.03.2024]

13. Samadzad S., & Hashemi M. (2022). Analyzing Success Factors of Small and Medium Enterprises (SMEs): A Study in Iranian Context // International Journal of Innovation in Management Economics and Social Sciences. 2(1), 43-51. [Electronic source] - Retrieved from: https://doaj.org/article/66728d1874e044409043f786c9a37e37 [Access date: 22.03.2024]

14. Santalova, M. S., Soklakova, I. V., & Balabanova, D. K. (2020). The Choice of the Competitive Strategy of the Company // Advances in Economics, Business and Management Research. [Electronic source] - Retrieved from: https://doi.org/10.2991/aebmr.k.200312.176 [Access date: 22.03.2024]

15. Rahardjo, B., Hasbullah, R., & Taqi, F. M. (2019). Coffee Shop Business Model Analysis // Integrated Journal of Business and Economics. [Electronic source] - Retrieved from: https://doi.org/10.33019/ijbe.v3i2.153 [Access date: 22.03.2024]

16. Ryabova, E. N(2016). Competitive strategy to a market of hotel services completely Vestnik of Samara state economic.univ 9(59) 15-21

17. Septiani S., Slamet A. S., & Farhana F. (2020). The role of dining atmosphere in shaping consumer trust and loyalty to improve the competitiveness of local coffee shops // Jurnal Aplikasi Manajemen. 18(3), 437-448. [Electronic source] - Retrieved from: https://doaj.org/article/98d54f67ea514bad8a9f9a6f7f440261 [Access date: 22.03.2024]

18. Bochkarev I.I. Strategic marketing: Studies. The manual / I.I.Bochkarev, V.A.Bykov. - M.: TK Velbi, Prospekt Publishing House, 2019. - 259 p.

19. Porter, M. E. (1998b). Competitive Strategy. Simon & Schuster. [Electronic source] – Retrieved from: http://books.google.ie/books?id=5RR4AQAACAAJ&dq=19.%09Porter,+Michael+E.+Competitive+strategy:+Techniques+for+Analyzing+Industries+and+Competitors+New+York+etc.+:+The+Free+Press,+1998&hl=&cd=3&source=gbs_api [Access date: 22.03.2024]

20. Ansoff, H. I. (2016). Strategic Management. Springer. [Electronic source] - Retrieved from:

    http://books.google.ie/books?id=wo2VCwAAQBAJ&printsec=frontcover&dq=20.%09Ansoff+I.+Strategic+management+/+I.+Ansoff.+M.:+Economics,+1989.&hl=&cd=1&source=gbs_api [Access date: 22.03.2024]

21. Aaker, D. A. (1991). Managing Brand Equity. [Electronic source] - Retrieved from:

    http://books.google.ie/books?id=FkO5AAAAIAAJ&q=Aaker,+D.+A.+(1991).+Managing+Brand+Equity.+New+York:+Free+Press.&dq=Aaker,+D.+A.+(1991).+Managing+Brand+Equity.+New+York:+Free+Press.&hl=&cd=1&source=gbs_api [Access date: 22.03.2024]

22. Barney, J. (1991). Firm Resources and Sustained Competitive Advantage // Journal of Management. 17(1), 99–120. [Electronic source] - Retrieved from: https://doi.org/10.1177/014920639101700108 [Access date: 22.03.2024]

23. Keller, K. L. (1991). Conceptualizing, Measuring, and Managing Customer-based Brand Equity. [Electronic source] - Retrieved from:

    http://books.google.ie/books?id=BGvGQgAACAAJ&dq=23.%09Keller,+K.+L.+(1993).+%22Conceptualizing,+Measuring,+and+Managing+Customer-Based+Brand+Equity.%22+Journal+of+Marketing,&hl=&cd=1&source=gbs_api

    [Access date: 26.03.2024]

24. Kotha, S., & Vadlamani, B. L. (1995). Assessing generic strategies: An empirical investigation of two competing typologies in discrete manufacturing industries // Strategic Management Journal. 16(1), 75–83. [Electronic source] - Retrieved from: https://doi.org/10.1002/smj.4250160108 [Access date: 26.03.2024]

25. Oliver, R. L. (1999). Whence Consumer Loyalty? // Journal of Marketing. 63, Special Issue, 33-44. [Electronic source] - Retrieved from: https://doi.org/10.1177/00222429990634s [Access date: 10.05.2024]

26. Baldauf, A., Cravens, K. S., & Binder, G. (2003). Performance consequences of brand equity management: evidence from organizations in the value chain // Journal of Product & Brand Management. 12(4), 220–236. [Electronic source] - Retrieved from: https://doi.org/10.1108/10610420310485032 [Access date: 10.05.2024]

27. Day G. S. (1994). The capabilities of market-driven organizations // Journal of Marketing. 58(4), 37-52. [Electronic source] - Retrieved from: https://doi.org/10.2307/1251915 [Access date: 10.03.2024]

28. Dick A. S., & Basu K. (1994). Customer Loyalty: Toward an Integrated Conceptual Framework // Journal of the Academy of Marketing Science. 22, 99-113. [Electronic

source] - Retrieved from: http://dx.doi.org/10.1177/0092070394222001 [Access date: 10.03.2024]

29. Kietzmann, J. H., Hermkens, K., McCarthy, I. P., & Silvestre, B. S. (2011). Social media? Get serious! Understanding the functional building blocks of social media // Business Horizons. 54(3), 241–251. [Electronic source] - Retrieved from: https://doi.org/10.1016/j.bushor.2011.01.005 [Access date: 10.05.2024]

30. Kotler P., & Keller K. L. (2006). Marketing Management [Electronic source] // Google Books - Retrieved from: http://books.google.ie/books?id=NP0zkgEACAAJ&dq=30.%09Kotler,+P.,+%26+Keller,+K.+L.+(2006).+Marketing+Management&hl=&cd=1&source=gbs_api [Access date: 10.03.2024]

31. Porter M. E. (1985). Competitive Advantage: Creating and Sustaining Superior Performance. NY: Free Press. [Electronic source] - Retrieved from: http://books.google.ie/books?id=_Fu1AAAAIAAJ&q=31.%09Porter,+M.+E.+(1985).+Competitive+Advantage:+Creating+and+Sustaining+Superior+Performance.&dq=31.%09Porter,+M.+E.+(1985).+Competitive+Advantage:+Creating+and+Sustaining+Superior+Performance.&hl=&cd=1&source=gbs_api [Access date: 10.03.2024]

32. Schmitt, B.H. (1999). Experiential Marketing // Journal of Marketing Management. 15, 53-67. [Electronic source] - Retrieved from: http://dx.doi.org/10.1362/026725799784870496 [Access date: 10.03.2024]

33. Andrews, K. R. (1971). The Concept of Corporate Strategy. Irwin Professional Publishing. [Electronic source] - Retrieved from: http://books.google.ie/books?id=n0eyAAAAIAAJ&q=33.%09K.+R.+Andrews,+The+Concept+of+Corporate+Strategy,&dq=33.%09K.+R.+Andrews,+The+Concept+of+Corporate+Strategy,&hl=&cd=1&source=gbs_api [Access date: 10.05.2024]

34. Chandler, A. D. (1969). Strategy and Structure. MIT Press. [Electronic source] - Retrieved from: http://books.google.ie/books?id=QrpNEAAAQBAJ&printsec=frontcover&dq=34.%09A.+D.+Chandler,+Strategy+and+Structure:+Chapters+in+the+History+of+the+American+Industrial+Enterprise,+Beard+Books,+New+York,+NY,+USA,+1962.&hl=&cd=1&source=gbs_api [Access date: 15.05.2024]

35. Zulu-Chisanga, S., Boso, N., Adeola, O., & Oghazi, P. (2016). Investigating the path from innovativeness to financial performance: The roles of new product success, market responsiveness, and environment turbulence // Journal of Small Business Strategy. 26(1), 51–67. [Electronic source] - Retrieved from:

https://www.researchgate.net/publication/316882069_Investigating_the_path_from_firm
_innovativeness_to_financial_performance_The_roles_of_new_product_success_market
_responsiveness_and_environment_turbulence [Access date: 02.03.2024]

36. Wei, Y., Samiee, S., & Lee, R. P. (2013). The influence of organic organizational cultures, market responsiveness, and product strategy on firm performance in an emerging market // Journal of the Academy of Marketing Science. 42(1), 49-70. [Electronic source] - Retrieved from: https://doi.org/10.1007/s11747-013-0337-6 [Access date: 15.05.2024]

37. Peppard J., & Ward J. (2016). The Strategic Management of Information Systems: Building a Digital Strategy [Electronic source] // ResearchGate - Retrieved from: https://www.researchgate.net/publication/299517806_The_Strategic_Management_of_In formation_Systems_Building_a_Digital_Strategy [Access date: 02.03.2024]

38. Guillermo Fuertes, Miguel Alfaro, Manuel Vargas, Sebastian Gutierrez, Rodrigo Ternero, Jorge Sabattin (2020). Conceptual Framework for the Strategic Management: A Literature Review—Descriptive // Journal of Engineering. [Electronic source] - Retrieved from: https://doi.org/10.1155/2020/6253013 [Access date: 02.03.2024]

39. Ilone, J. (2021). 6 Strategies to Gain Competitive Advantage from Michael Porter, the Author of "Competitive Advantage" [Electronic source] // Business Powerhouse - Retrieved from: https://www.business-powerhouse.com/6-strategies-to-gain-competitive-advantage-from-michael-porter-author-of-competitive-advantage [Access date: 02.03.2024]

40. Barbosa B. (2024). The Impact of Global Business Trends on Local Businesses [Electronic source] - Retrieved from: https://rauva.com/blog/impact-of-global-trends-local-businesses [Access date: 02.03.2024]

41. Achrol, R. S. (1997). Changes in the theory of interorganizational relations in marketing: Toward a network paradigm // Journal of the Academy of Marketing Science. 25, 56-71. [Electronic source] - Retrieved from: https://doi.org/10.1007/BF02894509 [Access date: 02.03.2024]

42. Ray L. (n.d.). Hindering Factors in Development of Local Businesses [Electronic source] - Retrieved from: https://smallbusiness.chron.com/hindering-factors-development-local-businesses-80289.html [Access date: 02.03.2024]

43. Thompson J. (2019). How Do Multinational Companies Affect Local Businesses? [Electronic source] - Retrieved from: https://smallbusiness.chron.com/multinational-companies-affect-local-businesses-70396.html [Access date: 02.03.2024]

44. Rauva. (n.d.). How global trends encourage local business opportunities [Electronic source] - Retrieved from: https://rauva.com/blog/impact-of-global-trends-local-businesses [Access date: 02.03.2024]

45. Galli-Debicella A. (2021). How SMEs compete against global giants through sustainable competitive advantages // Journal of Small Business Strategy. 31(5). [Electronic source] - Retrieved from: https://doi.org/10.53703/001c.29812 [Access date: 02.03.2024]

46. Jr S. (2023). How local coffee shops thrive in a global market // Sandino Coffee. [Electronic source] - Retrieved from: https://sandinocoffee.com/how-local-coffee-shops-compete-in-a-global-market/ [Access date: 02.03.2024]

47. Gamage S. K. N., Ekanayake E., Abeyrathne G., Prasanna R., Jayasundara J., & Rajapakshe P. S. K. (2020). A review of Global Challenges and Survival Strategies of Small and Medium Enterprises (SMEs) // Economies. 8(4), 79. [Electronic source] - Retrieved from: https://doi.org/10.3390/economies8040079 [Access date: 02.03.2024]

48. Amadasun D.O.E., & Mutezo A.T. (2022). Effect of market-driven strategies on the competitive growth of SMEs in Lesotho // Journal of Innovation and Entrepreneurship. 11, 21. [Electronic source] - Retrieved from: https://doi.org/10.1186/s13731-022-00217-4 [Access date: 02.03.2024]

49. O'Cass, A., & Sok, P. (2013). The role of intellectual resources, product innovation capability, reputational resources, and marketing capability combinations in firm growth // International Small Business Journal. 32(8), 996–1018. [Electronic source] - Retrieved from: https://doi.org/10.1177/0266242613480225 [Access date: 02.03.2024]

50. Reijonen H., Hirvonen S., Nagy G., Laukkanen T., & Gabrielsson M. (2015). The Impact of Entrepreneurial on 2B2 Branding and Business Growth in Emerging Markets // Industrial Marketing Management. [Electronic source] - Retrieved from: https://doi.org/10.1016/j.indmarman.2015.04.016 [Access date: 02.03.2024]

51. Abuzaid A. N. (2017). Exploring the impact of strategic intelligence on entrepreneurial orientation: A practical study on the Jordanian diversified financial services companies // International Management Review. 13(1), 72-103. [Electronic source] - Retrieved from: https://ijbmer.com/docs/volumes/vol8issue1/ijbmer2017080104.pdf [Access date: 02.03.2024]

52. Khin S., Ahmad N. H., & Ramayah T. (2012). The Integrated Effect of Strategic Orientations on Product Innovativeness: Moderating Role of Strategic Flexibility // Procedia: Social & Behavioral Sciences. 65, 743-748. [Electronic source] - Retrieved from: https://doi.org/10.1016/j.sbspro.2012.11.193 [Access date: 02.03.2024]

53. Frambach R. T., Prabhu J., & Verhallen T. M. (2003). The influence of business strategy on new product activity: The role of market orientation // International Journal of Research in Marketing. 20(4), 377-397. [Electronic source] - Retrieved from: https://doi.org/10.1016/j.ijresmar.2003.03.003 [Access date: 15.05.2024]

54. Adeleke A. (2019). Marketing strategies of successful coffee shop owners [Electronic source] - Retrieved from: https://www.proquest.com/openview/17329d803f161c6674905def280119ad/1?pq-origsite=gscholar&cbl=18750&diss=y [Access date: 02.03.2024]

55. Almansour A. Y., Alrawashdeh N., & Almansour B. Y. (2020). The impact of capital structure on the performance of microfinance institutions // Management Science Letters. 10(4), 881-888. [Electronic source] - Retrieved from: https://doi.org/10.5267/j.msl.2019.10.008 [Access date: 02.03.2024]

56. Alfoqahaa S. (2018). Critical success factors of small and medium-sized enterprises in Palestine // Journal of Research in Marketing & Entrepreneurship. 20(2), 170-188. [Electronic source] - Retrieved from: https://doi.org/10.1108/jrme-05-2016-0014 [Access date: 02.03.2024]

57. Arshi T. A., Rao V., Islam S., & Morande S. (2020). SECURE – a new business model framework for measuring start-up performance // Journal of Entrepreneurship in Emerging Economies. [Electronic source] - Retrieved from: http://www.emeraldinsight.com/doi/10.1108/JEEE-02-2020-004 [Access date: 02.03.2024]

58. Baltrunaite V., & Sekliuckiene J. (2020). The use of organisational learning practices in start-ups growth // Entrepreneurial business and economics review. [Electronic source] - Retrieved from: https://doi.org/10.15678/EBER.2020.080104 [Access date: 02.03.2024]

59. Baresa S., Ivanovic Z., & Bogdan S. (2017). Franchise business as a generator of development in Central Europe // UTMS Journal of Economics. 8(3), 281-293. [Electronic source] - Retrieved from: https://www.proquest.com/scholarly-journals/franchise-business-as-generator-development/docview/1992861482/se-2?accountid=45049 [Access date: 02.03.2024]

60. Brotherton B. (2015). Researching Hospitality and Tourism (2nd ed.). Sage. [Electronic source] - Retrieved from: https://online.vitalsource.com/reader/books/9781473933576/epubcfi/6/42 [Access date: 02.03.2024]

61. Bryman A. (2016). Social Research Methods 6E. Oxford University Press. [Electronic source] - Retrieved from: https://ktpu.kpi.ua/wp-content/uploads/2014/02/social-research-methods-alan-bryman.pdf [Access date: 02.03.2024]

62. Butt M. S., & Sultan M. T. (2011). Coffee and its Consumption: Benefits and Risks // Critical Reviews in Food Science and Nutrition. 51(4), 363-373. [Electronic source] - Retrieved from: https://doi.org/10.1080/10408390903586412 [Access date: 02.03.2024]

63. Chong W.Y. (2012). Critical success factors for small and medium enterprises: perceptions of entrepreneurs in urban Malaysia // Journal of Business and Policy Research. 7(4), 204-215. [Electronic source] - Retrieved from: https://www.academia.edu/74314629/Critical_success_factors_of_small_and_medium_sized_enterprises_in_Palestine [Access date: 02.03.2024]

64. Creswell, J.W., & Creswell, J.D. (2018). Research Design: Qualitative, quantitative, and mixed methods approaches. (5th ed.). Sage. [Electronic source] - Retrieved from: http://books.google.ie/books?id=335ZDwAAQBAJ&printsec=frontcover&dq=64.%09Creswell,+J.W.,+%26+Creswell,+J.D.+(2018).+Research+Design:+Qualitative,+quantitative,+and+mixed+methods+approaches.+(5th+ed.).+Sage.&hl=&cd=1&source=gbs_api [Access date: 02.03.2024]

65. Darroch J., Miles M., & Jardine A. (2015). Market creation: a path to sustainable competitive advantage // Proceedings of the 2008 Academy of Marketing Science (AMS) Annual Conference. Springer International Publishing, New York, NY. [Electronic source] - Retrieved from: https://www.academia.edu/44757343/THE_INVESTIGATION_OF_THE_ROLE_OF_INFORMATION_TECHNOLOGY_IN_CREATING_AND_DEVELOPING_A_SUSTAINABLE_COMPETITIVE_ADVANTAGE_FOR_ORGANIZATIONS_THROUGH_THE_IMPLEMENTATION_OF_KNOWLEDGE_MANAGEMENT [Access date: 02.03.2024]

66. Eidizadeh R., Salehzadeh R., & Esfahani A. C. (2017). Analysing the role of business intelligence, knowledge sharing, and organisational innovation on gaining competitive advantage // Journal of Workplace Learning. 29(4), 250-267. [Electronic source] - Retrieved from: https://www.emerald.com/insight/content/doi/10.1108/JWL-07-2016-0070/full/html [Access date: 02.03.2024]

67. FriendE. (2016). Coffee Shops Around the World: Three Key Insights for 2016. [Electronic source] - Retrieved from: http://blog.euromonitor.com/2016/04/coffee-shops-around-the-world-three-key-insights-for-2016.html [Access date: 02.03.2024]

68. Fombrun C. J., Ponzi L. J., & Newburry W. (2015). Stakeholder tracking and analysis: The RepTrak® system for measuring corporate reputation // Corporate Reputation Review. 18(1), 3-24. [Electronic source] - Retrieved from: https://doi.org/10.1057/crr.2014.21 [Access date: 02.03.2024]

69. Garcés-Galdeano L., & García-Olaverri C. (2020). How important is family involvement for small companies' growth? // Journal of Small Business and Enterprise Development. [Electronic source] - Retrieved from: https://www.emerald.com/insight/content/doi/10.1108/JSBED-06-2019-0190/full/html [Access date: 02.03.2024]

70. Gupta S., & Dutta K. (2011). Modeling of financial supply chain // European Journal of Operational Research. 211(1), 47-56. [Electronic source] - Retrieved from: https://doi.org/10.1016/j.ejor.2010.11.005 [Access date: 02.03.2024]

71. Gurd B., & Thomas J. (2012). Family business management // International Journal of Entrepreneurial Behaviour & Research. 18(3), 286-304. [Electronic source] - Retrieved from: https://doi.org/10.1108/13552551211227684 [Access date: 02.03.2024]

72. Han H., Nguyen H. N., Song H., Chua B. L., Lee S., & Kim W. (2018). Drivers of brand loyalty in the chain coffee shop industry // International Journal of Hospitality Management. 72, 86-97. [Electronic source] - Retrieved from: https://www.sciencedirect.com/science/article/pii/S0278431917300646 [Access date: 02.03.2024]

73. Haryati N., Putri R. W., Syah Y. A., Ramadhani M., & Nugroho B. C. (2022). WOM as The Mediator of Marketing Mix to Customer Satisfaction in Covid-19 Pandemic // INTERNATIONAL RESEARCH JOURNAL OF BUSINESS STUDIES. 14(2), 147-157. [Electronic source] - Retrieved from: https://eds.s.ebscohost.com/eds/detail/detail?vid=0&sid=39c50c42-11e7-493c-b99f-720a91d2633c%40redis&bdata=JnNpdGU9ZWRzLWxpdmU%3d#AN=155232452&db=bth [Access date: 02.03.2024]

74. Hasanov, A. (2019). Structural changes and diversification of Azerbaijan's economy by encouraging chances for franchise: problems and opportunities. Int. J. Hum. Soc. Dev. Res, 3(2

75. Hattox R. S. (2014). Coffee and coffeehouses: The origins of a social beverage in the medieval Near East. University of Washington Press, London. [Electronic source] - Retrieved from: http://books.google.ie/books?id=MeXkAwAAQBAJ&printsec=frontcover&dq=75.%09Hattox,+R.+(+2014+).+Coffee+and+coffeehouses:+The+origins+of+a+social+beverage+in

+the+medieval+Near+East.+University+of+Washington+Press,+London.&hl=&cd=4&source=gbs_api [Access date: 02.03.2024]

76. Higdon B. (2016). Strategies independent coffee shop owners require to survive beyond five years [Electronic source] - Retrieved from: https://www.proquest.com/openview/c77f8d9645b50dfb29671845758f4dc7/1?pq-origsite=gscholar&cbl=18750 [Access date: 02.03.2024]

77. Hochberg Y. V., Ljungqvist A., & Lu Y. (2009). Networking as a Barrier to Entry and the Competitive Supply of Venture Capital [Electronic source] // Social Science Research Network - Retrieved from: https://doi.org/10.2139/ssrn.1300775 [Access date: 02.03.2024]

78. Hussain R., & Ali M. (2015). Effect of Store Atmosphere on Consumer Purchase Intention // International Journal of Marketing Studies. 7(2). [Electronic source] - Retrieved from: https://doi.org/10.5539/ijms.v7n2p35 [Access date: 02.03.2024]

79. Ibnussina. (2015). Strategi Pengempangan Signatur Coffee Shop Dengan Pendekatan Model Bisnis Kanvas. Bogor: Ibp

80. Justino M. V., & Tengeh R. K. (2015). Determinants of small enterprise failure in Angola: A managerial and financial perspective // Socioeconomica – The Scientific Journal for Theory and Practice of Socio-Economic Development. 4(8). [Electronic source] - Retrieved from: https://eds.s.ebscohost.com/eds/detail/detail?vid=2&sid=27e371bd-b54f-4141-8053-5571daec546c%40redis&bdata=JnNpdGU9ZWRzLWxpdmU%3d#AN=114888123&db=bth [Access date: 02.03.2024]

81. Kumar R. (2018). Research methodology: A step-by-step guide for beginners. Sage. [Electronic source] - Retrieved from: http://www.sociology.kpi.ua/wp-content/uploads/2014/06/Ranjit_Kumar-Research_Methodology_A_Step-by-Step_G.pdf [Access date: 02.03.2024]

82. Kwaitkowska, K. (2019). The place of cuisine in the national cultures/Azerbaijan: Traditions and modernity. "Türk dünyası gənc tədqiqatçılar dərnəyi" nin Araşdırmaları, 166. [Electronic source] - Retrieved from: http://static.bsu.az/w16/TDCTD_Ara%C5%9Fd%C4%B1rmalar%C4%B1_N3_2019.pdf [Access date: 02.03.2024]

83. Long D., Geng L., & Shakeel M. (2016). Antecedent factors of business planning in the new venture emergence in China // Chinese Management Studies. [Electronic source] - Retrieved from: http://www.emeraldinsight.com/doi/10.1108/CMS-03-2016-0048 [Access date: 02.03.2024]

84. Mabhungu I., & Van Der Poll B. (2017). A review of critical success factors which drives the performance of micro small and medium enterprises. [Electronic source] - Retrieved from:

https://pdfs.semanticscholar.org/9900/2b9f081e692ac6863bcf7139e7f30c1330fc.pdf

[Access date: 02.03.2024]

85. Mandhachitara R., & Allapach S. (2017). Small business performance in Thailand: key success factors // Journal of Research in Marketing & Entrepreneurship. 19(2), 161–181. [Electronic source] - Retrieved from: https://doi.org/10.1108/jrme-06-2016-0018 [Access date: 02.03.2024]

86. Manzo J. (2010). Coffee Connoisseurship and an Ethnomethodologically-Informed Sociology of Taste // Human Studies. 33(2/3), 141-155. [Electronic source] - Retrieved from: https://doi.org/10.1007/s10746-010-9159-4 [Access date: 02.03.2024]

87. Markman G. D., & Waldron T. L. (2014). Small entrants and large incumbents: A framework of micro entry // Academy of Management Perspectives. 28(2), 179-197. [Electronic source] - Retrieved from: https://eds.s.ebscohost.com/eds/pdfviewer/pdfviewer?vid=2&sid=60af28ee-04d9-4e84-a6b8-c4d15fa0f16e%40redis [Access date: 02.03.2024]

88. Mele N. (2015). Why more M&As is a sign that scale is no longer an advantage // Harvard Business Review. [Electronic source] - Retrieved from: https://hbr.org/2015/10/why-more-mas-is-a-sign-that-scale-is-no-longer-anadvantage [Access date: 02.03.2024]

89. Mintel (2016). On a High: Coffee Shop Sales Top £33 Billion in 2016. [Electronic source] - Retrieved from: http://www.mintel.com/press-centre/food-and-drink/on-a-high-coffee-shop-sales-to-top-3-billion-in-2016 [Access date: 02.03.2024]

90. Muhammad M. Z., Char A. K., Yasoa M. R. B., & Hassan Z. (2009). Small and Medium Enterprises (SMEs) Competing in the Global Business Environment: A Case of Malaysia // International Business Research. 3(1). [Electronic source] - Retrieved from: https://doi.org/10.5539/ibr.v3n1p66 [Access date: 02.03.2024]

91. Nair S., & Blomquist T. (2019). Failure prevention and management in business incubation: practices towards a scalable business model // Technology Analysis & Strategic Management. 31(3), 266-278. [Electronic source] - Retrieved from: https://doi.org/10.1080/09537325.2018.1495325 [Access date: 02.03.2024]

92. Nemaenzhe, P.P. (2010). Retrospective analysis of failure causes in South African small businesses [Electronic source]. Retrieved from: https://repository.up.ac.za/bitstream/handle/2263/28708/Complete.pdf [Access date: 02.03.2024].

93. Ng, H. S., & Kee, D. M. H. (2012). The issues and development of critical success factors for the SME success in a developing country // International Business Management. 6(6), 680-691. [Electronic source] - Retrieved from: https://doi.org/10.3923/ibm.2012.680.691 [Access date: 02.03.2024]

94. Nikolic, N., Dhamo, Z., Schulte, P., Mihajlovic, I., & Vasilika, K. (2015). An analysis of factors affecting failure of SMEs. Paper presented at 11th International May Conference on Strategic Management, 160-180. [Electronic source] - Retrieved from: https://www.researchgate.net/publication/334453580_AN_ANALYSIS_OF_FACTORS_AFFECTING_FAILURE_OF_SMEs [Access date: 02.03.2024]

95. Pandey, N., Tripathi, A., Jain, D., & Roy, S. (2019). Does price tolerance depend upon the type of product in e-retailing? Role of customer satisfaction, trust, loyalty, and perceived value // Journal of Strategic Marketing. 28(6), 522-541. [Electronic source] - Retrieved from: https://doi.org/10.1080/0965254x.2019.1569109 [Access date: 02.03.2024]

96. Perrigot R., Hussain D., & Windsperger J. (2015). An investigation into independent small business owners' perception of franchisee relationships // International Journal of Retail & Distribution Management. [Electronic source] - Retrieved from: https://www.emerald.com/insight/content/doi/10.1108/IJRDM-01-2014-0010/full/html [Access date: 02.03.2024]

97. Pticar S. (2016). Financing as one of the key success factors of small and medium-sized enterprises // Creative and Knowledge Society. 6(2), 36-47. [Electronic source] - Retrieved from: https://doi.org/10.1515/cks-2016-0010 [Access date: 02.03.2024]

98. Putra, P. O. H., & Hasibuan, Z. A. (2015). E-business framework for small and medium enterprises: A critical review // In 2015 3rd International Conference on Information and Communication Technology (ICoICT). IEEE. [Electronic source] - Retrieved from: https://doi.org/10.1109/icoict.2015.7231478 [Access date: 02.03.2024]

99. Rahardjo, B., Hasbullah, R., & Taqi, F. M. (2019). Coffee Shop Business Model Analysis // Integrated Journal of Business and Economies. [Electronic source] - Retrieved from: https://doi.org/10.33019/ijbe.v3i2.153 [Access date: 02.03.2024]

100. Rizea R. D., Sarbu R., & Condrea E. (2014). How coffee companies can stay competitive // SEA: Practical Application of Science. 2(1). [Electronic source] - Retrieved from: https://eds.s.ebscohost.com/eds/detail/detail?vid=2&sid=359f3a4f-946b-4a46-a37f-833f4a9dadb4%40redis&bdata=JnNpdGU9ZWRzLWxpdmU%3d#AN=edsdoj.5272de9b2f6440e79cd1b9ad6264798c&db=edsdoj [Access date: 02.03.2024]

101. Ryu K., & Lee J.S. (2016). Examination of restaurant quality, relationship benefits, and customer reciprocity from the perspective of relationship marketing investments //

Journal of Hospitality & Tourism Research. 41(1), 66-92. [Electronic source] - Retrieved from: https://doi.org/10.1177/1096348013515919 [Access date: 02.03.2024]

102. Sen B., & Taylor R. (2007). Determining the Information Needs of Small and Medium-Sized Enterprises: A Critical Success Factors Analysis // Information Research. 12(4), 1-12. [Electronic source] - Retrieved from: https://www.researchgate.net/publication/290317322_Determining_the_information_needs_of_small_and_medium-sized_enterprises_A_critical_success_factor_analysis [Access date: 02.03.2024]

103. Simkin P., & Schmidt M. (2019). A cup of coffee in Bishkek: insights into the emerging coffee culture in Kyrgyzstan's capital // Central Asian Survey. 38(4), 446-459. [Electronic source] - Retrieved from: https://eds.p.ebscohost.com/eds/detail/detail?vid=5&sid=047452de-bb67-4b1a-a8b4-3e8ae6f1f9a9%40redis&bdata=JnNpdGU9ZWRzLWxpdmU%3d#db=aph&AN=139682751&anchor=bib4 [Access date: 02.03.2024]

104. Simpson M., Padmore J., & Newman N. (2012). Towards a new model of success and performance in SMEs // International Journal of Entrepreneurial Behavior & Research. 18(3), 264-285. [Electronic source] - Retrieved from: http://dx.doi.org/10.1108/13552551211227675 [Access date: 02.03.2024]

105. Spring C. (2014). Starbucks: Examining brand equity through effective social media // Journal of Purdue Undergraduate Research. 4(1), 94-95. [Electronic source] - Retrieved from: https://doi.org/10.5703/1288284315471 [Access date: 02.03.2024]

106. Srinivas K.T., & Nagaraja N. (2013). Venture capital firm's assessment criteria while financing for new enterprises in Karnataka // International Journal of Research in Computer Application and Management. 3(3), 41-44. [Electronic source] - Retrieved from: https://core.ac.uk/download/pdf/35356041.pdf [Access date: 02.03.2024]

107. Stahl, N. A., & King, J. R. (2020). Expanding approaches for research: Understanding and using trustworthiness in qualitative research [Electronic source] // Journal of Developmental Education. 44(1), 26-29. - Retrieved from: https://www.researchgate.net/publication/346425936_Expanding_Approaches_for_Research_Understanding_and_Using_Trustworthiness_in_Qualitative_Research [Access date: 02.03.2024]

108. Tech, R.P. (2014). Crowdfunding Hardware Startups in Germany // Proceedings of Twenty Second European Conference on Information Systems. [Electronic source] - Retrieved from: https://www.hiig.de/wp-content/uploads/2015/09/0664-file1.pdf [Access date: 02.03.2024]

109.     Ting H., Lau W. M., Cheah J., Yacob Yusman M., Mumtaz A., & Lau E. (2018). Perceived quality and intention to revisit coffee concept shops in Malaysia: a mixed-methods approach // British Food Journal. [Electronic source] - Retrieved from: https://doi.org/10.1108/BFJ-08-2017-0452 [Access date: 02.03.2024]

110.     Topik S. (2009). Coffee as a Social Drug // Cultural Critique. 71(1), 81-106. [Electronic source] - Retrieved from: https://doi.org/10.1353/cul.0.0027 [Access date: 02.03.2024]

111.     Van Rensselar J. (2012). Avoid the top 6 reasons for failure: making small changes can significantly reduce the odds of failing. [Electronic source] - Retrieved from: https://eds.s.ebscohost.com/eds/detail/detail?vid=0&sid=746fd96a-c9cc-400f-af5e-a66ca2eb6e5d%40redis&bdata=JnNpdGU9ZWRzLWxpdmU%3d#db=edsggo&AN=edsgcl.311184481 [Access date: 02.03.2024]

112.     Wolak-Tuzimek A., Duda J., & Sieradzka K. (2021). Sources of competitive advantage of enterprises in selected sectors of the polish economy // European Research Studies. 24(3), 284-298. [Electronic source] - Retrieved from: https://www.proquest.com/scholarly-journals/sources-competitive-advantage-enterprises/docview/2578204505/se-2?accountid=45049 [Access date: 02.03.2024]

**Appendix 1: Interview questions**

**Background questions:**

1. Please introduce yourself and your position in this coffee business.
2. Did you have any experience or knowledge in your field before you started your business?
3. How did you decide to start/manage this business?

**Challenges faced:**

4. What kind of barriers and challenges did you face while launching a coffee shop business?
5. How did you come up with this location? How your location effects the performance of your coffee shop?
6. How did you gather your staff? Did it take much effort and time to collect a right team?
7. How external factors affected your business in early stage of operation? What kind of external challenges or opportunities did you face?

**Success and failure factors:**

8. What was the main factors made your business successful? Which factors do you think could bring your failure?
9. Did you make an appropriate business plan and strategy formation before launching the business? How do you think an organized business plan with appropriate competitive strategy effects the business?
10. How your personal connections effected your business? In general, do you think a strong connections might be a major success factor.
11. What is the role of correct capital and finance management while setting up an independent coffee shop?

**How to gain a competitive advantage:**

12. What are the ways to gain a competitive advantage in coffee shop industry in Baku? What makes your coffee shop different from your competitors?
13. Why costumer choose your independent enterprise instead of popular coffee chains? What makes local coffee shops special? How do you gain customer attention and attract them ?
14. Where do you see your business in 5 years? Do you have plan for long-term in order to expand your business in this competitive environment?

**Appendix 2: Interview answers summary table**

| Objective | Questions | Respondents' answers |
|---|---|---|
| Background questions | 1. Can you please introduce yourself and your position in this coffee business?<br><br>2.Did you have any experience or knowledge in your field before you started your business?<br><br>3. How did you decide to start/manage this business? | **Participant A:** The owner of local coffee enterprise. Did not have any experience in this sector before opening a business. Interest to this sector attracted him open a business<br><br>**Participant B:** The founder and owner of local coffee shop in Baku which has 2 branches. Had a knowledge about business administration before the business<br><br>**Participant C:** The owner of local coffee shop in Baku. Has a great experience in F&B sector. Have a big passion about F&B sector, culinary.<br><br>**Participant D:** The owner of one local coffee shop in Baku. Had a background knowledge about coffee shop sphere, moreover, experience in restaurant sector.<br><br>**Participant E:** General manager of one the most popular local coffee chain in Baku which has 3 branches. Worked in F&B sector in hotels, moreover, had a big experience in restaurant sector. |
| Challenges faced | What kind of barriers did you face while launching a coffee shop business? | **Participant A:** Fear of failure and to be inexperienced<br><br>**Participant B:** Poor experience and collecting a right team<br><br>**Participant C:** Documentation while legalizing the business; gathering a team; establishing customer satisfaction<br><br>**Participant D:** Competing with big coffee chains; choosing right location; finding suppliers<br><br>**Participant E:** Competition with international chains; limited capital resources |
| Challenges faced | How did you come up with this location? How your location effects the performance of your coffee shop? | **Participant A:** It was not a big issue. The most important is to meet customers' expectations not location<br><br>**Participant B:** It was not a big challenge to find a spot. Location is a very critical factor. It is better to be in crowded area<br><br>**Participant C:** It took too much time. It is critical factor |

| | | |
|---|---|---|
| | | **Participant D:** It was very difficult to find a location. It has a great impact on business |
| | | **Participant E:** It was difficult to decide on location because of rent fees. It is important to locate on crowded area |
| Challenges faced | How did you gather your staff? Did it take much effort and time to collect a right team?? | **Participant A:** It took much time and effort. It was hard to find skilled employees |
| | | **Participant B:** It was one of the hardest parts of work. It affects business significantly |
| | | **Participant C:** It was difficult to establish a strong team. It is very important for quality |
| | | **Participant D:** Did not face an issue while collecting a team. |
| | | **Participant E:** It is a factor that need to work on a lot. We did not face such issue because of the people around. Trainings are also important for skilled staff |
| Challenges faced | How external factors affected your business in early stage of operation? What kind of external challenges or opportunities did you face? | **Participant A:** Coffee was not a big interest of people; there were not appropriate suppliers |
| | | **Participant B:** Did not face a big issue. Only can mention high rent fees. The advantage was increasing popularity of coffee culture |
| | | **Participant C:** Cannot mention any big factor at initial stage. Covid 19 was a big issue after |
| | | **Participant D:** Did not face any negative external effect. Faced opportunities like government support on small businesses |
| | | **Participant E:** The dominance of international coffee chains. The advantage was government support |
| Success and failure factors | What was the main factors made your business successful? Which factors do you think could bring your failure? | **Participant A:** Innovation, it should not be scared to make an innovation. The other factor was staff |
| | | **Participant B:** Location; having loyal customers; consistency in quality; motivation |
| | | **Participant C:** Training of the team; quality of products; location |
| | | **Participant D:** Location; wide menu |
| | | **Participant E:** Motivation, self-confidence; management, relationship with customers, discipline, the skills of team |
| | Did you make an appropriate business | **Participant A:** It is better to start with business plan, but you always face unexpected scenarios |

| | | |
|---|---|---|
| Success and failure factors | plan before launching the business? How do you think an organized business plan effects the business? | **Participant B:** It is better to be organized at early stages, however not everything is going as planned <br><br> **Participant C:** It is not very crucial for me. The business plan must be flexible <br><br> **Participant D:** It is an important factor. If business plan is created correctly, it is easier to succeed <br><br> **Participant E:** It is crucial factor. it is more difficult to follow it in a disciplined way and work hard to implement it |
| Success and failure factors | How your personal connections effected your business? In general, do you think a strong connections might be major success factor | **Participant A:** It can be always helpful, but it is not a major factor <br><br> **Participant B:** It is important, however not a major success factor <br><br> **Participant C:** It helped us a lot, but I don't consider it as a very important factor <br><br> **Participant D:** We overcome many issues because of personal connections <br><br> **Participant E:** It is an advantage but not a crucial factor for our sector |
| Success and failure factors: | What is the role of correct capital management while setting up an independent coffee shop? | **Participant A:** One of the most important factors is capital management. Owners should allocate their capital appropriately <br><br> **Participant B:** It is crucial to manage capital properly <br><br> **Participant C:** It is super effective. Capital should be controlled appropriately <br><br> **Participant D:** It is very important <br><br> **Participant E:** This is super crucial. Moreover, unnecessary expenses and miscalculated income are destroying many businesses |
| How to gain a competitive advantage | What are the ways to gain a competitive advantage in coffee shop industry in Baku? What makes your coffee shop different from your competitors? | **Participant A:** Enterprises should try to establish their customer base first. Innovative attempts can be useful for competitive advantage. Our difference is fixed prices for different type of coffee, the price is calculated for size <br><br> **Participant B:** Competitiveness is perfect indicator for business environment. Our differences are our interior, more personalized service and low prices <br><br> **Participant C:** By establishing customer satisfaction, high quality and affordable price we can overcome our competitors |

| | | |
|---|---|---|
| | | **Participant D:** Competition in market is a factor for success. Because of our place in library, we overcome our competitors |
| | | **Participant E:** The way to be stronger in competitive market is to be innovative. Nowadays advertisement plays a crucial role as well |
| How to gain a competitive advantage | Why costumer choose your independent enterprise instead of popular coffee chains? What makes local coffee shops special?? | **Participant A:** Added national values to local coffee shops attracts people to them |
| | | **Participant B:** Different interior designs and different values; more personalized service, relationship with customers. Chains are located only in central areas, so people might go other places as they are more convenient |
| | | **Participant C:** Local chains has also traditional values. The quality in local coffee shops is not worse than big chains |
| | | **Participant D:** During Covid-19, international chains have increased products prices more significantly as they make price strategy on global base. Local coffee shops did not increase prices that much, they became more affordable for people |
| | | **Participant E:** People want to experience different atmosphere and menus. The other factor is price strategy, the local coffee shops are more affordable |
| How to gain a competitive advantage | Where do you see your business in 5 years? Do you have plan for long-term in order to expand your business in this competitive environment? | **Participant A:** We do not plan to risk by growing too fast. We try to develop customer satisfaction more |
| | | **Participant B:** If the business stops to grow, it will fail at one point. Our plan is to develop loyalty programme and to open more branches. Our goal is to establish strong brand image |
| | | **Participant C:** To increase customer satisfaction. To open more branches |
| | | **Participant D:** Our plan is to open more branches and exit to foreign market |
| | | **Participant E:** Consistency in quality is the way to survive in competitive market. We want to keep this quality consistent by providing training to the new employees |

**Appendix 3: Survey questions**

1. How old are you?
15-17
18-24
23-35
35-44
45+

2. What is your occupation?
Student
Employed
Self-employed
Unemployed
Retired

3. How often do you visit coffee shops in a week?
Never
Once a week
2-3 times a week
Daily
More than once a day

4. What are your main reasons for visiting coffee shops?
Socializing
Work/study
Relaxation
Convenience/location
Quality of coffee

5. What type of coffee or coffee-based beverages do you usually order?
Espresso
Americano
Cappuccino
Latte
Mocha
Frappe/Iced
I don't order coffee

6. How much money are you typically willing to spend at a coffee shop?

7. What factors influence your choice of coffee shop?
Location
Price
Coffee quality
Customer service
Ambiance/atmosphere
Brand/reputation
Loyalty program
Food options

8. Brand awareness refers to how familiar you are with a coffee shop's brand (name) and its reputation. Does this familiarity affect your decision to visit a particular coffee shop?
Yes, it influences my decision
No, I don't consider brand awareness
It depends on other factors

9. Do you prefer international coffee chains\* or local coffee shops in Baku?
(\*e.g. Starbucks, Gloria Jeans' Coffees etc)
International Coffee Chains
Local Coffee Shops
Both of them

10. Have you ever chosen to visit a coffee shop specifically because of a promotion or a benefit offered through their loyalty program? (e.g. Free beverage after a certain number of purchases; Earn points for every purchase that can be changed for coffee; Discounts on your birthday etc.)
Yes
No

11. Do you visit the same particular coffee shops that you enjoy the most? If yes, which one and what makes you a loyal customer?

12. How do you usually find out about new coffee shops?
Social media
Word of mouth
Advertising (online/offline)
Walk-in/discovery
Review sites

13. What unique features do you look for in a coffee shop that make you choose it over others?
-Artistic elements (e.g., live music, local art)
-Convenient location for easy access
-Unique coffee blends or specialty drinks
-Technological convenience (e.g., order and pay via app, delivery service)
-Themed or culturally inspired ambiance/ interior design
-Environmental sustainability (e.g., zero waste practices, eco friendly materials)
-Cozy seating area with comfortable seating options
-Exceptional customer service
-Local food and pastry selection

14. Would you be willing to pay a premium for coffee or products from a coffee shop that offers a unique experience or sustainable practices?
Yes
No

15. What improvements would you like to see in the coffee shops you visit?
Better customer service
More variety in products
Better pricing
Faster service
Improved ambiance or decor
More health-conscious options

16. What role do sustainability and ethical sourcing of coffee play in your choice of coffee shop?
Very important
Somewhat important
Neutral
Not very important
Not important at all

**Appendix 4: Survey responses summary table**

| Question | Responses |
|---|---|
| Age group | **18-24: 47%**<br>**25-36: 36%**<br>36-44: 9%<br>15-17: 4%<br>45+: 4% |
| Occupation | **Employed: 39%**<br>**Student: 27%**<br>**Self-employed: 20%**<br>Unemployed: 11%<br>Retired: 3% |
| Visit Frequency per week | **2-3 times: 40%**<br>**Daily: 22%**<br>**Once in 2-3 weeks: 15%**<br>Once a week: 11%<br>Never: 6%<br>More than once a day: 3%<br>Rarely: 3% |
| Reasons for visiting | **Relaxation: 64%**<br>**Quality of coffee: 33%**<br>**Convenience/location: 25%**<br>Socializing: 24%<br>Work/study: 21% |
| Coffee preferences | **Latte: 54%**<br>**Cappuccino: 37%**<br>**Americano: 26%**<br>Frappe/Iced: 17%<br>Mocha: 10%<br>Espresso: 6%<br>None – I don't order coffee: 4% |
| Factors influencing choice | **Coffee quality: 71%**<br>**Location: 67%**<br>**Ambiance: 51%**<br>**Customer service: 41%**<br>**Brand reputation: 33%**<br>**Food options: 30%**<br>Price: 16%<br>Loyalty program: 7% |
| International chains or local coffee shops | **Both: 57%**<br>**International chains: 24%**<br>Local shops: 17% |
| Brand awareness role | **Somewhat: 35%**<br>**Yes: 35%**<br>No: 29% |

| | |
|---|---|
| Influence of promotions | **Yes: 56%**<br>No: 44% |
| Unique features sought | **Cozy seating: 56%**<br>**Convenient location: 43%**<br>**Unique blends: 33%**<br>**Designed ambiance: 31%**<br>**Local food: 30%**<br>Customer service: 21%<br>Tech conveniences: 16%<br>Sustainability: 11% |
| Desired improvements | **Customer service: 53%**<br>**Service speed: 46%**<br>**Product variety: 39%**<br>**Ambiance: 36%**<br>Health options: 29%<br>Pricing: 24% |
| Importance of sustainability | **Neutral: 36%**<br>**Somewhat important: 34%**<br>Very important: 16%<br>Not very important: 10%<br>Not important: 4% |
| Willingness to pay premium | **Yes: 83%**<br>No: 17% |
| Typical spending | Ranges from 8 AZN to 50 AZN (10-15 dollars in average) |
| Regularly visited Coffee shops and loyalty reasons | Second Cup(int) - Popular and centrally located,<br>Gloria Jean's(int) - Customer service, coffee quality, loyalty program,<br>Starbucks(int) – good coffee taste,<br>CupCup (loc)- quality coffee and nice menu<br>Coffee Hub(loc) - Near work, good coffee and atmosphere, nice service, good loyalty programs,<br>Brew Mood(loc) - Preferred location,menu<br>Coffee hub (loc)- convenient location near work, atmosphere and good coffee, loyalty programs<br>Zloy Coffee(loc) - Unique appeal,<br>Local Coffee Shops - Proximity and convenience |