

## A BUSINESS MODEL TO OPERATE AN ONLINE BUSINESS SUCCESSFULLY- A STUDY OF ONE TAIWAN BAKE SHOP

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### **Abstract:**

In the competitive electronic (e)-commerce market, most enterprising business models either change their channel type from the traditional channel to an online channel or use both types. However, this study introduces the rare case of how one entrepreneur successfully moved a physical store to a competitive Internet shop. We take Taiwan Comte Creativity Bake Shop's entrepreneurship as an example to explore its path to success in the management of its business in the e-commerce market. The research outcome is a business model to successfully operate an online business through the following steps: (1) market segmentation: separate the market for souvenirs depending on the gift-giving time of a festival; (2) setting up on the Internet: use characteristics of e-commerce to increase consumer cluster; (3) innovate product: innovate the model and taste of moon cakes to attract consumers; (4) value proposition: take fun packaging as the value proposition of a product and make it fun. The path to success in the management of a business as presented here could be used as a reference by other entrepreneurs to emulate a business strategy for operating a virtual shop.

*Keywords: electronic commerce, entrepreneurship, festivals, creativity, mid-autumn festival, baking industry*

## 1. INTRODUCTION

Chinese gourmet has a long history, bringing together thousands of years of wisdom and experience and making mundane ingredients into a delicacy or food. Taiwan has a reputation of being a gourmet kingdom. The percentage of visitors coming to Taiwan for purposes of tourism has increased to 71%, while food for the purpose of tourism has increased to 61%, including dishes (41.%) and fruit (20%) (Tourism Bureau, MOTC, ROC, 2013). Therefore, the gourmet market in Taiwan has good development potential.

Based on the data of the Council for Economic Planning and Development (2012), Taiwan is the world's top entrepreneurial spirit. In recent years, an increased understanding of entrepreneurship in Taiwan has developed so that entrepreneurs must have both the entrepreneurial spirit as well as the capability to sell products to customers. Companies need to understand the current market trends and consumer lifestyle to know how to develop strategies to attract consumers in the market, to compete with the competitors, and to reach the ultimate goal of selling more products. In view of the Internet being convenient and accessible, the electronic (e)-commerce market is already showing some benefits. Most entrepreneurs and enterprises have virtual stores or have adopted a mode of click-and-mortar to sell products through both virtual and physical channels in order to meet consumer demand, gain more customers, and increase business. This case study introduces a path to success in the business management of a Taiwan enterprise in the e-commerce market. The outcome of the research provides four main ways to manage a business and a valuable guide to other entrepreneurs as reference. The four main steps from the core value of the enterprise to product closing to the customer are (1) value proposition, (2) market segmentation, (3) set up on the Internet, and (4) product innovation.

## 2. BACKGROUND

There are three parts to this research: Business Model, e-commerce, Entrepreneurship and Mid-Autumn Festival.

### 2.1. Business model

Morris, Schindehutte, & Allen (2005) state that the business model, which is composed of 30 definitions by other scholars, can be generalized to three categories: economic, operational, and strategic, which is composed of distinctive decision variables. The level of categories from the economic to the operational to the strategic means a gradual increasing comprehensiveness. Johnston (2008) noted that a business model is an entity that is composed of four interrelated factors: customer value proposition (CVP), profit formula, key process, and key resources.

Teece (2010) referred to the business model as a structure to convey the logic, data, and support of a value proposition for the customer and to provide a viable structure of revenue and costs for the enterprise delivering that value. It is about the benefit that the enterprise will deliver to customers, how it will organize itself, and how it will capture a portion of the value that it delivers. Gambardella and McGahan (2010) stated that a business model is one company's method of gaining revenue with a reasonable cost and how it both creates and captures value.

### 2.2. Electronic commerce

Zwass (1996) stated that e-commerce is the sharing of business information, the maintenance of a business relationship, and the execution of business trade. The business environment is the scope of the operation, including the trading relationship of a company, the transaction process between companies, and the trading of an individual company because it is hard to distinguish between within and outside an organization. Napier et al. (2001) stated that many business transactions occur in the electronic network, that is, buyers, sellers, and other people involved in commercial transactions; they have not seen each other or know each other. The process of the sale of products and services through the electronic network is known as e-commerce. Premkumar and Roberts (1999) argued that the factors that would drive small enterprises to adopt relational communications technology are innovation, organization, and environment. Innovation includes the advantages of using communications technology, cost, complexity, and fitness. Organization includes the support of the senior manager and a professional degree of communications technology and environment. The last,

environment, includes competitive pressures, external connections, and vertical support. Kalakota (1997) defined e-commerce based on a different view point, including communication, business processes, services and online views. Table 1 presents four views on the definition of e-commerce.

**Table 1:** Four views on the definition of e-commerce

Viewpoint	Definition of e-commerce
Communication	E-commerce delivers information, products, services, or payment by way of phone lines and computer network.
Business processes	E-commerce is applied technology to reach automated business processes.
Services	E-commerce is a tool to handle the needs of a company and consumer, to decrease costs as a result of improved quality of a product, and the speed of service transformation.
Online views	E-commerce offers the ability to buy or sell a product and information.

Source: Kalakota (1997)

### 2.3. Entrepreneurship

Low and MacMillan (1988) reviewed the definition of entrepreneurship from past scholars and defined it as the creation of new business, which is the definition we use in this paper. These various definitions are presented in Table 2.

**Table 2:** A collation of definitions of entrepreneurship

Scholar	Year	Definition of entrepreneurship
Schumpeter	1934	Entrepreneurship is to come up with a new combination.
Knight	1921	Entrepreneurship focuses on the ability to predict the future successfully.
Leibenstein	1978	If the company has limited production capacity, it will not be successful, so companies should be smarter than the competition and work harder.
Kirzner	1973	Entrepreneurship is the ability to correct the defects and imbalances of participants in the future market.
Cole	1968	Entrepreneurship is the determination of the entrepreneur to imitate, maintain, or develop a profit-oriented business.
Stevenson, Roberts and Grousbeck	1985	Entrepreneurship is being driven by cognitive opportunity rather than controlled by resources.
Gartner	1985	Entrepreneurship is the innovation of a new organization.

Source: Low & MacMillan, 1988, p.140.

Teece (2007) considered that manufacturers must be similar to entrepreneurs and constantly discover new market opportunities in order to survive in a dynamic environment; therefore, the ability of firms to response to the dynamic business environment with an entrepreneurial spirit is essentially. Fletcher (2006) believed that entrepreneurship is the ambiguous opportunity waiting for caring people to explore, whereas entrepreneurs will explore this opportunity step by step.

Shane (2000) and Shane and Venkataraman (2000) stated the discovery of entrepreneurial opportunities will be affected by individual factors of the entrepreneur and the external environment—the former including personality traits, previous knowledge, and social networks and the latter including the changing external factors leading to new opportunities. Shane (2005) separated the external environment into technological changes, political and regulatory changes, social and demographic changes, and the industrial structure and recognized that the success of entrepreneurs depends on detecting changes in the market that may create an opportunity.

### 2.4. Mid-Autumn festival

The Mid-Autumn Festival is one of China's three major traditional festivals, the other two being Spring Festival and the Dragon Boat Festival. The Mid-Autumn Festival is in August in the lunar calendar,

which is a reference for mainly recording the season and daily life of ancient Chinese in an agricultural society; it was collated by later generations and continues to be used. In the spring, the Emperor holds a memorial ceremony for ancient times, whereas in the autumn there is a memorial ceremony for lunar social institutions. The offerings used to worship Moon gods differ depending on the peoples' origin but can include moon cake, eggs, and sun; they are all presented in a round form to represent the full moon. Moreover, carambola, grapefruit, pears, persimmons, and other fruit are not only fruit in the fall but are also the offerings for the Mid-Autumn Festival. Ancestors believed that the Moon gods would offer a well-being to the offerings after they tasted them, and this would pass to the people as good fortune and a blessing after eating them. This legend is still followed; Chinese people eat moon cakes and grapefruit as part of the tradition and also give the moon cake and grapefruit as gifts to friends and family, spreading the Mid-Autumn Festival atmosphere.

### **3. CASE STUDY**

This section will introduce a case study of the Taiwan Comte Creativity Bake Shop's Entrepreneurship, its business history, and its path to success in business management. We describe it in two parts: the first is the bakery's physical store created in the initial stage of entrepreneurship; the second is the baking enterprise for mainly selling souvenirs on the Internet.

#### **3.1. Bakery physical store**

In the initial stage, Comte Creativity Bake Shop opened a physical store selling bread. The entrepreneur mainly used two features to make the bakery business successful, namely (1) create a variety of breads to satisfy consumer demand and (2) innovate the style of bread based on the season to create consumer preferences. These are described below.

*Create a variety of breads to satisfy consumer demand*

Women are the majority of the consumers in Taiwan bakeries. The purpose of buying bread is mostly bought for members of the family to eat, so consumers prefer a bakery that offers considerable diversity of choice in order to conveniently purchase different tastes of bread to meet the preferences of each family member. Therefore, the company sells up to two hundred items of bread in a day to satisfy consumers. This is one path to success in the management of the business.

*Innovate the style of bread based on the season to create consumer preferences*

Taiwan has four seasons a year; the hottest season is summer, the coldest is winter. The entrepreneur innovates the bread based on the different seasons. On a hot summer day, only providing hot bread can deter consumers. In order to address this, the entrepreneur developed a cold jelly bread stuffing to attract consumers who still want to eat bread in the heat of the season. In winter, which is also the time of the cherry blossoms, the entrepreneur has innovated a cherry-flavored bread for consumers to eat when traveling to see the cherry blossoms. This provides them with more enjoyment in the cherry-swirling romantic atmosphere.

Because of the ideas to satisfy consumer demand for a variety of bread and providing innovative seasonal bread, business at the bakery's physical store is booming and the lead time continues to increase. Therefore, the entrepreneur faced new challenges about handling personnel matters, including hiring staff, chefs, and apprentices, and the entrepreneur wanted to open alliances for branches. Finally, because employees and franchisees wanted more profit and each had a different philosophy on how to manage a business, problems ensued. Therefore, these events stimulated the entrepreneur to innovate in order to change the business model and to change the bakery physical store to an online baking enterprise. In the next section, we explore the depth of this enterprise, which successful skills play the key role in entering a virtual channel of keen competition, and how the business was successful.

#### **3.2. Baking enterprise**

The executives of the Taiwan Comte Creativity Bake Shop have an entrepreneurial spirit. Despite having experienced terrible issues with employees, they still found a way to survive in the face of adversity. The executives used creative thinking skills to successfully change the physical store to an

Internet shop, and business is more prosperous than before. The four main steps to success in management of the business are as follows: (1) Market segmentation: the entrepreneur separated the market for souvenirs depending on the gift-giving time of a festival; (2) Set up on the Internet: the entrepreneur used the characteristics of e-commerce to increase consumer cluster; (3) Innovate product: the entrepreneur innovated the model and taste of the moon cake to attract consumers; (4) value proposition: the entrepreneur takes fun packaging as a value proposition of the product and makes it fun.

*Market segmentation: separating the market for souvenirs depending on the gift-giving time of a festival*

In order to change the original mode of operation from an everyday entity store to a virtual shop on the Internet, the company adopted the method of market segmentation from Kolter (1997). This used behavior variables based on the consumer's "time to buy the product" as a consumer market segmentation basis, which is the time Chinese presented souvenirs during festivals in the Asian market. The entrepreneur selected the Mid-Autumn Festival in Asia to develop the idea of a new product because the entrepreneur, as an expert in the baking industry, knew that people traditionally eat moon cakes and buy souvenirs to give friends and family during the Mid-Autumn Festival. Consequently, the entrepreneur segmented the souvenir market successfully and then changed the business mode of operation to sell products on the online shop. This removed the need to operate the bakery store every day other than preparing it for souvenir stocking for the Mid-Autumn Festival.

*Set up on the Internet: using the characteristics of e-commerce to increase the consumer cluster*

The entrepreneur opted to operate the business on the Internet because the greatest difference between the virtual shop and the physical shop is that consumers have access to an online shop all the time, unlike a physical shop, so product exposure is increased as is the number of consumers. The entrepreneur took advantage of e-commerce and was able to sell the product earlier. This feature possibly divided customers into two periods. The first period is the period of time prior to when the physical channel is ready to sell, that is, about a month before the festival day. Consumers were mostly those who buy in quantity, like people who resell to platforms, purchasing managers, or Small and medium enterprises( SME) units. The second period was a week or two before the festival day; most consumers generally buy in small amounts. In addition, the use of the pre-order mechanism on the Internet virtual store helped in knowing the total consumer demand in advance, providing plenty of time to prepare the freshest moon cakes for consumers and not having a problem of too much stockpile.

*Innovate product: innovating the model and taste of moon cakes to attract consumers*

The traditional moon cake is a high caloric treat; "pomelo" is very bulky and both are eaten and are immutable festive gifts during the Mid-Autumn Festival. Moon cake is a high-sugar, high-fat cake with an egg yolk stuffing. Each traditional moon cake weighs about 180 grams, contains 72 grams of sugar, 44 grams of fat, and has a total energy content of up to about 800 kilocalories. The volume is equivalent to three fist pomelos, weighing about 400 grams to 800 grams; a pomelo is about 500–600 kilocalories.

Many people avoid eating moon cakes and pomelos due to their high-calorie count. Therefore, the entrepreneur initiated the innovative idea, which combined moon cake and pomelo into a shape and flavor similar to pomelo, called the "small pomelo cake." Its purpose is to be able to eat it without becoming too fat, thereby making Mid-Autumn Festival more interesting. Small pomelo cake is made similar to the three-dimensional shape of pomelo; its branches and leaves show a perfect imitation, and its color is the pale green of pomelo. The stuffing of pomelo also changed from egg yolk to bean paste and green tea. Now weighing about 35 grams, it contains 19 grams of sugar, 3 grams fat, and 115 kilocalories in total calories, which is 3 to 4 kilocalories per gram—a sharp reduction from the original traditional moon cake. The small pomelo cake has become the most distinctive in the moon cake market and has converted people who didn't like to eat moon cake to those who can't stop loving it. Small pomelo cake is a very fresh and creative moon cake, which is the reason why the company can sell mainly only one product on the Internet and be able to succeed in the virtual channel.

*Value proposition: taking fun packaging as the value proposition of the product and making it fun*

The entrepreneur hoped to innovate a fun product so designed two special kinds of carton packaging for customers to choose: (a) packaging design imitating the mobile phones (iPHONE) of the US Apple Computer Inc. (APPLE Inc.) brand and (b) packaging design to provide customers with customized packaging of fun. These are described below.

(a) Packaging design imitating the mobile phones (iPHONE) of the US Apple Computer Inc. (APPLE Inc.) brand.

The company imitates the entire carton packaging and picture of iPHONE of APPLE Inc. and also the symbol and name of the product, which is the most interesting part. The company changes the bitten apple logo from the symbol of APPLE Inc. to the symbol of a pomelo being bitten. Moreover, the company imitates the name of iPHONE by changing it to "iYou" because "You" is the pronunciation of pomelo.

(b) Packaging design provides customers with a customized packaging of fun.

The company provides customers with services of customized carton packaging, which is a souvenir of packaging that creates a carton packing style of the customer's favorite photos or own pictures. It can also put a quick response (QR) code so that the recipient can read the QR code by mobile phone software and have access to information that the giver wants to convey.

The entrepreneur was attentive to designed carton packaging. Compared to the traditional gift box of the moon cake, this new innovation dramatically improves the fun of a moon cake gift. In addition, it improves the value of the gift in the minds of consumers.

#### **4. CONCLUSIONS**

The Taiwan Comte Creativity Bake Shop has an entrepreneurial spirit, devoted to changing its mode of operation and products to win other consumers. The entrepreneur has wisely innovated the product and baking, re-positioning its products to meet the tastes of consumers. The entrepreneur understands the current market trends and consumer lifestyles in order to facilitate the market segment of the business and develop strategies to attract consumers. Thus, Comte Creativity Bake Shop has been able to operate on the Internet successfully.

The message of this article is that executives with entrepreneurial spirit should adapt to the changing times and consumer demand. In conclusion, this business model has resulted in the successful operation of an online business and has the following components: (1) market segmentation; (2) set up on the Internet; (3) innovate product; (4) value proposition. This business model could be used as a reference by other entrepreneurs when they want to emulate some business strategy to operate a virtual shop.

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