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### Bettr Barista: A shot at better lives

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# **BETTR BARISTA: A SHOT AT BETTER LIVES**

**Heli Wang, Sheetal Mittal, and Adeline Natalia  
Lai Sue Yi**

In this case study, Pamela Chng, the founder of Singapore-based Bettr Barista, believes that a workplace cannot exist aloof from society's challenges and that companies need to be accountable for their contribution to society. Bettr Barista is her attempt to go beyond the pure profit motive and improve the lives of marginalised women and youth in the city-state. The enterprise offers a four-month-long holistic programme, equipping them with job skills as a barista. Bettr Barista's large menu of for-profit businesses, including internationally certified speciality coffee education and training workshops, a coffee roastery, retail coffee outlets, and mobile brew bars, supports and sustains its social mission.

The case highlights the challenge in maintaining the balance between financial and social goals, as this drives most of the decisions taken by the company, be it its value chain or the key stakeholders. The social role on one hand may accord the company a differentiated position in a fragmented and congested industry; on the other hand, it adversely affects the company's productivity and resources utilisation and hence its ability to grow.

In 2011, Pamela Chng launched Bettr Barista (BB) as a coffee academy that offered disadvantaged women and youth in Singapore a four-month-long holistic programme providing barista skills for employability, emotional and

physical training skills for psychological wellbeing, and an internship for learning on the job. At the end of the programme, BB helped the trainees secure employment in the industry. By the end of 2018, it had trained and placed more than 60 individuals with the support of government bodies, social-sector organisations, and private-sector companies.

To support and sustain its social goals, BB undertook for-profit coffee workshops for corporates and individuals and ran other commercial businesses, including a coffee roastery, retail coffee outlets, and mobile brew bars. By the end of 2018, the coffee company had served 397,000 cups of coffee to 212,000 consumers through its cafés and mobile bars and held more than 430 corporate events.

However, in order to be truly sustainable, Chng realised that BB needed to expand internationally, as the Singapore market was small and offered limited growth potential. Many of the neighbouring countries, being primarily coffee-drinking markets, were attractive options. However, this also raised many concerns, as such a strategy could stretch the company's already limited financial and managerial resources. BB's business model was unique to Singapore, and the level of market development, technology, governance structures, and government support varied significantly across countries in the region. Would BB have the expertise and resources to change or tweak its approach according to each country's market dynamics? Additionally, executing expansion plans would require a comprehensive management structure to be put in place at BB. Could all of this be done without affecting the core values the company stood for?

## **The invisible poor in Singapore**

Singapore was hailed as one of the world's richest countries. However, while the living conditions among Singapore's poorest were not as dire as in other countries in the region, about 14 percent of its citizens faced severe financial constraints and could not afford even their basic requirements.<sup>1</sup> Over 2012–2015, there was an increase of about 43 percent in the number of families living in poverty and dependent on government assistance, the worst result to be reported officially in Singapore.<sup>2</sup> In 2015, the country had one of the largest inequality gaps in advanced Asian countries.

As of June 2016, after the elderly (60-plus years), Singaporeans between 15 and 34 years of age were the most financially affected group, with around

5 percent unemployed (double the other age groups) and about 41,500 working in low-paying entry-level jobs earning below S\$1,000 a month. The adverse financial condition of the young workers could be attributed to three key factors: they were born into poverty, they were stuck in low-paying jobs, or they were unemployed.

According to Chng, people with challenging backgrounds often struggled in Singapore's highly competitive education system. She explained, "If you fall behind, you stay behind. It is very difficult to catch up."

## **Bettr Barista**

### ***Why a social enterprise?***

As the founder of a web consultancy business, Chng found herself burnt out in the fast-paced and intensely competitive digital domain and decided to quit in 2009. At that time, she became interested in establishing a socially responsible venture. She explained,

*We all spend more than half of our life in a workplace; thus, a workplace cannot exist aloof from society's challenges. Companies need to be accountable for their contribution to society by creating work places and businesses that make peoples' lives better. I wanted to create a new business that went beyond pure profit motive.*

Chng rejected the donation-based NGO model for its lack of sustainability and lack of independence in operations. She also believed that charity was good for developmental work where it was not possible to make profits and hence envisioned a self-sustaining financial model that had the potential to create market-generated resources.

### ***Setting up the business***

Chng was joined by Jeanette Lee and Randall Lee as partners, and together they invested over US\$158,000 as seed money for the venture. Analysis of the industry led them to understand that the revenue stream from the coffee education business would not be adequate to achieve financial viability, and hence multiple revenue streams had to be created by developing competencies in the areas of roasting and retailing.

In November 2011, BB was launched as a coffee academy, followed soon by its roastery, retail café outlets, and mobile espresso brew bars. To minimise the capital expense, Chng acquired the distributorship of Astoria roasting and brewing coffee equipment from Italy, enabling the start-up to get not only ready access to the equipment but also affordable prices. Next, Chng rented an 800-square-foot space to set up the academy and company's head office.

### *Coffee academy*

At the academy, BB ran two programmes in the professional coffee education space: a regular one for full-paying customers and a social one that was highly subsidised.

#### *Regular programme*

The regular programme offered professional courses of varying lengths, from a day to a week, across a range of functions along the coffee supply chain, such as barista, roasting, or sensory training. The courses were globally recognised, with international certification by the Specialty Coffee Association of America (SCAA) and Specialty Coffee Association of Europe (SCAE), and were meant for people who wanted to make a career in the coffee industry or for those who had a passion for coffee and wanted to learn more about it.

Using her digital domain expertise, Chng developed the website for the company and activated social media platforms to create awareness, engage with the target audience, and drive enrolment. At the end of the first year, BB had trained about 150 candidates—a number that grew to 4,300 candidates from over 30 countries by the end of 2018. Entrepreneurs, especially from countries such as Indonesia, Vietnam, the Philippines, and Malaysia, came to learn about the coffee business to set up cafés in their home countries. In 2018, the regular programme contributed 35 percent of BB's total revenue.

#### *Social programme*

The social programme was a comprehensive training course for the marginalised section of the society, especially youth and women. It was developed

based on the insights Chng drew from her interactions with a number of social service organisations in Singapore. She explained,

*I learned that providing the skills training was not an issue, the problem was that they would not get jobs after training, and if some of them did, they could not retain the job for long. This was not because of lack of skills, but because their emotional and psychological issues were not addressed.*

BB's holistic social programme aimed at ensuring the trainees' physical and emotional wellbeing, besides providing them barista and roasting skills. The objective was to help them acquire a sense of self-worth and dignity, become fully job ready, and be economically independent. The programme, originally conducted over six months and subsequently reduced to four months, comprised one month of intensive study, followed by one month of internship and two months of on-the-job training.

The focus in the first month was on both coffee education and emotional training. The content for the latter, developed in conjunction with a clinical therapist, was based on the Rational Emotive Behaviour Therapy model that helped people build emotional resilience. It affected all aspects of their life—health, work, family, and social. The physical training component, which included yoga, trekking, mountain climbing, self-defence, rock climbing, and canoe rowing, was conducted on the weekends of the first two months. Supported by Singapore's Ministry of Social and Family Development (MSF) through a grant from ComCare Enterprise Fund,<sup>3</sup> BB was able to heavily subsidise the cost of the programme (US\$2590) and charged the trainees only US\$222.

In addition, the programme was adapted per the needs of a particular target segment. For example, BB provided training to the inmates at juvenile detention centres and Changi women's prison (some of whom continued with the programme even after being released). BB also used the coffee education platform to engage young students from challenging neighbourhoods who had a high risk of dropping out of school.

By 2018, BB was working with more than 80 social service organisations that not only referred potential beneficiaries to the programme but also helped deal with the personal issues of those selected. At the end of first year, four trainees (out of a total intake of seven) graduated. However, with time, the retention rate improved considerably.

In the early years, when BB did not have any of its own outlets, internships and employment were only possible with other retail cafes. Once BB started opening its own retail outlets, it could employ many of its own trainees, and that environment was much better suited in retaining and developing them. Chng explained,

*BB has developed a massive support system and our people are trained to deal with the issues of marginalised people so that they do not slip through the cracks along the way. But in the commercial world, nobody builds and devotes the bandwidth to be that forgiving and kind. If you do not show up for work, you are fired, as pure business set-ups have a lot of pressure to stay afloat. Although this makes being competitive in the marketplace twice as hard for us.*

In 2018, of BB's total workforce of 50 (including part-timers and contract staff), 40 percent were graduates from its own social programme, who worked across the enterprise's different business units. Its social programme had enrolled 100 candidates by early 2018, of which 70 percent graduated successfully. Of these, 90 percent were employed, with only a 10 percent dropout rate as of the end of 2018.

## ***Other businesses***

### ***Coffee roastery***

Focused on keeping its entire supply chain green, the roastery carefully selected the suppliers from whom it sourced coffee beans. It worked directly with farms and B-Corps,<sup>4</sup> who were accredited as having treated their farmers and employees fairly and ethically. More than 50 percent of the roastery's output was used by BB's academy and coffee bars, ensuring a continued green chain across its businesses. In 2018, the coffee roasting unit contributed 15 percent of BB's total revenue.

### ***Mobile brew bars***

In mobile bars, the temporary coffee bars set up for an event or occasion, the most important resource was a 'trained barista.' With BB having a ready access to them, it had an advantage over others in being able to set up large number of bars even at short notice. By the end of 2018, the business unit

contributed 15 percent of BB's total revenue, having set up more than 400 mobile bars and served over 200,000 cups of coffee.

### *Retail coffee outlets*

By the end of 2018, BB had four public outlets and four outlets inside corporate offices, with plans to open many more over the next couple of years. Together they generated 35 percent of BB's total sales.

### **Corporate partners**

Since 2013, DBS Bank had been engaging BB for setting up mobile brew bars to serve coffee at their corporate events. In 2014, when the DBS Foundation was set up, the bank decided to collaborate with BB to help create financial sustainability in the community. It awarded BB with a scale-up grant and in 2017 sponsored BB's outlet in the bank's lobby at Plaza Singapura, a shopping mall located along the main shopping street of the city-state. Additionally, BB was given preferential transaction rates with no required minimum monthly balance for DBS banking services. Similarly, BB's relationship with NTUC Income, an insurance cooperative, had initially started as a commercial one. Soon after, NTUC Income's Orange Aid foundation provided the company start-up funding for setting up its first few retail locations.

### **Integrated management approach**

BB practised an integrated approach to policy formulation and management across its business units. All the strategic decisions related to finance, operations, human resources, vendor selection, or purchasing were taken while keeping in mind their impact on society, environment, and other industries and ensuring traceability of its supply chain. Furthermore, while there were dedicated teams for each business unit, most employees had dual responsibilities. Irrespective of their core roles, all were cross-trained across businesses and functions.

BB had a truly diverse workforce. On one hand, it comprised school drop-outs, ex-convicts and former drug addicts, and on the other, it included people with PhDs and international work experience. While this made BB a



challenging place to work for new recruits, it also led to a rich culture born out of the intermingling of varied experiences, knowledge, and skill sets.

### *Trade-off*

The dichotomy between the financial goals and social goals required a constant balancing act. For example, BB's workforce included many of its own graduates from the social programme, who required a more compassionate approach, as their productivity and efficiency levels at the beginning tended to be lower. This compromise was inevitable, despite being a significant cost to business. In addition, whenever the social programme was held, most of the training and infrastructure resources were committed to it, limiting BB's capacity to undertake commercial activities, thus adversely affecting the revenue and profitability of the company.

To some extent, the previous conflict was resolved in mid-2017 when BB invested in a new space for its head office and academy, which was three times the size of the earlier one, opening up the possibility of undertaking simultaneous workshops.

### **Growth and sustainability**

In 2013, BB won the President's Challenge Social Enterprise Start-up of the Year award, followed by Social Enterprise of the Year award in 2017. In 2015, it became the first and only certified B-Corp in Singapore—one of the 2,600 companies recognised as B-Corp across more than 150 industries and 60 countries. In addition, in 2015, BB hit profitability with its revenue growing at 40–50 percent (year-on-year). The continued rapid growth over 2015–2017 prompted BB to invest the profits accrued, in addition to a loan, in creating bigger infrastructure, hiring more manpower, and opening more retail outlets in Singapore.

Going forward, in the case of its social goals, BB's focus was to deliver a high-quality programme with long-term impact, and thus it aimed to keep the intake low. Chng explained,

*Given the background of the trainees, it was important to provide each trainee adequate one-to-one support and, that was possible only if we limited the total number of intakes to a maximum of four every year with not more than 10 to 12 trainees each time.*

On the other hand, regarding its commercial ventures, BB was keen to scale up its operations in order to become a self-sustaining social enterprise that was not dependent on subsidies and grants.

However, given that Singapore was a small market, Chng knew that it would be difficult to continue to grow at the same pace as in the recent past. The focus within the country would have to be increasingly towards stabilising the team and operations, targeting bigger clients, and generating recurring revenues, whereas for growth, BB would have to look beyond Singapore. Would that mean stretching itself too thin by growing too fast, both financially and structurally?

Another concern was the lack of a middle layer of managers and leaders in the organisation. Chng knew that for BB to grow into its next phase successfully, it was imperative to develop an effective management structure. Chng mused, how could BB maintain the social element at the core of everything it did yet continue to stay relevant and sustainable in the long term?

### ***Resource-based view and evaluation of BB***

The resource-based view (RBV) evaluates the potential of an organisation's resources in creating sustainable competitive advantage through the lens of four attributes, known as the VRIO framework (refer to Table 9.1).<sup>5</sup>

#### ***Contribution to creating value***

A company uses its resources to create value for its customers. The value created must distinguish the company's offering from that of the competition; only then does the resource(s) qualify to be valuable. The key valuable resources of BB are:

- **Industry Expertise:** Chng invested heavily in acquiring competence in the coffee domain. Her understanding of the industry led her to acquire the distributorship of an Italian coffee equipment manufacturer and identify the appropriate suppliers for sourcing coffee beans that ensured a green value chain. She also recognised that the coffee industry was conducive to imparting vocational skills to people even if they lacked formal education.

Table 9.1 Evaluation of BB's Key Resources

Key Resources	Contribution to Creating Value	Rarity	Inimitability
<b>Technical expertise—product and industry</b>	Acquisition of superior-quality coffee ingredients and coffee-making equipment; development of a green value chain	Medium	Can be imitated, but at a cost
<b>Market knowledge</b>	Identification of the market gap in coffee education and skills training—high demand for trained baristas; ineffectiveness of only-technical training programmes	High	Can be imitated
<b>Unique training programme</b>	Comprehensive training across all dimensions: technical, physical, and psychological, enabled financial and social inclusion of disadvantaged individuals	High	Difficult to imitate
<b>Vertically integrated supply chain</b>	Manages a high degree of control over the supply, quality, and delivery of ingredients and finished products; pro-environment approach; mobilisation and optimal utilisation of resources such as manpower and capital assets; high operational efficiency and lower costs	High	Can be imitated, but at a high cost
<b>Brand equity</b>	Brand image as socially responsible	High	Difficult to imitate
<b>Digital marketing</b>	High awareness and enrolment	Low	Can be imitated

- **Market Knowledge:** Knowledge of the consumption trends led Chng to identify the widening gap between the supply and demand of suitably qualified manpower to service the mushrooming speciality cafés in the country.
- **Holistic Training Programme:** In-depth research into the existing vocational training programmes that had been ineffective in addressing

the needs of disadvantaged individuals helped BB to identify what elements in a training programme are critical for success. This led BB to collaborate with a clinical therapist and develop a comprehensive module that helped people build emotional resilience. The training programme thus designed focused on all aspects of an individual's life—health, work, family, and social.

- **Integrated Supply Chain:** Another key capability of BB is its vertically integrated value chain model. The strategic approach has enabled the company to not only financially support its primary goal of creating social impact but also deliver on high operational efficiency; control over quality and costs; leveraging synergies across business units; optimisation of resources; and, most importantly, ensuring a pro-environment, fair, and fully traceable supply line.
- **Brand:** BB's branding, woven around its 'social contribution,' is the source of key differentiation in the highly competitive coffee market in Singapore. BB stands out from other speciality cafés on account of the social impact it creates and the green practices it has adopted.
- **Digital Marketing:** Chng's expertise in digital marketing (on account of her previous work experience) has provided BB a low-cost platform to reach its target market quickly and directly.

### *Rarity*

Resources that are available to few are considered rare. If most players can acquire the same resource, then each of them has the same capability, leading to what is known as competitive parity. Only if a resource is both valuable and rare can a company create competitive differentiation. Some of BB's valuable resources, such as market knowledge, brand equity, an integrated supply chain, and holistic training programme, are rare as well, while others, like digital marketing and technical expertise, are easily available.

### *Inimitability*

To build long-term competitive advantage, it is important that the resources of a firm, besides being valuable and rare, also be difficult/costly to copy or substitute. In the case of BB, it can be argued that while its market knowledge and integrated value chain can be acquired by competition (albeit at

a cost), its training programme and brand equity are difficult to imitate or replace with an alternative.

### *Organisation*

Incorporation of the social element in its training as well as brand image requires a passionate organisational culture to support it. BB, through its integrated management approach and commitment to its social mission, can be considered to have exploited its resources effectively to make social objectives an integral and indispensable part of its business. Moreover, unlike the rest of the industry, BB's retail business is not stymied by the lack of availability of qualified manpower, as it has access to the trained candidates its academy churns out regularly. Similarly, its brand image of being socially responsible has enabled the company to collaborate with a number of partners across the public, private, and social sectors.

BB's social strategy enabled the company a new way of achieving differentiation and sustainability in an otherwise highly competitive market. While it is possible for other companies to replicate this business model, it will be effective only if there is an integral change in their vision and mission. Using the social positioning just as external packaging is a short-term tactical approach which can be imitated easily by me-too players and hence will not help create a sustainable competitive advantage in the industry.

Going forward, in order to increase the scale of its social impact, BB needs to generate higher income from its for-profit operations. Paradoxically, it is the conflict between BB's commercial and social programmes that adversely impacts its financial performance. While international expansion seems attractive, it requires significant investments.

### **Notes**

- 1 States Times Review, "Ministry: Poverty in Singapore Reached Worst Ever, Jumped 43.45 Percent in 3 Years", 22 April 2017, <http://statestimesreview.com/2017/04/22/ministry-poverty-in-singapore-reached-worst-ever-jumped-43-45-in-3-years/>.
- 2 Ibid.
- 3 The ComCare Enterprise Fund (CEF) is instituted by the Ministry of Social and Family Development with an objective to provide funding to social enterprise start-ups.

- 4 Certified B Corporations (B-Corps) were businesses that met the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. For more information, refer to <https://bcorporation.net/about-b-corps>.
- 5 Jay Barney, "Firm Resources and Sustained Competitive Advantage", *Journal of Management*, 17(1) (1991): 99–120, [www.business.illinois.edu/josephm/BA545\\_Fall%202019/Barney%20\(1991\).pdf](http://www.business.illinois.edu/josephm/BA545_Fall%202019/Barney%20(1991).pdf).