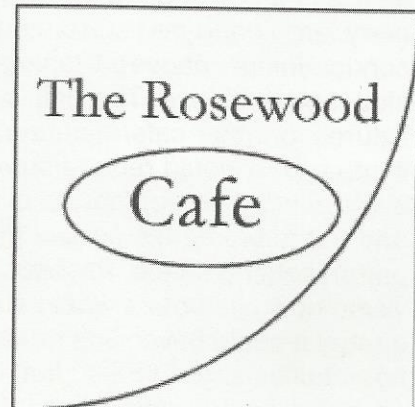


The Rosewood Cafe

Jan and Pat have their business plan finished and their financing in place. They are excited: After years of dreaming of being independent, Jan and Pat are ready to start their own business: The Rosewood Cafe.

Jan is a baker and cook and plans to produce a variety of pastries, sandwiches, and soups for the cafe customers. She prefers being organized and working hard to accomplish daily baking and food preparation in an organized manner. Pat is a relationship oriented person and is looking forward to serving customers their coffee and food at the counter, managing the cash register and taking care of the seating area.



The two business partners have a challenge: They need a location for their cafe. After 2 months of looking, they are sitting the kitchen table in Pat's home looking at the following three places:

Location #1:

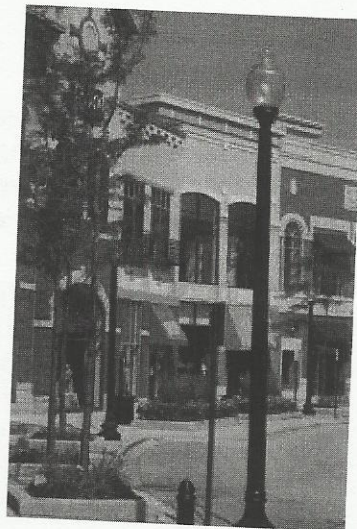
A small unit in a "strip mall", this location has good walk-by traffic. Mostly senior citizens visit the area during the day and they generally order only an inexpensive drink and possibly a snack rather than a more expensive drink and sandwich, for example. Previously a small restaurant, this location is inexpensive to renovate because it has all the restaurant equipment built in and the layout is similar to that of a cafe. Washrooms are moderate in size, timeless in design, and easy to maintain. The strip mall has a small amount of parking because the area is a mix of commercial and residential buildings, where land is quite expensive. This small unit is about in the middle of the price range Jan and Pat are looking for. Jan likes the space because it has lots of baking and cooking space. Pat, after seeing the space twice, does not have a strong positive feeling about it because the seating area for customers is not very big. Finally, both Jan and Pat have to travel 20 minutes from their homes to get to the strip mall location.



Location #2:

A medium sized location near a university, this unit is very expensive to rent, but has a lot of university student and staff walk-by traffic. These customer groups tend to order expensive

drinks such as lattes and may enjoy a soup, sandwich and a pastry as part of their order. Parking is abundant for this location as it is in a newer commercial area fashioned after an Italian plaza (very large courtyard surrounded by businesses with 2 or 3-story condominiums above). Washrooms are spacious, newer, ceramic tiled, and attractive. The unit is simply open space (no equipment, fixtures, or other cafe/restaurant arrangements inside), so making it into a cafe would require some significant renovations. On the other hand, the open nature of the space makes it ideal for Jan and Pat to create the perfect mix of food preparation, counter, and patron seating space. Pat likes the unit a lot as she can clearly vision how customers would enjoy being there and the vibrant energy it could have. She really gets excited about the space and her intuition says "YES!" Jan, however, is a bit worried about the cost of doing the renovations. Pat and Jan live near this location, which is only a 10 minute drive from their homes.



Location #3:

Coffee Connection's Conundrum

John Makepeace walked into Coffee Connection on Friday morning and shook his head as he saw the state of his coffee shop. Filling almost all the tables and window seats were people using electronic devices. Some were using their smartphones. Some were reading on tablets. And at least half of all customers were working on their laptops. And often a customer with a laptop would be working alone at a table that could seat 2 or 4 people.

A lineup of customers at the counter was a sign that business was good right now, but another trend was emerging that concerned John: Some people, when coming into the shop's door and seeing no tables or window seats free and a lineup at the counter of customers waiting to order, decided to leave instead of coming in. They wanted a place to sit if they bought a coffee and went to another coffee shop which was not so full. Others who came in and lined up took their coffee "to go", not staying because all the seats were full and there was little opportunity for socialization due to most people working on their electronic devices.

Customers leaving is a problem. If customers either leave to go elsewhere or leave with their coffee in hand, they might never come back again. With seating for 80 people, Coffee Connection has lots of space for customers to sit, but tables and chairs were not emptying fast enough for every customer who wanted one.

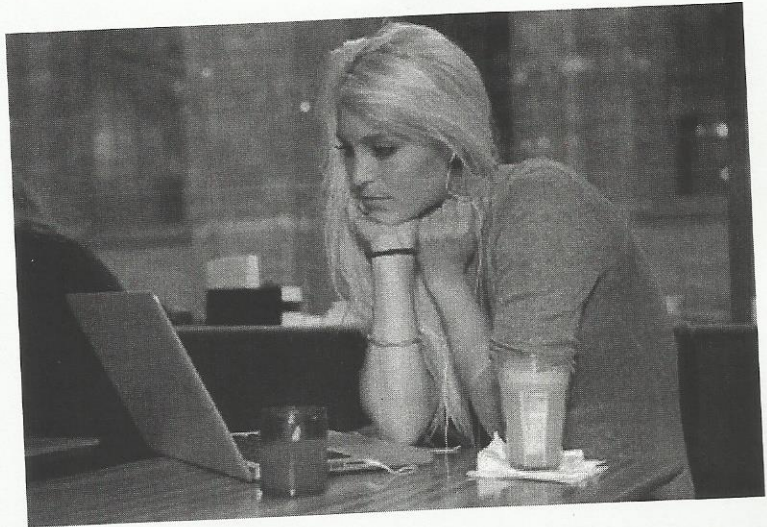
About Coffee Connection

Coffee Connection is a trendy new coffee shop located in west side of Vancouver, BC. Offering popular roasts, blends, and types of coffees, the shop would like to attract people who prefer premium coffees and hanging out with others who have more sophisticated tastes in drinks, food, art, music, travel, and lifestyle choices.

In keeping with their focus on premium coffee and sophisticated interests, Coffee Connection roasts its coffee beans right in the store and grinds them fresh for each customer. The shop is very "in fashion" in appearance because John Makepeace, the owner, designed it to have a "retro wood and steel" look. There is a tiny stage that he thought one day might be used by a solo singer to play in the evenings.



Coffee Connection is moderately successful financially, but not as much and in the way John would like it to be. Instead of people engaging with each other discussing sophisticated topics and bonding with the store's brand and special features (the smell of roasting coffee and the retro wood and steel look), they were isolated in their own little electronic worlds. And even worse, the customers with laptops tended to buy a coffee and sit for between 1 and 3 hours doing work. He had "laptop squatters" clogging up his shop and wrecking his vision of a buzz of trendy, sophisticated people making his coffee shop famous – making it THE place to hang out and meet other cool people.



The Coffee Connection Conundrum

John had a confusing and difficult question – a conundrum. How could he get a different kind of customer to come to his coffee shop? An ideal customer who was there to socialize rather than work on their electronics, often for long periods of time?

Customer Research

To help solve his conundrum, John hired a marketing consultant to help: Priya Sethi. Priya is a recent University of British Columbia MBA graduate who is building her expertise in the marketing of upscale coffee shops and bars. Upon first meeting with John at Coffee Connection, Priya immediately saw what the problem was. However, she chose not to communicate it because John might not be ready to hear the truth – a common challenge that consultants faced with their clients.

Instead, Priya undertook observational, demographic and focus group research in order to gather enough proof to convince John when the truth was presented – and of course to also be sure that her initial identification of the problem was the correct one.

Observational Results

Priya spent many hours, during different times of the day and on different days of the week, observing individual customers and patterns of customer visits. Some of her findings:

- Many customers liked Coffee Connection's large size and many seats because it meant they could feel comfortable to use it as an office or place to study. Priya noticed that

once they purchased a coffee, a laptop user would look for a table far away from the counter to work at and then spend up to 3 hours working there, usually with only the one coffee purchased.

- Most customers with laptops dressed quite casually. Some were older, and carried laptop cases. These, Priya induced, were work-at-home professionals who liked coffee shops for the social "buzz". They were lonely working at home. The other and larger group of laptop users were clearly students. They took up a whole table with their laptop and textbooks. Working in a coffee shop was also a social experience for them, in that they didn't like to study in a private place. Rarely it was 2 or 3 students who would take up a large table - it was usually one student working alone taking up a table for 2 or a large table that could seat 4 people. The other seats at these tables remained unused for the time the student was there.
- The bus that stopped at the front of Coffee Connection was the bus that went directly to the University of British Columbia, which has some 50,000 students studying at their campus in Vancouver.
- Coffee Connection was filled primarily with 2 or 4 person tables. A window seating area for solo customers had 10 seats, but the other 70 seats were at 2 or 4 person tables. (See the appendix for layouts of both Coffee Connection and a competitor)
- 80% of customers came in alone. 20% came with a friend or as a group. Of this latter 20%, most of these people took their coffee "to go" because of a lack of availability of seating - a table of 2 or 4 was not empty when they needed it.

Demographic Results

The west side of Vancouver, and Coffee Connection's location in that part of Vancouver particularly, has very mixed characteristics, including:

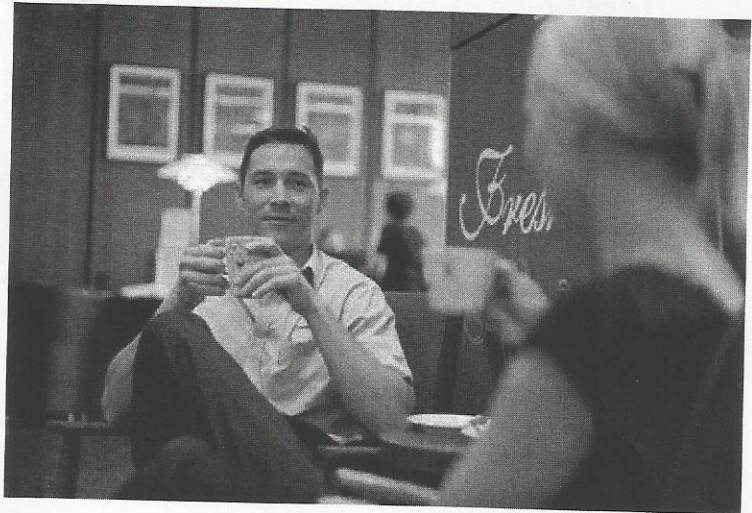
- Some very large older homes for families, modern condos for couples and wealthier singles, and many modest older rental apartment buildings as well.
- Many young entrepreneurs, contract computer programmers, and independent professionals.
- Lots of university students. As the area had in the past had lower priced housing and was close and easily accessible to the university, a large student population lived there.
- A mix of artists, musicians, and others who do not live a traditional 9am-5pm working lifestyle.
- High earning "dot com" employees (internet companies) who like to live an upscale, trendy, and sophisticated lifestyle.

- As of the writing of this case study, the west side of Vancouver is continuing to evolve into a higher priced, more trendy area. Stores, restaurants, bars, and coffee shops are all steadily "upsaling" to be more attractive to customers with more sophisticated and trendy tastes.

Focus Group Results

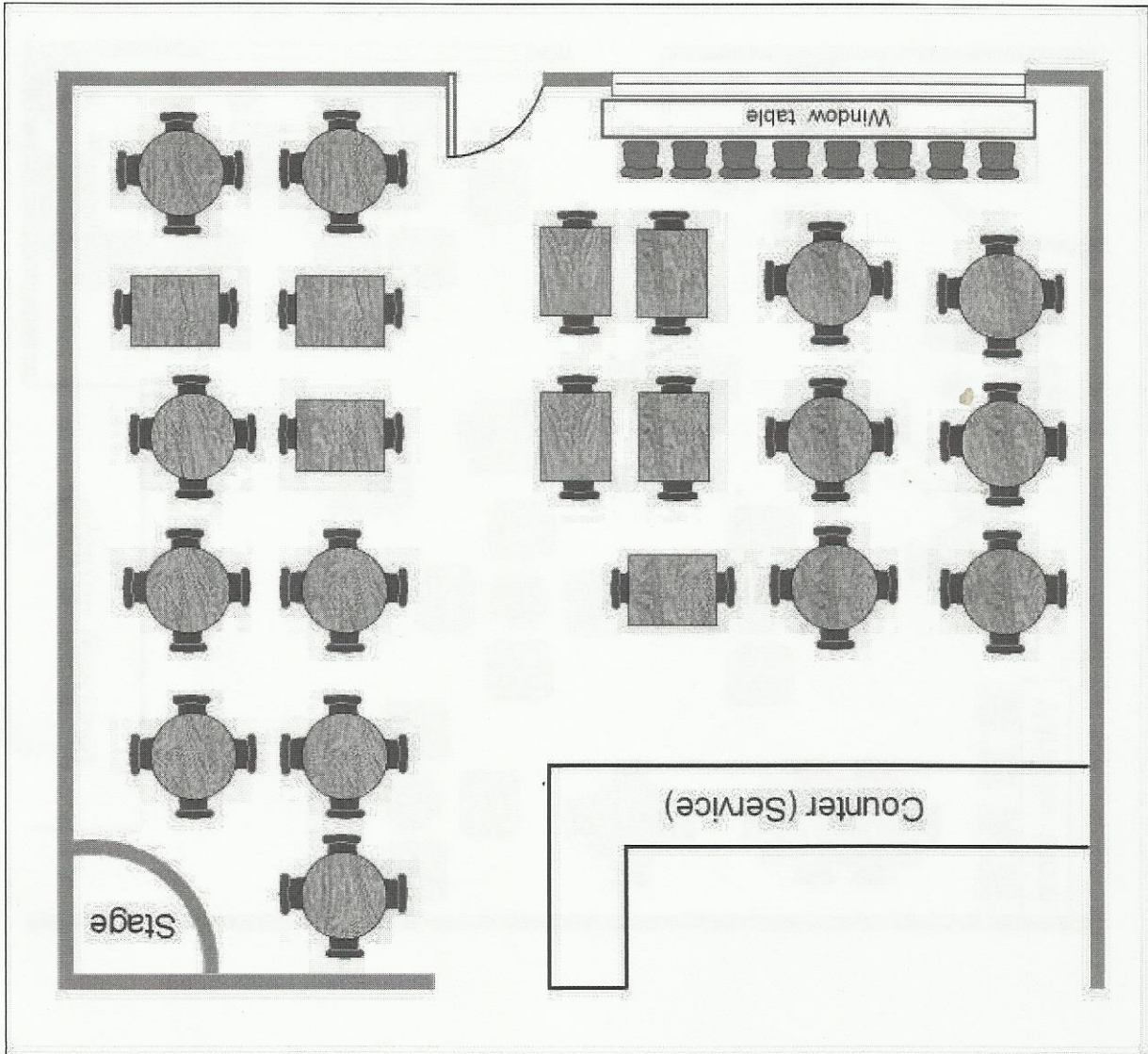
Priya led 3 focus group sessions. Two were with a random mix of customers from Coffee Connection and one was with a random mix of customers from a direct competitor – a "coffee house" which John wanted Coffee Connection to be more like. (Note: Competitor shown as "_____" to avoid legal issues with this case study)

(The photo at right is of a model couple who would visit the competitor's coffee shop.)



Quotes from participants in the focus group sessions:

- "My friend and I went to Coffee Connection a couple of times, but it was pretty lame. We couldn't get a seat and there was no-one interesting to 'check out.'"
- "Coffee Connection is great. Free unlimited internet, a large coffee is only \$2.50, and they don't mind that I study on my laptop here. I feel anonymous, which is great!"
- At _____ I am always greeted when I come in. They know my name, too, and ask how I am doing. They often come around and say hello when we are sitting, and clean up the tables. At Coffee Connection, you don't feel this way. They are more focused on their coffee than on customers."
- "I get off my bus here and don't want to study at home alone. So I study at Coffee Connection. And the coffee is cheap, too."
- "I like a "buzz" in a coffee shop – people talking, checking each other out, coming and going, meeting others, and making new connections. _____ has that. Coffee Connection should, but is packed full of people using their [electronic] devices."
- "I go to upscale places like _____ and Coffee Connection to meet women, not sit by myself among a bunch of stressed out university students who are studying and texting their friends."



Appendix 1: Layouts
Layout: Coffee Connection

Layout: _____ - Direct Competitor to Coffee Connection

