

Just us cafes – marketing assignment essay sample

[Food & Diet](#), [Coffee](#)



On March 1996, Jeff and Debra Moore incorporated Canada's first fair trade coffee roaster, Just US! It was a worker-owned Co-op, which revolved around the idea of People and the planet before profits.

The Mission statement of Just US was based on strong ethical, environmental and social issues. Hence, the products of Just Us were not only organic, but also Fair-Trade. .

What started as a small coffee shop selling organic fair-trade coffee in 1996, blossomed into a known co-op with 69 employees and a management team of 9 by 2009. The decision making process evolved from central to functional, to support its market expansion.

Apart from investing in the third world countries, their suppliers, they also invested in creating more opportunities for the local society they incorporated in. In 2005 JUDES (Just Us Development and Education Society) was launched to increase awareness of social and environmental issues related to international development, the benefits of fair trade, and the power of each consumer to make a difference. Just Us museum and social projects like " the Flower Chart" helped in shifting consumer focus towards the brand.

The Co-op was honored with several prestigious awards, including President's Entrepreneurial award from Acadia University. With a growing market of fair trade products in Canada, Just Us seemed to be on the right track at first, until the global recession hit. What seems like a success story at first might not be able to survive in the long run if appropriate steps are not taken.

Introduction

Coffee is the world's second most valuable traded commodity, behind only petroleum. There are approximately 25 million farmers and coffee workers in over 50 countries involved in producing coffee around the world.

Coffee producers, like most agricultural workers around the world, are kept in a cycle of poverty and debt by the current global economy designed to exploit cheap labor and keep consumer prices (Global Exchange, 2012[online]).

“ About 85% of Fair Trade Certified coffee is shade grown and either passive or certified organic. Over half of the certified organic coffee is produced by Fair Trade cooperatives, but unless the coffee is Fair Trade Certified, there is no guarantee that the farmer received the benefit. Certified organic coffee in the Fair Trade market receives a \$. 15 premium per pound” (Global Exchange, 2012[online])

This report looks at Just Us, from a marketing point of view. It tries to assess its internal and external business environment, including its competitors. The analysis then gives way to certain recommendations for the marketing strategy that can be adopted by the company in short and long term.

1. 0 Environment Scanning

1. 1 Importance of Environment Scanning:

Part of a market audit, environment scanning is the most important step towards a sound and effective Market Plan for any company. Essentially,

there are three main steps of Environment scanning according to Lancaster and Massingham (1996):

1. Identification of key environmental forces that are relevant to development of marketing plans, now and in future
2. Forecasting future trends
3. Assessing different impacts the trends and changes might have in the organization

Similarly, John Westwood (2002) has placed emphases on environment scanning as a major process for deciding marketing objects and future strategies. It clearly presents the position of the company and of the products in the marketplace.

The Environment Scanning is just as important for Just Us, especially at a critical time as this, when they are at crossroads for shaping their marketing strategy according to the dynamics of the market they operate in. The analysis that follows looks at a few important points for Just Us:

1. Review of economic and business climate
2. Considering where the company stands in its key sales areas and in strategic markets
3. The strengths and weaknesses of the company as a whole - its organization, performance and the key products
4. Comparison of the company with its competitors
5. Identifying Opportunities and Threats

The results of the environmental analysis, internal and external, through different tools* are included under the following headings:

1. Economic and business Climate
2. Sales and Key Products
3. Value Analysis

The external analysis of Just Us is done using SWOT, PEST, Geographical Analysis and Porter's Five Forces (Appendix A). The internal analysis of Just Us includes models such as SWOT, Value Chain and BCG Matrix (Appendix B).

*(For detailed analysis and application of environment analyzing tools please refer to Appendix)

1. 2 Economic and Business Climate

This is an external analysis, looking at the bigger picture surrounding the business. Lancaster and Massingham (1996) stated the importance of an external analysis to predict the changes in trends around the business. The economic and business climate is constantly changing, and especially in the current times, the more informed and adoptable the firm is around the changes, the more it is likely to succeed.

IF Just Us can seize the opportunities with the strengths they have, they can also mitigate the threats and decrease their weaknesses in the long run. The big picture looks at the opportunity that they have for franchising and joint ventures that they have not tried until now. Although, it may not be the

perfect strategy in short term, but the opportunity to expand through ventures and franchises exists for the business.

The political Climate is not favorable to the business in more than one way. Their competitors are mostly social-conscious businesses, who also claim to be fair trade, but they are not registered with any specific fair trade association such as FLO and Transfair. Although, being a registered and certified organic fair trade coffee roaster has a premium edge to it, it also means that they have increased costs compared to their competition and the government is not supportive of any fair trade regulations, as yet.

1. 2. 1 Canada's Economy:

Increase in costs means the business is going to pass it on to the consumers, which in turn have depleting disposable income due to the economic downturn. As can be seen from the table below, 2009 was probably the most affected time, when Canada's GDP was at a record low during the six years shown below.

Unemployment has increased in Canada as a whole, especially during 2009 when the recession hit the market strongest. The bar chart below from Trading Economics (2012) paints a perfect picture as to why businesses need to second-guess their premium pricing policies in place.

Many businesses have closed or are closing down, not because their brand is weak, but because their loyal customer base is slipping away due to the strain on their disposable income. Financial Post (2009), argued that the

biggest effect of the recession is visible in sharp reduction of commodity prices and weakness in exports.

The Just Us case study also mentions of the fluctuating commodity prices they had to suffer from their suppliers. This in turn is going to affect their plans, budgets and make cost planning difficult. The high costs are going to show on their pricing which would be detrimental to change at the current time.

1. 2. 2 Canada's Fair Trade Market:

According to the Just Us case study, the trend of ethical consumers switching to fair trade products is increasing every year. Fair-trade Labeling Organizations International (FLO) and Transfair are the instrumental bodies promoting fair-trade in Canada, requiring a fixed price to be guaranteed to the producers of the third world countries.

According to Fair Trade Canada (Appendix 2), the numbers of companies registered with them have grown from only 5 in 1997 to 264 in 2008. What is interesting to see is the trend after 2008, which has actually led to a decrease in the total amount of companies registered to 243 in 2009 and only 231 in 2010. This shows that the concept of fair trade was well adopted by new comers, since there are few barriers to entry, but soon, due to the pressure of economic depression and the market saturation many closed down or switched to some other strategy- possibly everything local.

1. 2. 3 The US Economy:

Although the major market of Just Us is in Canada, but they have retail

distribution system working in US and are trying to get into the the market further. Although, the economic situation of Canada is not ideal for businesses currently, but it seems to be comparatively doing better than the US market. According to the Dallas FED (2012), the unemployment rate went sharply up from 2007 onwards, from 4% to 10% by 2009. The retail sales, consequently dropped, especially between the time period of 2007-2009.

Consumer confidence in the market seems to be shrinking with the time period. Although, the economy seems to be taking some positive steps after the recession, it is still in a bad shape. As can be interpreted from the Dallas FED (2012) charts, the real value of dollar is going down, disposable income decreasing, hence, the purchasing power of the consumers is going down with time.

1. 2. 4 The U. S. Fair-trade Market:

Although, the trend towards ethical consumption of food is increasing worldwide, U. S. is leading the trend by \$1. 2 billion sales in 2009 alone. (The Independent, 2011) Mainstream retailers saw a 26% increase in their fair-trade certified products sale in 2011. The slowdown of the economy has effected the overall sales in the economy, but the when the consumers at choose a fair trade at a nominal difference in price, they seem to be inclined to make an ethical choice.

“ Coffee is the second most important commodity in US, only after Petroleum. There are approximately 1200 roasters in the US today. Large roasters usually have one blend of recipes and sell to large retailers - the Big

Three (Kraft, which owns Maxwell House and Sanka, owned by Philip Morris; Procter & Gamble, which owns Folgers and Millstone; and Nestle) maintain over 60% of total green bean volume.” (Global Exchange, 2012 [online])

Even when the economy of US is in bad shape, the trend of ethical consumer is growing, and if the businesses can offer an ethical product at competitive price, they can tap into the market.

1. 2. 5 Business Environment of Just Us:

For a deeper analysis of business environment, Porter’s Five Forces Model (Porter, 1979) is most widely used. (refer to Appendix 1) The results of the analysis show that Just Us is operating in an environment where there are hardly any barriers to entry. When the fairtrade market started to show the sign of revenue, more companies jumped in, and without getting registered, except for the big brands, they developed their ethical food lines, which greatly increased the competition.

“ Buyers threaten an industry by forcing down prices, bargaining for higher quality or more services, and playing competitors against each other”

(Dess et al 2004: 53) Due to a fall in disposable income, buyers have high power, because if the café is charging a high price for its products and they are not willing to pay the premium price, customers will be lost.

The power of suppliers is low since there are many developing countries that are open for fair trade project offerings. Previously, coffee suppliers were exploited, fair trade has ensured them better chances of survival in the economic crisis prevailing all over the world. Although, fair trade contracts

give them some power, but due to easy shifting from one supplier to another undeveloped region in the world, the power still seems to lie with buyers of crops, like Just Us.

There are many competitors in the fairtrade industry; hence the competitive rivalry is high. Business needs to concentrate on its competitive advantage of Key Selling Points to ensure its survival in the long run.

1. 3 Sales and Key Products

1. 3. 1 Fair Trade Sales in Canada:

Appendix 3 shows Sales of Fairtrade Certified Products in Canada from 1998 to 2011. It is evident that the fair trade essentially started with coffee and later swept to other commodities; sugar, tea fruits, cocoa, spices, grains, nuts and oil.

In start the growth of the coffee was high, which later declined and now its as low an 5% and 4% in the last two years. This could be a sign of market saturation and decline.

Alternatively, the market for sugar is interesting to note, since its first trade in 2001, it experienced a high annual growth rate of 1871% in 2002 to going down to a-3% in 2008. It seems that the market has not recovered for sugar and there are no positive signs for fair trade sugar in market.

The volume of fair trade products seem to increase every year but the annual growth rate of almost all products seem to have experienced a similar story of initial high growth, a little decline, steady rate for a couple of

years and then decline. After the decline in 2009, cocoa and coffee sales seem to be recovering a little.

The market seems to be very volatile-high ups and downs, unfortunately. This could be due to the legal and political factors. Economic depression has also affected the growth of the industry. Since, these are crops, they are foremost affected by the natural disasters, such as floods, draught, rain, etc., especially prevalent in developing countries due to their ineffective infrastructure.

1. 3. 2 Sales of Just Us:

According to the Exhibits of Just Us case study, the main source of their revenue are “ Roasted Sales” (Exhibit 3), referring to the sales of their roasted coffee through different distribution channels. Café’s are the second revenue making activity taken over by the business. Although, revenues from all four activities have increased.

Exhibit 6 of the case study shows the revenue breakdown according to their café’s geographical locations and months. This revenue analysis can enable us to target the market more efficiently since it can highlight the best and the worst sales time of the year. It is apparent that Q1 is the weak link, may be due to weather changes. Perhaps product innovation can be of use here and make the most of this weak quarter.

Q3 seems to be the strongest of the four quarters and could be due to the rise of tourism in those months, since Just Us cafes are also a tourist attraction due to their unique make.

Geographically, Grandpre seems to be earning the most revenue, followed closely by Spring Garden, with Barrington being the last. This could be due to the population density and also the popularity factor in older locations.

1. 3. 3 Geographical Analysis

Just Us is operating in Grand Pre, Wolfville, Barrington, Spring Green and Clarence. Since, Clarence café was recently opened, its information is not available for analysis. The Map of Canada below can aid in understanding the location concentration of Just Us in Canada. (BBC Canada, 2012)

Their locations are in the densely populated areas of the country, but this could lead them to miss on opportunities offered elsewhere in the country. In wolfville, both shops are close by and in Halifax, only 10 mins away from each other. Their locations are clumped together which again means concentrating on specific areas and customers and might lead to missing out on other opportunities. This should be in consideration when they plan their expansion strategy in long term.

1. 4 Value Analysis

To analyze the Internal environment of Just Us, a value chain seems to be suitable since it's a value creating business and they are charging premium price for the product for the value that they add on to the product, i. e. provision of organic and fair trade product of high quality.

This generic model was created by Porter (1980) to analyze the addition of value for the customer through different activities, primary and secondary. (Appendix 1)

The Primary activities are value creators for customers, which are; inbound logistics, operations, outbound logistics, marketing and sales, and service.

For Just Us, the primary activities would be coffee bean import, manufacturing processes, packaging, and services in coffee shop and customer service for products sold.

These primary activities mentioned, are supported by the secondary activities such as, JU's Infrastructure, e. g. Coffee shop manager, department managers, etc. The relationship between the two kinds of activities defines the profitability for the business.

While value chain can help in identifying core competencies of a business, its reconfiguration can also lead to competitive advantage. By reviewing the costs of each activity and the value it is adding to the product, their assets, investments and operating costs can be reconfigured so as to provide a competitive advantage for the business.

An example of this analysis probably being used by Just Us was when they decided to outsource their packaging to " The Flower Cart, which provides vocational services to mentally challenged adults."(Just Us case study)

2. 0 Current Marketing Strategy

2. 1 Product Life Cycle:

For marketing purposes PLC is an important tool, argues Lancaster and Massingham,(1996) because it can be very useful for identifying alternative strategic choices. (Appendix 1) Since, the analysis is specifically for Just Us Cafes, the PLC (Product Life Cycle) in this case is applied on the café market as a whole, and not on the individual products sold in the café.

According to the analysis until now, it is evident that the market is in its early maturity stage, where the competitors are high, and any inefficient competition is eliminated. The sales are good but the profits are going down and everyone is fighting for market share. At this point, it is critical for Promotional deals to be implemented and maintain brand loyalty.

2. 2 BCG Matrix:

Doole and Lowe (2012) stated that BCG Matrix is primarily designed to understand the current strategic position of the company, its products, products of its competitors, and helps in identifying future strategic options. Just Us has a good product portfolio, hence it is imperative to look at each product individually for its profitability and future opportunities it can provide to the business. This will enable Just Us to implement a more relevant Marketing strategy.

After careful analysis of the products, the following classification can be provided:

Stars: Tea

Dogs: Sugar

Cash Cows: Cocoa and Coffee

Question Mark: None

Just Us needs to look more closely at the sugar market and analyze whether it should be discontinued soon or not, since it is a dog, but if it adds value to the product portfolio then it should be kept unless its not feasible to do so.

Westwood (2002; pg. 100), suggests that that the ideal development of products for a business is in the sequence of converting “ question marks into stars, and for these stars to ultimately become cash cows. Cash cows and unsuccessful question marks will eventually become dogs.”

2. 3 The Marketing Ps:

The Marketing Mix essentially centers on Ps of Marketing. Most of the analysis has already been performed on the marketing mix, but a brief summary of each P is given below in short points.

Product: Just Us is a product centered business, selling a Premium quality product. They sell everything organic and fair trade, which is the core product.

Price: The pricing policy implemented is premium pricing, sue to the high costs of the premium products being offered

Promotion: There is insufficient marketing budget, and may be Just Us could have done better in last few years if they have had some marketing personal specifically and promoted their brand well.

For now, JUDES and their museum and café facility seem to be promoting themselves to some extent. They are reaching only a selected section of the market. Most of their advertisement is based on newspapers and radio interviews catering the local audiences only. They have some student discount vouchers and point of purchase advertising on special occasions such as Easter, Valentine's day and Christmas.

Promotional strategy is very limited and is no way enough for the business to make effective impact in the market.

Place: Concentrated café locations. They need to expand in long term to gain market share.

2. 4 Competitor Analysis

From the information mentioned in the case study, it is clear that Just Us has many competitors in every distribution channel that they operate in. In Local Market their main competitor is Kicking horse, based on west coast on Canada, British Columbia.

Using differentiation method they leverage the locality and heritage of their base into their products. They are also using endorsements and e-commerce solution very effectively which Just Us still lacks. The Local strategy has worked with the kicking horse and it would do well to Just Us if they can formulate a similar competitive strategy.

Brief analysis of Just Us and its competitors is given below:

1-Just Us

Channels of Distribution: Coffee shops, universities, gourmet shops, supermarkets
Locations: Canada

No. of Shops: 4 cafes and on the shelf

2- Kicking Horse

Channels of Distribution: Coffee shops, universities, gourmet shops, restaurants
Locations: West coast Canada, Quebec and Ontario

No. Of Shops: N. A

3- Kraft Foods

Channels of Distribution: Stores, universities

Locations: U. S

No. Of Shops: Mainstream

4- P&G Millstone

Channels of Distribution: Mainstream

Locations: U. S and Canada

No. Of Shops: Mainstream

5- Nestle

Channels of Distribution: Mainstream

Locations: U. S and Canada

No. Of Shops: Mainstream

6- Loblaws Pvt Label

Channels of Distribution: Loblaws stores

Locations: Canada

No. Of shops: Mainstream

7- Trident bookseller and café

Channels of Distribution: coffee shop

Locations: Halifax and Nova Scotia

No. Of Shops: N. A

8- Java Factory

Channels of Distribution: coffee shop

Locations: Canada

No. Of Shops: 3

9- Tim Hortens

Channels of Distribution: Restaurant

Locations: Canada

No. Of Shops: 170

10- Second Cup

Channels of Distribution: coffee shop and retailer

Locations: Canada

No. Of Shops: 360

Short-term Strategy

After a careful analysis of the situation Just Us is in, the marketing strategy can be divided between the short term and long term.

It is best for the business currently to focus on its core competencies and show them off to its customers. It is one of the registered fair trade organizations, but according to the promotional material shown in the case study, it is boring and it makes no use of its competency. It should include the Canadian fair trade symbol on all its promotional materials and shops, and merchandize. This would help in establishing the brand as more premium than its competitors, hence giving them an edge.

They should stick to their concentrated markets currently, example, Nova Scotia and Halifax. While doing so, the retail distribution can be given more emphasis and good relations with them should be maintained so as to not lose the retail sector.

The company can then easily focus on product development. Perhaps taking a look at the menus of other competitors would be a good idea, and developing a competitive menu would help in bringing more customers. The more variety there is the more it can cater for different tastes. Perhaps an endorsement with a celebrity chef from one of the TV shows like Top Chef would help as well.

This may be a defensive strategy, but it is suitable here to mitigate the launch of an attack from a competitor.

Long Term Strategy

“ Brand Improvement and Expansion”

Firstly, let's look at the brand improvement part of the strategy. Just Us is already a recognized brand but it still needs improvement, especially in the designing of the promotional material and advertising channels.

Their brand is known locally, they need to expand their brand recognition to other markets before they expand there. This would mitigate the risk of losing the market, like the case of their Toronto café.

They have a good coffee story, they need to tell it to everyone to make them connect emotionally with the brand. They can develop a clear MARCOMS model, which refers to different channels of communications, such as - advertising, public relations, personal selling and sales promotion.

It will give them an opportunity to strengthen the brand and assert their distinctiveness. They will have to try to understand what the customer has to say as opposed to execution, which relates to how the message is received (West, Ford and Ibrahim 2006).

Possible expansion strategy could be through Franchising or organic growth of the business. If franchising seems a viable option in near future then it can be taken up to increase market share in short time, but the values and core competencies have to stay the same. After all, Just Us is about " People and Planet before Profit

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