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Marketing Strategies

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Marketing Plan

Situation Analysis

Internal Environment

Common Grounds Café is a small coffee-shop and restaurant in Middleburg, Pennsylvania that has been in business for the last four years. It is open for breakfast and lunch, and serves a mixture of specialty drinks as well as healthy wraps and salads. According to owner/manager Heidi Potter, the firm's mission is, "Serving people, making friends, and touching the world."

Common Grounds Café spends very little money on advertising and promotion. Potter finds that the best method to market the business is by word of mouth. The café is unique to the area, and word about the restaurant carries fast in a small town. The space is often rented out for special events, giving the café free publicity. The owner also takes her to-go menus to local businesses to promote and encourage people to choose the Common Grounds for their lunch break. However, the money spent on promotion is mainly for "measurable methods," or ways that the owner can physically tell how well the advertising is working. One way Common Grounds promotes its business is by placing coupons in local newspapers, offering a certain percentage off of an entrée if clipped and brought in. Another is by having promotions on local radio stations, offering listeners a discount on their meal if they mention they heard the promotion. However, very few people have clipped the newspaper coupon or commented about the radio ad even though it has been advertised for over a year.

The café also hosts a Coffeehouse the last Friday of every month where local musicians perform covers or original works, and the café has food and drinks for sale. The Coffeehouse brings in a number of consistent attendees, but Common Grounds is having trouble getting them to be consistent customers the rest of the month. A new addition to the café's promotion is the

creation of a Facebook page. The business page does not currently provide a menu or prices, but it is updated daily on the different desserts and specials the restaurant offers. The problem with the Facebook page is that the view of daily posts is limited to those who “like” the page, which many people choose not to do. Despite the Common Grounds Café’s constant improvements in its management and quality, business has been getting slower and less consistent. The reasons for the decline are still unclear, but a poor marketing strategy and influences from the external environments are the most probable causes.

The financial resources of Common Grounds are in a break-even state. They are only making enough to pay the bills and payroll and maintain the rest of the expenses. In the past year, there was a small increase in gross revenue, but a bigger decrease in the profit margin. This may be caused by the rise of prices but the decreased consistency of customers from day to day. Although the café has been open for four years and has improved considerably, it is not making any progress when it comes to finances. However, the human organizational resources are in a great position. Each employee has his or her own strengths in the café that help to get the work done efficiently, creating a good work environment. The workers enjoy doing what they do, helping to create better relationships with the customers. One thing that Common Grounds stresses is customer relationships. To them, this aspect is even more important than making a profit. They are willing to sacrifice time and money to better their relationships and the environment of the café.

Common Grounds Café is extremely customer oriented, allowing its customers to be the focus of activities. Everyone working at the café knows that the customers come first and creating lasting relationships with them is vital to the success of the business. The importance of customer relations is unlikely to change, no matter what other changes the business brings. Since the day the café opened, the type of people and the way things are run have stayed relatively the same, with small alterations happening gradually throughout the years. Nevertheless, large changes have occurred, such as additions to items on the menu or the hiring of a new person. The firm’s culture has handled the changes well and little time is needed

for the employees to adjust. Because the business has only been open for four years, there have been no major changes that change the culture or affect the way the business is run.

Customer Environment

When Potter first opened Common Grounds Café, her target audience was the young adult, 18 to 36-year-old group, assuming they would be the people most excited about a coffee shop. Taking into consideration the high number of schools and colleges in the area and surrounding towns, she believed she would have a large target market. What she did not take into consideration was the fact that there are not many young adults in the area who are available to go out to eat for breakfast or lunch. Currently, the target market is the demographic and geographic characteristics of local businesspeople. There are many businesses in the town and surrounding area, and businesspeople are the café's most reliable customers who stop in on a regular basis for their lunch breaks. However, most of the café's revenue for breakfast comes from the senior citizens from town and the surrounding areas.

Common Grounds offers a wide variety of specialty drinks, as well as healthier foods such as sandwiches, wraps, and salads. Nowadays many people are looking for healthy food options rather than fried and fattening food. The café provides the healthy food that these people are searching for. The products are primarily purchased in the café itself, but there is a portion of sales that are call-in and take-out. If there is a large order from a local business, the manager will occasionally allow an employee to make a delivery. This boosts customer loyalty and typically results in returning customers.

Recently, the level of customers at Common Grounds has been irregular. There have been weeks when the café is empty all day long and the next day there are too many people to seat. There does not seem to be a pattern and Potter currently does not know the reason behind the instability, although there are many influences that affect the purchase behavior of customers, both controllable and uncontrollable. Common Grounds Café is only open for breakfast and

lunch, closing before most schools and offices are finished for the day. The café usually draws a large group of people from a variety of markets when it has special events, such as the Coffeehouse and anniversary parties. Weather also plays a huge factor in the purchase behavior of customers. During school season, the café receives more orders from schools. However, the school season occurs during the colder part of the year. If the weather is too extreme, many people will not eat out and the café is forced to close early. The cooler weather also ignites an increase in the purchase of hot coffee drinks and soups.

The Common Grounds Café is a coffee-shop restaurant, holding the competitive advantage in that it is completely unique to the area. Potter believes the café's biggest competitive advantage is that they are "doing what we do better than others. We have better service, better food, and a better overall experience." Regardless, there are a number of people who choose to eat elsewhere. The café has only been open for four years, so people's loyalty may lie somewhere else. Common Grounds is not located on the main road that runs through Middleburg, but rather on a back road hidden from view from the main road. Many people may not choose the café simply because of the inconvenient location or not even knowing its existence. In the article "How to Open a Coffee Bar," Matt Milletto, the vice president of Portland Ore.'s Bellissimo Coffee InfoGroup, claims "the location needs to be easily accessible to customers, especially in the morning" (qtd. in J.W.). Some other features and advantages that the café's competitors have are fried food, Coke products, and gluten-free products.

External Environment

Although the Common Grounds Café is a coffee-shop, the majority of its revenue comes from food products, not coffee products. This fact makes the firm's major competitors all the restaurants in the town and surrounding area, while the minor competitors are the convenience stores and gas stations that sell coffee drinks. The competitors have the benefits of having existed longer and having better locations than the café. Another major advantage of the competitors is lower prices. The cheaper prices result in a lower quality product, though,

giving an advantage to the café. However, people are trying to be more frugal in today's economy and tend to choose saving money over quality. According to an article in the *Pittsburgh Post-Gazette*, when the world is in a financial crisis, "dedication to quality and to reasonable wages are more expendable" (Millman). The café has recently increased the prices of both their food and drinks due to the high cost of supply. An article in the *McClatchy-Tribune Business News* says the price of coffee has dramatically risen, making it more expensive to buy even a single cup ("Trouble Brewing"). Another article in the *Lewiston Morning Tribune* discusses how the CEO of Starbucks believes speculators are to blame for the high coffee bean prices, even though there is not a shortage (Hall). People are eating out less and saving when they eat out for dinners with their families due to the current state of the economy. Because the café is not open for dinner, it is not attracting family-oriented people.

Since its creation, the café has provided free Wi-Fi as well as a laptop station. Although many people enjoy and take advantage of the free internet, there have been complaints that laptops change the atmosphere of the coffee shop. An article in *Restaurant Business* magazine discusses how an owner of a small coffee shop banned the use of computers so that people would "just buy and drink coffee" (TH.S.). Another article in the *Colorado Daily, Boulder*, discusses that some managers do not update the Wi-Fi servers or electrical outlets in their coffee shops so that it will "discourage laptop use without directly sending away customers" (Klickstein).

To keep up with technology, the café has created a Facebook page to promote its business. An article in the *El Paso Times* claims that Facebook, along with other social networking sites, is "the latest and trendiest way to promote yourself and your business" ("Small-Business Corner"). One major issue that Common Grounds has in regards to technology is the fact that it does not have a website. Elizabeth Licata, a desk editor for *Nation's Restaurant News*, writes, "A restaurant without a website isn't just missing out on a chance to reach new customers. It's also giving up control over what Internet-savvy potential guests might see first when they go

looking for it.” The internet is a person’s access to information in today’s world, and without a website, the café is at a major disadvantage compared to its competitors who have websites.

People in today’s society are becoming increasingly concerned about their weight and health issues. Many people believe that eating out at restaurants is a major cause of obesity. The article “Restaurants, Regulation, and the Supersizing of America” states that eating at restaurants causes obesity because “restaurant food is often rich and portion sizes tend to be large” (Anderson and Matsa). This belief may cause the café’s customers to stay at home for meals rather than eat out. On the other hand, an article in *Buffalo News* claims that “scientific findings are turning coffee, especially in its darkest, most aromatic roasts, into something of a health food” (Janecka). According to the article, coffee helps to improve alertness, boost mental performance, inhibit iron absorption, and helps prevent diabetes. Coffee is also “the number one source of cell-protecting antioxidants in the U.S. diet” (Janecka). The healthy aspect of coffee may help to bring in customers specifically for the specialty drinks.

Common Grounds Café currently does not have any social responsibility. A research article from Ohio State University shows that after conducting in-depth research, they found that “American consumers displayed a high involvement in environmentally and socially responsible practices,” showing that customers believe it is important for restaurants to engage in CSR (Schubert). Although ethical and social responsibilities are not yet an issue for the café to continue its operations, it may quickly be at a disadvantage if the belief increases that social responsibility is necessary.

SWOT Analysis

<p style="text-align: center;"><u>Strengths</u></p> <ul style="list-style-type: none">• Uniqueness to area• Superior product quality• Committed employees• Wide product line with many options available• Outstanding customer service• Health benefits of coffee• Great customer relationships	<p style="text-align: center;"><u>Weaknesses</u></p> <ul style="list-style-type: none">• Little spending on marketing• Poor location• Limited financial resources• Too new to be well-known
<p style="text-align: center;"><u>Opportunities</u></p> <ul style="list-style-type: none">• Increased demand for coffee and its health benefits• Increased demand for healthy food• Increase in use of internet and social media• Many local businesses• Many schools in town and surrounding areas	<p style="text-align: center;"><u>Threats</u></p> <ul style="list-style-type: none">• Increase in the price of coffee• Economic downturn• Increased use of laptops changing atmosphere• People eating out less due to the belief that restaurants help cause obesity• Growing customer interest in corporate social responsibility

Competitive Advantage and Strategic Focus

Common Grounds Café is a small, friendly coffee-shop/restaurant with many delicious food and drink options available and the best customer service around.

The strategic focus of Common Grounds Café is and will remain customer intimacy.

Goal and Objectives

The goal for Common Grounds Café is to sell more specialty coffee drinks to increase profit by using promotional tools and a new distribution system to raise awareness of the current business customers and include the new target market of teenagers and college students.

Objectives:

- Drink specials and samples
 - Create a “Drink of the Day” special
 - Offer free samples of the “Drink of the Day” to entice customers
- Website/Social Media
 - Create a Twitter account and keep it updated
 - Add on to the Facebook page and keep it updated
 - Make Facebook advertisements
 - Create a business website that includes the café’s social media and promotes the healthy aspects of coffee and keep it updated
- New menus
 - Update the drink menus to include pictures and more color
 - Create a To-Go menu for coffee drinks and give them to customers and local businesses
- Create a morning delivery service to local businesses and schools

Target Market

The current target market of Common Grounds Café is the local businesspeople who have jobs in the town. The new goal of the café is to increase the amount of coffee drinks sold, thus causing the target market to expand from not only locals and businesspeople, but also to the teenagers and college students in the area.

Demographics – Because the new target market is not only the businesspeople, but also teenagers and college students, the ages of the people in the market are varied. High school students are in the teenage years, while college students range from around 18 to 24 years of age. Businesspeople become more varied in age, but the typical businessperson would be from 25 to 50 years of age. Both genders are being targeted, as well as all ethnicities and races.

Geographic – Middleburg is a small town located in central Pennsylvania. The town is very conservative, rural, and focused on the community. The café will be targeting locals from the town and the surrounding area to keep the sense of community.

Behavioral – Common Grounds Café already has the brand loyalty of the businesspeople in the town, making a high usage rate for its products. The teenagers and college students tend to like fast-paced environments, so the quick stops to grab a coffee drink will help them in their busy lives.

Psychographics – Coffee-shops can be viewed by both businesspeople and students as a place to relax or get work done, and Common Grounds can be that place for them. Also, students are always looking for the newest and trendiest things, and coffee-shops and coffee drinks have recently become popular.

Product Strategy

Heidi Potter created the name “Common Grounds Café” because she wanted the café to be a place where everyone can come and relax and feel at home – on “common grounds.” Common Grounds Café has a unique logo featuring a fancy design behind a coffee cup, a globe, and the name of the company. The logo is placed on all of the coffee cups, as well as the menus and aprons of the employees. Without having ever been there, a person can know a little about what the café has to offer just by looking at its name and logo design.

Common Grounds has two major products: its coffee drinks and its food. The café is the only place in the area that offers specialty coffee drinks. The café offers 12 different flavors of coffee, and it is bought and roasted at a local coffee provider. Common Grounds also has a separate menu just for specialty coffee drinks such as lattes, cappuccinos, and other espresso drinks. There are about 25 different flavored syrups available to add, as well as different types of milk and creamers, allowing the customer to custom make their drink the way they want it. It is easy to differentiate CGC's drinks from competitors because the closest products to the drinks the café offers are the coffee and cappuccino machines sold at gas stations and convenient stores. The food offered at the café is extremely different as well. The menu lists a wide variety of sandwiches, wraps, salads, and soups. The quality of the food is significantly higher than that of its competitors, and the CGC is the only restaurant in the area that offers healthy food choices. The food is fresh and delicious and can be customized to the customers wants and needs.

Pricing Strategy

The prices of Common Grounds Café's specialty drinks differ based on the customer's order. Coffee has a set price with unlimited refills, but espresso drinks are more expensive. The price of the drink increases with every flavor shot or espresso shot added. Because the goal is increasing the amount of coffee sales to ultimately increase profits, the prices of the drinks are staying the same. They also need to stay higher due to the increase in the price of coffee beans. One of the things that will be added is free samples of the new "Drink of the Day" special. This addition will hopefully lead to a sale of one of the coffee drinks.

Distribution/Supply Chain Strategy

The current distribution at Common Grounds Café is very limited. The only way for consumers to get food or coffee from the café is to actually go to the café itself. Furthermore, the location of Common Grounds is on a back road away from the main street that runs through

Middleburg, and so the location is either extremely inconvenient for its customers or completely unknown to the public.

The new distribution strategy will be based on getting the product into the hands of the consumers. Coffee is in a high demand, but time and convenience are very important to customers as well. Because Middleburg is a small town and does not house any large businesses or companies, it is not an option to open a kiosk in another location. Instead, the café will be delivering the coffee drinks to the customers in the mornings.

There are many small businesses and schools in the town, and most employees and businesspeople enjoy coffee in the morning. But, because Common Grounds is out of the way, it is an inconvenience for them to stop in to buy a drink. Instead potential customers choose lesser quality, cheaper drinks at more convenient locations, like gas stations. With the new delivery system, they will be able to have their favorite drink delivered right to their office, making the more expensive but higher quality drink a better option.

On rare occasions, Common Grounds will make deliveries of food and drinks to local businesses if they place a large order. A new or existing employee would be made solely into a delivery person and make all the deliveries of the coffee drinks to the businesses and schools in the mornings.

Delivering coffee drinks directly to customers will also help improve customer relationships and loyalty. After a while of the customers taking advantage of the delivery system, the café's employees will get to know its customers on a personal level, increasing loyalty and ultimately increasing sales.

Integrated Marketing Communication (Promotion) Strategy

Improving Common Grounds Café's promotion is vital to the success of the new goal. Because very little money goes into promotion or advertising, there is a limited amount of people who know that the café exists. Word of mouth is an important way to advertise in a small town, but there needs to be more in order to be successful.

Drink Specials and Samples

In order for the coffee drinks to sell, customers need to know what types of drinks are available. To increase the sales of the drinks, the café will create a "Drink of the Day" that will offer a different type of specialty drink each day for a cheaper price than normal and be advertised throughout the restaurant. The waitresses will also make sure to emphasize which drinks are their favorites, as well as informing them about the "Drink of the Day" and the cheaper price. In addition, Common Grounds will offer free samples of the "Drink of the Day" to customers who are curious about the drink, but do not want to spend money in case they do not like it. The samples will show customers how delicious the drinks are and will entice them to order one and come back for more. These small additions will help to raise awareness about the drinks and will most likely increase the sales from the customers that come in the café.

Website and Social Media

Common Grounds already has a Facebook page, but it needs to have additions and be updated. The menu and prices are not included on the page, which is an important aspect that customers care about when making a decision on where to eat. The page is also a great way to advertise the coffee drinks. The employees could take pictures of the different types of drinks offered and post them in an album on the page. They could also put posts about the different drinks offered and daily include the "Drink of the Day" on the wall. As well as the daily posts, Common Grounds Café can also create advertisements on Facebook to show up on the side of people's profiles. These advertisements can be created as either pay-per-view or pay-per-click and when clicked on can either take them to the café's Facebook page or website. The

Facebook page will also need to be updated daily to maximize the amount of awareness and have people coming to view it each day to see what drinks are offered.

In addition to the Facebook page, Common Grounds needs to create a Twitter. People can follow Common Grounds and be updated on the different types of drinks that are offered. Also, people can send a tweet to Common Grounds or tag the café in a tweet to let other people on Twitter, as well as the café, know how they feel about the food, drinks, customer service, and much more. Whenever the café is tagged in a tweet, it can respond to the tweet personally, helping to improve customer relationships and brand loyalty.

The biggest step will be the creation of a website. When people first hear about a restaurant, the first thing they do is look on their website for a menu and prices. The website will contain the café's logo, the mission statement, the owner and employees, location, and pictures of the café, food, and drinks. Most importantly, the website will include the menus for breakfast, lunch, and specialty drinks, as well as the prices for all. Because the goal is to increase the specialty drink sales, the home page can include many pictures of the drinks, a link to the specialty drink page, and an area to include the "Drink of the Day" drink, picture, and price. The new delivery service will be advertised on the site as well. Also, coffee has many healthy benefits that many people are not aware of. Included on the website will be a page listing the healthy aspects of coffee, its benefits, and research proving that the claims are legitimate. Without a website, the café will be disregarded as a choice and potential customers will move onto the next option.

New Menus

Common Grounds has drink menus that are placed on each table, but they are boring colors and shaped like place settings, so they often get glanced over. The new menus will be more colorful, include pictures, and given to each customer before their food menu. To raise awareness and increase its customer base, the café will make new, colorful to-go specialty drink menus including links to the website, Facebook page, Twitter account, and delivery service and

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