

# How Do European Café Chains Managers Handle Competition?

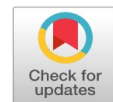
ANCA MADAR\*

Faculty of Economic Sciences and Business Administration,  
Transilvania University of Braşov, Braşov, Romania

**Abstract:** In this article, the author aims to identify the quality and marketing strategies, specific or general, and those European café chain managers have implemented to cope with the competition. It also quantifies their willingness to apply these strategies in the future to increase customer satisfaction. In this respect, the author carried out qualitative marketing research, and 16 managers of café chains were interviewed. The research was based on the semi-structured depth interview method. The results show that most managers included in the sample declared that they have implemented various quality and marketing strategies to improve the quality of their products and services and meet the requirements of consumers. Research has shown that some of the strategies are common. Still, different individual strategies are applied by each café chain depending on the location of the cafés and the customer segment they are addressing. Based on the results, the author recommends to the café managers to analyze their competitive environment well and to get to know the market and the consumer requirements accurately so that they can implement targeted quality and marketing strategies to reach their company goals.

**Keywords:** Café chains, Competition, Consumer satisfaction, Quality strategies, Marketing research

Received: 22 June 2018 / Accepted: 16 July 2018 / Published: 17 August 2018



## INTRODUCTION

Coffee is a caffeine-containing black beverage made from roasted and ground coffee beans of the *Coffea* type, with two major varieties: *Coffea Arabica* (70% of the total coffee of high-quality beans) and *Coffea Robusta*, which is cheaper and easier to grow. The quality of coffee is also influenced by the place of cultivation, storage and the roasting process.

Previous studies have shown that regular coffee consumption has positive effects on human health (Dórea & da Costa, 2005). Gonzalez-Perez and Gutierrez-Viana (2012) say that coffee is the second most traded commodity in the world after oil.

As (Neacsu, 2018) says, coffee, along with oil, cereals and vinegar, is one of the largest markets for high value added raw materials. According to the International Coffee Organization, the big coffee consumers in the coffee year 2016-2017 were: Europe with a consumption of 51,678 thousand bags of 60 Kg, followed by Asia & Oceania with 33,915 bags, North America with 29,559 bags and South America with 26,107 bags. According to the same report, the following countries are at the first places in the import of coffee (Table 1). Table 2 shows the main coffee producing countries.

---

\*Corresponding author: Anca Madar

†Email: [madaranca@gmail.com](mailto:madaranca@gmail.com)

Table 1: The main coffee importing countries in the coffee year 2016/2017

Country/Group of countries	Thousands of bags of 60 Kg
European Union	42,567
United States of America	25,775
Japan	7,913
Canada	3,783
Australia	1,847
South Korea	2,316
Switzerland	1,088

Source: [International Coffee Organization \(2019\)](#)

Table 2: The main coffee producing countries in the year 2017

Country/Group of countries	Thousands of bags of 60 Kg
Brazil	52,735
Vietnam	29,500
Columbia	14,000
Indonesia	10,902
Honduras	7,700
Ethiopia	7,650
India	5,200

Source: [International Coffee Organization \(2019\)](#)

Although coffee consumption takes place mostly in the developed countries of Europe and North America (Canada and the USA) (Table 1), coffee production takes place in the underdeveloped or emerging countries in Asia, South America and Africa (Table 2).

The term “café” comes from the Greek word “kafenés”. The café is a small or medium sized public space, where coffee is served along other products such as alcoholic beverages, teas, refreshments, cakes and snacks ([Han et al., 2018](#)).

The steady increase in the coffee market, with the rise of the middle class in emerging countries, has prompted the expansion of large businesses to these countries to exploit the potential of these markets ([Ferreira & Ferreira, 2018](#)).

At the international level, Starbucks operates globally 22,557 stores and McCafé 5,044 stores, making them the biggest brands. However, other coffee chains such as Costa Coffee, Tea Leaf, Doutor Coffe, are struggling to win international recognition ([Han et al., 2018](#)). In Europe, the best-represented and best known café chains are Starbucks, McCafé, Costa Coffee, Tchibo and Café Nero.

As consumers nowadays have more sophisticated needs and are also good connoisseurs of the products, the supply of cafés has had to diversify, to cover a wider range of needs. For this, cafés should not only provide a good quality coffee, but also offer unique experiences to consumers. If a company’s products or services do not meet consumer requirements, no strategy is sufficient ([Bilog, 2017](#); [Tu, Wang, & Chang, 2012](#)).

The literature review revealed that there are not many studies on the subject of this article.

[Samoggia and Riedel \(2018\)](#) conducted a research to identify and systematize the literature that takes into account the motives and characteristics of coffee consumption and consumer behavior. The state of the art shows, the most important topics were the consumption of sustainable and ethical coffee and the behavior of consumers towards the brands of these chains. Several studies have been conducted that analyze some of the major café chains ([Patterson, Scott, & Uncles, 2010](#); [Vanharanta, Kantola, & Seikola, 2015](#)). Others approached the topic of waste management in cafés ([Filimonau, Krivcova, & Pettit, 2019](#); [Nugraha & Indrawati, 2017](#)) or consumers experience in coffee shops ([Vanharanta et al., 2015](#)). That is why the author considers that this article may be a first step in the comparative analysis of the main café chains operating in the Europe and can be the basis for further studies to reveal their practices on the ground to compete. The main objective of the research is to create an image of the

extent to which managers of the analyzed café chains use quality and marketing strategies to maintain their position on the market or to expand their markets.

The specific objectives of the study are:

- determining the extent to which café chain managers are interested in using best coffee brands and others raw materials from established vendors, and thus offering a wide range of good quality beverages to their customers;
- determining the extent to which managers of café chains use different quality strategies to improve the quality of products and services they offer;
- determining the extent to which café chain managers use different marketing strategies to promote the brand.

The results of this study can be used by managers of small cafés who are not part of a recognized chain, but also managers in other areas who can focus on choosing those quality and marketing strategies that maximize their benefits and can help them understand the importance of their implementation.

## **LITERATURE REVIEW**

Due to intense competition among international coffee players, brand loyalty has become a critical strategic factor for every coffee organization [Han et al. \(2018\)](#).

As [Rai and Medha \(2013\)](#) say, consumer loyalty in service industry is of great importance both in scientific circles and for companies. They also say that a loyal customer will repeatedly buy and promote only the products of a particular company, thus providing a competitive advantage for this. [Vanharanta et al. \(2015\)](#) specifies that within international companies there is a new tendency to serve consumers in a special way and to have a strong brand. Besides the satisfaction caused by the consumption of products and services, the customers experience during the buying act has become very important and influences their purchasing decision.

The steady increase in the coffee market, with the rise of the middle class in emerging countries, has prompted the expansion of large businesses to these countries to exploit the potential of these markets ([Ferreira & Ferreira, 2018](#)). Analysis the specific literature, the author has dealt with some aspects of the research methods and the results of the previous studies on this topic.

In order to examine how customer experience is shaped and measured, [Vanharanta et al. \(2015\)](#) have used the Pearl tool (an application designed to measure customer consciousness) based on the ontology of customer experience. This can be measured holistically from the perspective of the company's service environment and customer consciousness. The results showed that the most important dimensions with the most creative aspect are: offer, co-creation of values, values in use and service recovery ([Hiransomboon, 2017](#)). It is also found that consumers want to get more value from the company's service and more possibilities to influence the assortment, service and ways to create value.

In their study, [Alan, Kabadayi, and Yilmaz \(2016\)](#) showed that consumer valuation of service experience and the environment can influence loyalty to stores through negative or positive emotions.

In order to analyze how waste is handled in UK cafés, [Filimonau et al. \(2019\)](#), used a qualitative marketing research, sampling being a random, conventional one. The results of the study reveal that most of the food waste in UK cafés comes from fresh fruit and vegetables and bakery, then from sandwiches. It has been found that the amount of waste is directly proportional to the size of the business, so that, smaller, independent cafés produce less waste. This aspect must be taken into account when determining waste management measures. The authors of this article suggest the need to align the UK regulations with those of EU, to facilitate donation of food waste in cafés.

In their article, [Ferreira and Ferreira \(2018\)](#) have analyzed the entry of café chains into the China market and the contribution of changing consumer culture determines the success of this business, but also the business strategies that need to be implemented to succeed. They found that China's coffee market has been transformed over the past decades by expanding of national and international chains and a new consumer population has emerged. The growth of this market was determined not only by the increase in coffee consumption but also by the growth of the population with a Western lifestyle and the growth of tourism.

An interesting topic, dealt with by Jeffrey, Staeheli, Buire, and Čelebičić (2018), refers to how NGOs use cafés as a means of forming civic education for young people. Attention was drawn to the role of cafés and coffee consumption as practices that necessarily include politics and recreation.

All these aspects, related to the activity of café chains and their desire to maintain or expand on the market, can be put into practice by effectively implementing the quality and marketing strategies described in this article.

## RESEARCH METHODOLOGY

The author of this paper made a qualitative marketing research aimed at identifying the extent to which the managers of the units of the first 10 café chains implemented quality and marketing strategies to increase customer satisfaction and market visibility. In this respect, the method of semi-structured depth-interview was chosen. Thus, the 16 managers of cafés belonging to the main international chains from Europe countries were interviewed (4 Starbucks, 4 Costa Coffee, 3 McCafé, 2 Tchibo, 2 Café Nero, 1 Gregory's).

In order to select the potential interviewers, and to meet the proposed objectives, a questionnaire and an interview guide were produced. In this way, research is in line with the requirements of theory and practice (Brătucu et al., 2017; Chen & Chen, 2016).

The participation in the interview was voluntary. A selection questionnaire, in which the purpose and the objectives of the research were presented, was presented to the managers. For the 16 managers who agreed to participate, the interview guide was implemented.

A convenience sampling method (by chance) was used. Although the results of this type of sampling cannot be extrapolated to the entire researched population it is useful for exploratory research.

The purpose of the research is to identify the measures that these managers have taken in order to increase the visibility of the units they drive and the satisfaction of their customers.

When preparing the selection questionnaire, it was envisaged to establish some questions that would allow the representative participants to be included in the sample. These are the managers of the units in the café chains.

The in-depth interviews were conducted based on specific themes and took place between May and August 2018. The obtained answers were recorded, and stored in electronic files. Subsequently, these files were transcribed, this information being subjected to a qualitative primary data processing technique called content analysis (Brătucu et al., 2017).

## RESULTS AND DISCUSSION

The in-depth interviews conducted were analyzed in two ways:

- the vertical analysis, which approaches each interview in an individual manner and is looking at the opinions of each manager about the issues included in the in-depth subtexts;
- horizontal analysis, which is a synthesized approach of each subject and subject to analysis by all 16 managers (Brătucu et al., 2017).

### Theme 1: Quality of Raw Materials Used

In terms of coffee used as raw material, the research has found that some café chains use Arabica coffee (Starbucks), Arabica and Robusta (Tchibo) or Fine Brazilian Blend, a fine combination of Arabica and Robusta. Those whose supply comes directly from farmers help these with soil testing, examining samples, and offering free advice for farmers to improve their production.

Besides coffee, which is the basic raw material, managers also focus on quality for other raw materials used.

Thus, Costa Coffee uses fresh milk for the preparation of various coffee varieties and aims at improving the nutritional balance of the menu, and at Caffé Nero the coffee is prepared in an artisanal way. To meet the needs of adolescents with a particular diet, Starbucks launched Frappuccino - a low-fat coffee with ice and cream.

## **Theme 2: Quality Strategies Used to Increase Customer Satisfaction**

Analyzing the answers provided by the interviewed managers of the café chains, the author was able to identify their use of various quality strategies designed to increase customer satisfaction and confidence.

One of the quality strategies used by all café chains is that of assortment diversification, offering customers a rich assortment of coffee and a wide assortment of dishes, refreshments and desserts (Krispy Kreme and Fresh quality sandwiches Fields, Greek salads with pasta and various chips - Starbucks; pancakes with different fillings, delicate cheesecakes, cakes, creation of your own bakery - Gregory's etc.).

Another quality strategy is to have an certified integrated quality management systems in line with international standards ISO 22000: 2005 - Food safety management, ISO 14001: 2015 Environmental management system and ISO 9001: 2015 Quality management system to improve the quality of products and services offered, to lower costs and increase in this way customer satisfaction.

Several café chains also identified the strategy of differentiation by quality. Thus, modern life dictated the creation of a new type of store concept at Gregory's e.g.: Gregory's Micro. These stores, launched in 2014, and are located in EKO and BP gas stations in collaboration with Hellenic Petroleum SA and offer coffee and food to customers who stop to refuel. Costa Coffee also has smaller active places called Costa Express.

The strategy of continual quality improvement is found in all café chains and takes into account staff, products, ambiance and technology (Jeon, Park, & Yi, 2016). All café chains which participated, state their involvement in providing qualification and training for the employees.

In recent decades, due to pressure from both law and consumers, the management of the analyzed café chains has been increasingly focused on environmental strategy. This includes several components from which the most important are:

- a) the replacement of non-degradable plastic products (glasses, straw, packaging, bags) with products from biodegradable materials such as; the use of recycled paper cups (Costa Coffee, Starbucks, Tchibo and Caffé Nero); the use of the certified Forest Stewardship Council paper (which was obtained in a socially responsible, economically viable, environmentally friendly) (Tchibo); encouraging the use of reusable cups by offering customers 2 stamps on the fidelity card or through the application (Caffé Nero);
- b) reduction of CO<sub>2</sub> emissions by switching off the appliances when not in use; recycling the coffee bags in waterproof carpets; implementing coffee roasters which work 100% with renewable energy and have 0% waste (Costa Coffee); reducing fuel consumption of the transport fleet and streamlining processes transport (Tchibo);
- c) waste disposal/storage such as recycling of organic waste and coffee, for the creation of renewable fuels and the recycling of unused uniforms (Costa Coffee, Caffé Nero);
- d) supporting the sustainable development of coffee production such as selling organic coffee (Costa Coffee), improving the working and living conditions of coffee growers, and implementing measures to protect soil and water in coffee factories (Tchibo, Caffé Nero). Results related to this issue were also identified by Battista, Fino, and Mancini (2016) and Filimonau et al. (2019).

## **Theme 3: Marketing Strategies Used to Promote the Brand**

Analyzing the answers of the interviewed managers, the following were highlighted:

- All analysed café chains operate online, providing diverse and rich information on the website and communicating with customers on social networking sites;
- Large chains such as Starbucks and McCafé are known for their global geographic coverage strategy, with cafés opened all over the world (Patterson et al., 2010). Others, such as Costa Coffee, Gregory's, and Caffé Nero are expanding, covering only a few countries in Europe or the United States. For others, regional expansion is an option (Tchibo - Central and Eastern Europe);
- The customer loyalty strategy is tacking various forms, and has been identified in all café chains. For example, Starbucks builds long-term relationships with customers; Caffé Nero's has a loyalty card program. On the card, a stamp is placed on every purchased coffee, and the consumer receives a free drink if he accumulates 9 stamps;

- In order to gain a better market position, the chains have adapted their strategies to local culture. For example Starbucks is offering curry and buns donuts in their locations in the Asian markets;
- Some café chains use different strategies to promote their brands such as: ad campaigns for certain products or buying space for TV spots during festive times, or issuing press releases (Starbucks, Tchibo);
- Café chains also cooperate with other companies in order to maximize their reach. For example:
  - Starbucks have a dual-branded deal with Kraft, where Starbucks fries and packs coffee, and Kraft takes care of marketing and distribution;
  - Host Marriott is managing Starbucks's stores in American airports and a number of airlines serve Starbucks coffee to their passengers;
  - Starbucks also signed an agreement with PepsiCo to display the brand on the Frappuccino bottles and on the DoubleShot espresso drink.

## CONCLUSION AND RECOMMENDATIONS

All major café chains want to keep their position in the market, both in terms of number of consumers and of sales revenue. For this, they use a range of quality and marketing strategies, some of them common to all chains, others specific to certain café chains.

The common quality strategies identified are: 1. the assortment diversification strategy, all café chains offer consumers a wide range of coffee products, food and soft drinks; 2. the strategy of continuous improvement, by investing in the development of staff skills; 3. the use of high quality raw materials; 4. the use of the best coffee making technologies; 5. the environmental strategy which is an increasingly used strategy that the author has found at different stages of its implementation which firms take action to use recyclable materials, to reduce water and energy consumption and use the resources efficiently. Specific strategies have been identified: quality differentiation strategy (Gregory's), integrated Quality Management System certification strategy (Tchibo, Starbucks, McCafé).

The common marketing strategies - among the analyzed café chains - are: promotion through advertising campaigns and on-line presence.

The specific marketing strategies, identified are: the global geographic coverage strategy (Starbucks, McCafé), customer loyalty strategy (Starbucks, Caffé Nero), the local culture adaptation strategy (Starbucks), cooperation with hotels, airlines, etc. for the sale and promotion of own products (Starbucks). This research highlighted the structure of quality and marketing strategies used in coffee shops and stressed the need to use them in a conscious and appropriate way. The research also revealed the extent of the use of environmental strategy, given that many consumers are increasingly concerned with protecting the environment.

As any qualitative research, this one is limited to the selection of the interviewed managers and stores sample. However, the author believes that it is an important step in the research of this topic, and can be the basis for further quantitative research, to consider: the quantification of the extent to which these strategies are used in a particular chain of café, quantifying the extent to which each the implemented strategy participates in maintaining or expanding these coffee chains on the market, quantifying the extent to which managers of smaller café chains know and apply these strategies and their desire to learn more about them.

Finally, the author recommends to the café managers to set clear and realistic quality and marketing goals and to choose the strategies in these areas based on good market knowledge and competition practices.

## REFERENCES

- Alan, A. K., Kabadayi, E. T., & Yilmaz, C. (2016). Cognitive and affective constituents of the consumption experience in retail service settings: Effects on store loyalty. *Service Business*, 10(4), 715–735. doi:<https://doi.org/10.1007/s11628-015-0288-8>
- Battista, F., Fino, D., & Mancini, G. (2016). Optimization of biogas production from coffee production waste. *Bioresource Technology*, 200, 884–890. doi:<https://doi.org/10.1016/j.biortech.2015.11.020>
- Bilog, D. Z. (2017). Investigating consumer preferences in selecting buffet restaurants in Davao region, Philippines. *Journal of Administrative and Business Studies*, 3(5), 221-233. doi:<https://doi.org/>

10.20474/jabs-3.5.4

- Brătucu, G., Băltescu, C., Neacu, N., Bocor, D., ierean, O., & Madar, A. (2017). Approaching the sustainable development practices in mountain tourism in the Romanian Carpathians. *Sustainability*, 9(11), 2051. doi:<https://doi.org/10.3390/su9112051>
- Chen, J. S., & Chen, Y.-L. (2016). Tourism stakeholders perceptions of service gaps in Arctic destinations: Lessons from Norway's Finnmark region. *Journal of Outdoor Recreation and Tourism*, 16, 1–6.
- Dórea, J. G., & da Costa, T. H. M. (2005). Is coffee a functional food? *British Journal of Nutrition*, 93(6), 773–782. doi:<https://doi.org/10.1079/bjn20051370>
- Ferreira, J., & Ferreira, C. (2018). Challenges and opportunities of new retail horizons in emerging markets: The case of a rising coffee culture in China. *Business Horizons*, 61(5), 783–796. doi: <https://doi.org/10.1016/j.bushor.2018.06.001>
- Filimonau, V., Krivcova, M., & Pettit, F. (2019). An exploratory study of managerial approaches to food waste mitigation in coffee shops. *International Journal of Hospitality Management*, 76, 48–57. doi:<https://doi.org/10.1016/j.ijhm.2018.04.010>
- Gonzalez-Perez, M.-A., & Gutierrez-Viana, S. (2012). Cooperation in coffee markets: The case of Vietnam and Colombia. *Journal of Agribusiness in Developing and Emerging Economies*, 2(1), 57–73. doi:<https://doi.org/10.1108/20440831211219237>
- Han, H., Nguyen, H. N., Song, H., Chua, B.-L., Lee, S., & Kim, W. (2018). Drivers of brand loyalty in the chain coffee shop industry. *International Journal of Hospitality Management*, 72, 86–97. doi:<https://doi.org/10.1016/j.ijhm.2017.12.011>
- Hiransomboon, K. (2017). Using convenience store service of foreign backpacker tourists in Bangkok, Thailand. *International Journal of Business and Economic Affairs*, 2(1), 1-7. doi:<https://doi.org/10.24088/ijbea-2017-21001>
- International Coffee Organization. (2019). *Statistics of international coffee organization*. Retrieved from <https://bit.ly/1QPTGbx>
- Jeffrey, A., Staeheli, L. A., Buire, C., & Čelebičić, V. (2018). Drinking coffee, rehearsing civility, making subjects. *Political Geography*, 67, 125–134. doi:<https://doi.org/10.1016/j.polgeo.2017.09.013>
- Jeon, S., Park, C., & Yi, Y. (2016). Co-creation of background music: A key to innovating coffee shop management. *International Journal of Hospitality Management*, 58, 56–65. doi:<https://doi.org/10.1016/j.ijhm.2016.07.006>
- Neacsu, A. N. (2018). Quality management on the coffee market. *Bulletin of the Transilvania University of Brasov, Economic Sciences, Series V*, 11(1), 109–118.
- Nugraha, P. A., & Indrawati. (2017). The effect of social media experiential marketing towards customers satisfaction (A study in Chingu Korean fan cafe Bandung Indonesia). *International Journal of Business and Administrative Studies*, 3(2), 56-63.
- Patterson, P. G., Scott, J., & Uncles, M. D. (2010). How the local competition defeated a global brand: The case of starbucks. *Australasian Marketing Journal (AMJ)*, 18(1), 41–47. doi:<https://doi.org/10.1016/j.ausmj.2009.10.001>
- Rai, A. K., & Medha, S. (2013). The antecedents of customer loyalty: An empirical investigation in life insurance context. *Journal of Competitiveness*, 5(2), 139–163.
- Samoggia, A., & Riedel, B. (2018). Coffee consumption and purchasing behavior review: Insights for further research. *Appetite*, 129, 7081. doi:<https://doi.org/10.1016/j.appet.2018.07.002>
- Tu, Y.-T., Wang, C.-M., & Chang, H.-C. (2012). Corporate brand image and customer satisfaction on loyalty: An empirical study of Starbucks coffee in Taiwan. *Journal of Social and Development Sciences*, 3(1), 24–32.
- Vanharanta, H., Kantola, J., & Seikola, S. (2015). Customers conscious experience in a coffee shop. *Procedia Manufacturing*, 3, 618–625. doi:<https://doi.org/10.1016/j.promfg.2015.07.283>