Business Strategy Analysis of Caffeinated & Co., Starbucks and Coffee Project in Cabanatuan City

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Abstract:- **The coffee industry has been rising for decades, and forecasts indicate constant growth globally. Considering the overall factor of a successful coffee business is to ensure the quality of the coffee is better than the competition. Factors like the quality of the products, marketing strategy, and customer loyalty are also crucial to business success. This study used descriptive research method to determine and analyze the strategies of some coffee shop businesses to sustain their operations. There are 26 respondents in this study consisted of managers and employees of selected three (3) coffee shops in Cabanatuan City, Nueva Ecija who successfully implemented their strategies to sustain business operations. Data were collected from questionnaires and reviews of publicly available data and company websites. Data were analyzed using the SWOT analysis method, and weighted values and it showed that the owners of coffee shops were actively engaged in the daily business operations and the community; provided premium quality products; used social media for marketing promotion, used competitive pricing; were very particular about the ambiance and the location; provided excellent customer service and personalization, and had points of marketing differentiation to promote their brand.**

Keywords:- Coffee shop, SWOT analysis, marketing strategy, business operations.

I. INTRODUCTION

Coffee shops were traditionally recognized as safe havens for fresh concepts and strong emotional support, and this longstanding custom is still present in modern society. For many people, coffee is necessary for them to stay awake during long meetings and during graveyard working hours. This drink becomes more popular in everyday culture and become well-known for having both positive and negative effects on the body. Experts have debated the effects of coffee on the body, over the years. Recent studies and research have proven that coffee has a positive effect on the human body and confirmed that drinking coffee is more healthful than it is harmful.

Though there are a variety of coffee shops nowadays, the majority serve as awesome meeting places for enthusiastic people who rarely have the chance to interact with people who share their interests. Great ideas, concepts, and beliefs can be conceptualized and reflected there as well. Coffee shops are known to be one of the most conducive places for a person to be productive in terms of work and creating ideas. According to the study of Fisher et al., (2007), and Hattox. (2014), individuals tend to spend most of their budget on coffee consumption mainly because it serves as a beneficial investment and a comfort zone for studying, working, and socializing. According to Ibis (2011), Rising competition in coffee shops tends to be created commonly. Therefore, it is very crucial to understand the market to be progressive in the competition given the economic uniqueness and value as it will provide continuous profits.

Based on people's lifestyles and unique personal qualities, people frequently prefer to consume the foods and beverages they believe are healthy. Considering them in this light, coffee shops offer more than that, making them a unique place to spend and enjoy their time.

The coffee shops' comfortable and inviting ambiance could have contributed to their rise in popularity over the past ten years. The initial setting has the biggest benefit when compared to rival locations, such as rival restaurants, rival pubs, and rival fast-food chains (Macky&Chonna, 2021).

In the digital age, flexibility with relation to working hours is increasing. These days, workers want to change how they approach their work and how they incorporate their personal and professional lives. This suggests that many people, especially those with flexible schedules or who work for themselves, frequent coffee shops because they feel at ease conducting business there.

The growth of coffee shops in the city of Cabanatuan in the province of Nueva Ecija causes the level of competition to be very tight. Planning good strategies to retain customers and get new customers, such as providing convenient facilities, skilled and creative baristas, free Wi-Fi, an instagrammable atmosphere, and maintaining the tempting aroma of the coffee. Beside it, maintaining the relationship and creating a purpose for customers to revisit will develop customer loyalty to the coffee shop and an indication of business continuity. Coffee shop managers and staff must know the quality and consistency of the product, price, promotions, process, and service marketing mix strategy. The degree of customer satisfaction has a positive impact on trust and commitment to revisit the shop.

In line with this, the purpose of this study is to know the business strategies of the three (3) selected coffee shops namely: Starbucks, Coffee Project, and Caffeinated & Co. which are all located in Cabanatuan City, Nueva Ecija. Starbucks is the most recognizable brand internationally, Coffee Project is owned by Manny Villar and is known for being the most instagrammable café, and Caffeinated & Co., which is a family-owned business with two (2) branches,

originated in Cabanatuan City, Nueva Ecija, and is known for the nice, cozy and perfect place for friends to enjoy. The outcome of the study will contribute to existing coffee shop owners to understand the strengths, weaknesses, opportunities, and threats to become successful in the chosen industry.

II.   STATEMENT OF THE PROBLEM

The study will analyze the business strategy of selected coffee shops in Cabanatuan City, Nueva Ecija. Particularly, the researchers will seek to answer the following questions:

• Describe the profile of the respondents in terms of:
✓ age,
✓ gender,
✓ civil status,
✓ educational attainment,
✓ job position, and
✓ salary range.

• Describe the customers of the shop in terms of:
✓ age,
✓ character,
✓ preferred taking meals, and
✓ visit duration.
✓ Preferred products to buy alongside with drinks
• Determine the strengths that contribute to shop's success.
• Determine the weaknesses that affect the shop's operation.
• Determine the opportunities that affect the shop.
• Determine the threats that hinder the success of the shop.
• Determine the marketing strategies of the shop.

III.   METHOD AND MATERIAL

A. Research Design

The researchers used descriptive method in this study to determine and analyze the business strategy of selected coffee shops in Cabanatuan City, Nueva Ecija. The researchers used google form questionnaire as research instrument. The questionnaire was created using the data gathered, and the research mentor assessed and validated it.

B. Research Location

This study was conducted at Cabanatuan City, Nueva Ecija. The province of Nueva Ecija is a rural one, and Cabanatuan is one of its constituent cities (PhilAtlas, 1990).

C. Participant Selection

Convenience sampling was applied in this research where the respondents are composed of twenty-six (26) employees including Managers and staff/baristas of the selected coffee shops in Cabanatuan City, Nueva Ecija.

D. Data Collection

The participants answered the questionnaire via google form to determine the business strategy that they are using in the shop.

E. Data Analysis

The information gathered from the questionnaire was presented in accordance with the research goals. The following are the three segments of the presentation of the results: 1) the results of the respondents' demographic profile were reported in frequency and percentage form using descriptive statistics, 2) using descriptive statistics, the results of SWOT and marketing strategy analysis in frequency and percentage figures.

The instrument was formulated in the modified 4-point likert scale ranging from strongly agree (4), agree (3), disagree (2), to strongly disagree (1). To determine the respondent's degree of awareness, the weighted mean was computed using the formula as follows:

$$WM = \frac{\sum WF}{\sum f}$$

Where:

WM   = weighted mean
$\sum$WF = total weighted frequency
$\sum$f = total number of cases

The percentage frequency distribution was computed using the following formula:

Percentage (%) = f/N x 100

Where:
f = Frequency of the respondents
N = Sample
100 = Constant Value

Table 1: Interpretation of Likert Scale

SCALE	INTERVALS	DESCRIPTIVE RATING	QUALITATIVE DESCRIPTION
4	3.25 – 4.00	Strongly Agree	Extremely effective
3	2.50 – 3.24	Agree	Very effective
2	1.75 – 2.49	Disagree	Slightly effective
1	1.00 – 1.74	Strongly Disagree	Not at all effective

IV. RESULTS AND DISCUSSIONS

A. Profile of Employees

Table 2: Age Bracket of Coffee Shop Employees

AGE	FREQUENCY	PERCENTAGE
20 years old and below	0	0%
21 – 30 years old	16	61.54%
31 – 40 years old	10	38.46%
41 years old and above	0	0%
Total	**26**	**100%**

According to the table above, it presents that the majority of the respondents were 21-30 years old which garnered 16 out of 26 respondents or 61.54% of the respondents.

Table 3: Gender of Coffee Shop Employees

GENDER	FREQUENCY	PERCENTAGE
Male	18	69.23%
Female	8	30.77%
Total	**26**	**100%**

Table 3 shows that the majority of the respondents were male. The minimum requirements to be a barista or coffee shop employee are being charismatic and charming. Men are known for being direct, independent, competitive, and assertive. Although over time baristas were dominated by women because they have the qualities of collaboration positive emotions, and good communication skills.

Table 4: Civil Status of Coffee Shop Employees

STATUS	FREQUENCY	PERCENTAGE
Single	19	73.1%
Married	7	26.9%
Separated	0	0%
Widowed	0	0%
Total	**26**	**100%**

Based on Table 4, the majority of the respondents were single with a number of 19 or 73.1% of the respondents.

Table 5: Educational Attainment of Coffee Shop Employees

EDUCATION	FREQUENCY	PERCENTAGE
HS Graduate	6	23.1%
College Graduate	20	76.9%
Vocational Course Graduate	0	0%
Post Graduate	0	0%
Total	**26**	**100%**

Table 5 presents that the majority of the respondents were college graduates.

Table 6: Job Position in the Coffee Shop

DESIGNATION	FREQUENCY	PERCENTAGE
Barista/Café Staff	18	69.23%
Managerial/ Supervisory Position	7	26.92%
Coffee Shop Owner	1	3.85%
Total	**26**	**100%**

Table 6: presents that the majority of the respondents were barista/café staff.

Table 7: Salary Range of employees per month

DESIGNATION	FREQUENCY	PERCENTAGE
7,000 – 10,000	5	19.23%
10,001 – 13,000	7	26.92%
13,001 – 16,000	12	46.16%
16,001 – 20,000	2	7.69%
Total	**26**	**100%**

Based on Table 7, the majority of the respondents answered P13,001 – P16,000 as their salary for a month as coffee shop employees.

B. Profile of Customers

Table 8: Age Bracket of Coffee Shop Customers

AGE	FREQUENCY	PERCENTAGE
20 years old and below	0	0%
21 – 30 years old	12	46.2%
31 – 40 years old	13	50%
41 years old and above	1	3.8%
Total	**26**	**100%**

According to the table 8, it presents that the majority of the customers were 31-40 years old which garnered 13 out of 26 respondents or 50% of the respondents.

Table 9: Characteristics of Coffee Shop Customers

CHARACTERISTICS	FREQUENCY	PERCENTAGE
Students	7	26.9%
Office Workers	15	57.7%
Families	4	15.4%
Total	**26**	**100%**

Table 10: Preferred Taking Meals of Customers

PREFERENCE	FREQUENCY	PERCENTAGE
Take-out	2	7.7%
Dine-in	24	92.3%
Total	**26**	**100%**

The table above shows the preference of customers in taking meals. The majority of them preferred to dine in which took 92.3%.

Table 11: Visit Duration of Customers

DURATION	FREQUENCY	PERCENTAGE
Under 1 hour	3	11.5%
1 – 2 hours	22	84.6%
3 hours and longer	1	3.8
Total	**26**	**100%**

Table 11 presents the duration of customers in their visit, the majority of them visits 1-2 hours a day. Some customers consume most of their time in a coffee shop just to relax and enjoy the aroma, and they believed that it is a neutral place to meet up and have a discussion.

Table 12: Preferred Products to buy alongside with drinks

PREFERENCE	FREQUENCY	PERCENTAGE
Bakery items	10	38.5%
Breakfast items	2	7.7%
Lunch items	1	3.8%
Snacks/Sweets	12	46.2%
No items	1	3.8%
Total	**26**	**100%**

Based on the table above, the customers preferred to buy snacks/sweets alongside their ordered drinks in the coffee shops.

C. SWOT Analysis of Coffee Shops

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STRENGTHS

o   Good Service
o   Accessible Location
o   Affordable Prices
o   Good ambiance
o   Large variety of public offerings

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WEAKNESSES

o   Expensive Price range
o   Small Variety of Product offerings
o   Poor service
o   Inaccessible Location
o   Poor ambiance

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OPPORTUNITIES

o   Technological advances
o   Expansion of the business
o   Branching out to another business
o   Franchise
o   Extend supplier range

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THREATS

o   Competitive Environment
o   Rising material costs due to inflation
o   Change in customer preferences
o   Limited Operating Hours
o   High running costs Rent, labor & utilities)

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Fig. 1: SWOT Analysis

In this study, SWOT analysis was used to evaluate the factors that lead to competitiveness and recognize the strategic plans of the selected three (3) coffee shops in Cabanatuan City area.

Table 13: Strengths

STRENGTHS	WEIGHTED MEAN	DESCRIPTION
Good service	3.27	Strongly Agree
Affordable Price	3.15	Strongly Agree
Accessible Location	3.22	Strongly Agree
Large Variety of Product Offerings	2.56	Agree
Good ambiance	2.77	Agree
COMPOSITE MEAN	**2.99**	**AGREE**

Based on the results of the survey, respondents say that the most important strength is having good and excellent service to clients. A coffee shop should build a solid reputation by offering good services in every aspect. Respondents also agree that the ambiance including the cleanliness of the shop is important. Most coffee lovers visit the coffee shop to work, study and relax which is why having a very conducive and cozy environment is highly recommended. As to the affordability of the product, the respondents say that they are willing to pay even though some coffee shops charge premium pricing for coffee as long as they enjoy the prestige, great service, and cozy environment. Respondents also agree that having a good location can be a strong asset to a coffee shop. Most of the time, it is the convenience that makes the shop more inviting. A coffee shop that is along the route may be tempting and attractive to coffee lovers and morning workers..

Table 14: Weaknesses

WEAKNESSES	WEIGHTED MEAN	DESCRIPTION
Poor Service	2.76	Agree
Expensive Price Range	3.55	Strongly Agree
Inaccessible Location	2.59	Agree
Small Variety of Product Offerings	2.79	Agree
Poor ambiance	1.77	Disagree
COMPOSITE MEAN	**2.69**	**AGREE**

Respondents strongly agree that expensive price range, limited variety of products, poor service, poor inaccessible location, and ambiance or atmosphere affect the overall coffee shop business. Due to the increasing cost of materials and heavily rely on the supplies of the suppliers the price of a single coffee increased. Price-conscious customers tend to choose coffee shops with lower prices of coffee and offering the same quality. Expensive price range, limited variety of products mostly the reason why customers do not come and choose other shops that can satisfy their needs. Inaccessible locations due to heavy traffic or lack of parking areas may also result in customer inconvenience.

Table 15: Opportunities

OPPORTUNITIES	WEIGHTED MEAN	DESCRIPTION
Expansion of the business	3.68	Strongly Agree
Technological Advances	3.93	Strongly Agree
Branching out another business	3.28	Strongly Agree
Franchise	2.54	Agree
Extend supplier range	2.52	Agree
COMPOSITE MEAN	3.19	AGREE

Respondents strongly agree that technological advancement, expansion of the business, and branching out are great opportunities for a coffee shop. Respondents also agree to offer franchising, and extending the range of suppliers to be more profitable in line of business. Expansion and continuous innovation of products and services can help the coffee shop grow and has a potential opportunity to generate more sales. Leveraging the service like offering online sales and delivery can help the shop reach a wider audience. It can be useful for other customers that are not able to visit the coffee shop to prefer to order from their work or office. Trying innovative techniques like new product tastes and increasing the product line by offering some breakfast foods, cakes, snacks, and other similar items along with the coffee would also earn some extra profits.

Table 16: Threats

THREATS	WEIGHTED MEAN	DESCRIPTION
Rising material cost due to inflation rate	3.35	Strongly Agree
Competitive environment	3.56	Strongly Agree
Change in consumer preferences	2.74	Agree
High running costs (Rent, Labor, Utilities, & Marketing Budget)	2.54	Agree
Limited Operating Hours	2.57	Agree
COMPOSITE MEAN	2.95	AGREE

Respondents strongly agree that having a competitive environment and rising material costs due to inflation will be a huge threat to the coffee shop business. Coffee shops have no choice but to pay if the supplier increases their prices due to the economic crisis. As well as the limited hours, and the changes in consumers' preferences can impact the demand for products and services. Some coffee shops may experience fluctuations in demand due variety of external factors. High running cost of overhead on coffee shops' profitability. The cost that is difficult to control are utilities, budgets, and labor. Aggressive competition in the coffee shop market can negatively impact the main profitability and may require to make adjustments to its operation.

D. Marketing Strategies

Table 17: Assessment of Marketing Strategies of Selected Coffee Shops

INDICATORS	WM	RANK	DESCRIPTION
1. Offers Free Wi-Fi	3.32	1	Strongly Agree
2. Advertising (Flyers)	3.20	4	Agree
3. Sponsor-ship	2.52	6	Agree
4. Promos (Sale/Discount)	3.27	3	Strongly Agree
5. Free Tastes	2.48	7	Disagree
6. Social Media Ads (Posting)	3.29	2	Strongly Agree
7. Loyalty Cards/Member-ship	2.80	5	Agree
COMPOSITE MEAN	2.98		Agree

Table 17 shows that effective marketing strategies like offering Free Wi-Fi ranked first followed by Social Media Ads, Promos (Sales and Discounts), Advertising through flyers, Loyalty Cards or Membership Cards, Sponsorships, and Free Tasting, respectively. Offering Wi-Fi persuades customers to buy and order from coffee shops. According to Beambox (2023), few companies today make use of Wi-Fi to provide for their client's needs when inside the shop. However, Wi-Fi, social media ads, FB posts, and comments from loyal customers are priceless resources that can boost a company's profits. This is the situation with Wi-Fi marketing, a cutting-edge strategy to connect and interact with customers that come to the shop.

V. CONCLUSION AND RECOMMENDATIONS

According to the findings, the researchers were able to draw the following conclusions and recommendations:

- From the profile of the employees, the majority of the respondents were 21-30 years old, male, single, college graduates, and barista/ café staff from the three (3) selected coffee shops in Cabanatuan City.

- From the profile of the customers, the majority were 31-40 years old and are office workers, taking meals to dine with a duration of 1-2 hours per visit, and preferred to buy snacks/sweets alongside their ordered drinks. The researchers found that the majority of the respondents were middle-aged and mostly the middle class meaning most of them are just minimum wage earners or maybe just starting their jobs. Therefore, the researchers recommended the coffee shops to offer more affordable products to also persuade other age brackets like students, and families.

- On the assessment of marketing strategies, the majority of the respondents were agreeing with the marketing strategies being used by the selected three (3) coffee shops. Offering free WiFi was the best asset that coffee shops can offer to customers. The researchers recommended that evaluate other marketing techniques of the shops to assess their effectiveness to the growing trend in the market.

- The SWOT analysis concludes that the strength of the three (3) selected coffee shops was good service. The weakness was the expensive price range. The opportunity was the technological advancement and the threat was competitive environment. The researchers recommended that while the coffee shops were successful in customer service, shops must develop marketing campaigns and strategies to target prospects seeking better customer service while with the lacking of shops, it is recommended to develop certain strengths to take advantage of opportunities.

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