

Environmental Scan and Industry Analysis

A Cross-Functional Assignment

Week 3

Overview

In this assignment, you will research the various environmental forces that impact the retail coffee shop industry. Before targeting competitors, you must have a general knowledge of the coffee industry. By conducting secondary research with the National Coffee Association, the National Federation of Coffee Growers, and others, you will get a better understanding of the industry as a whole before conducting research on specific competitors.

In the next paragraph you will find a number of "prompts" to help you get started in your industry analysis and environmental scan. You do not need to answer every question. Nor should you limit your inquiry to just these questions. The questions are provided to give you a sense of what you should be looking for. Remember the purpose of this inquiry is to prepare you and your team with enough background knowledge to be able to make informed recommendations to your client. To put it another way, imagine the client's response if in your final presentation you were to mistakenly characterize the coffee industry as a virtual monopoly - everything else you said (no matter how brilliant) would likely be discounted. So avoid making that kind of error by learning about your client's industry.

Begin your inquiry by understanding the structure of the coffee industry from the perspective of the Great Cups of Coffee Company. Where and from whom does GC3 most likely get its coffee beans? What does the channel of coffee distribution look like? Who and where are the producers? Are there intermediaries? If so, what are the characteristics of those intermediaries? Who are the major players and how powerful are they? How volatile is the coffee supply? How volatile are coffee prices? What can happen to affect the supply or prices? What does Porter's five forces model tell you about the coffee industry? Does anything in the coffee industry structure suggest an opportunity or threat to the coffee industry as a whole or to GC3 specifically? Are there any strategic opportunities for GC3 (such as cornering the market on a special type of coffee or acquiring a coffee plantation of its own)? What are the trends in the coffee industry in general? How about in coffee retailing? Globally/nationally/regionally, how big is the coffee retailing business? Who are the major types/groups of competitors? What substitutes are there for coffee? Now, where does eMarketing and ebusiness fit into all this? How are competitors using eMarketing? What business models do they use? Are there "gaps" that GC3 could be filling?

Action Items

- Re-read Chapter 3 in *Essentials of Strategic Management*.
- Read the Great Cups of Coffee case (GC3).
- Review Standard Industrial Classifications/North American Industry Classification (SIC/NAICS)
 - [U.S. Department of Labor - SIC](#)
 - [U.S. Department of Labor - NAICS](#)
- Review the following multimedia presentations.
 - [SWOT](#)
 - [External Environment and Potential Influences](#)
- Collect data from a variety of sources in order to complete your environmental scan and industry analysis. Access the [Franklin University Nationwide Library](#) and find marketing database resources such as Dunn

and Bradstreet, Standard and Poor's, and Hoovers. Review the [Great Cups of Coffee Library Guide](#) provided by the Franklin University Nationwide Library. Talk to a librarian at the [Franklin University Nationwide Library](#) if you are having difficulty locating resources.

- Examine the trends and forces that effect the coffee industry environment. Provided here are a few of the coffee industry Web sites you may choose to visit:
 - [Specialty Coffee Association of America](#)
 - [Coffee Research Institute](#)
 - [National Coffee Association USA, Inc.](#)
- Watch this video of a National Library Week seminar held at Franklin University on April 14, 2009. The [video interviews two Columbus, Ohio coffee house owners](#).
- Write a 5-12 page APA-style paper containing the following sections. **At a minimum**, you are to address the following:

Section 1: Retail Coffee Shop Industry Analysis

- How rapidly does this industry change relative to economic, technological, political-legal, and sociocultural forces?
- Who (or what) drives change in this industry (specific competitors, stakeholders, regulatory agencies, global events, the weather, or any other relevant drivers)? Discuss using Michael Porter's Five Forces model. (See section 3.2 in *Essentials of Strategic Management*)
- Is this industry growing or declining? If so, how rapidly?
- What are current trends in the industry?
- What are the business demographics of the retail coffee shop industry? For example:
 - What are the largest producing countries?
 - Which countries consume the most?
 - What is the profit generation?
 - What is the overall revenue generation?
 - What is the markup (if possible)?
 - How is coffee ranked in comparison to other 'luxury' good markets such as alcohol and tobacco?
- What are key (critical) success factors as outlined by industry matrix (see Table 3.2 in *Essentials of Strategic Management*)? Complete an industry matrix for the retail coffee shop industry for Great Cups and one competitor.
- Develop a Strategic Group Map (see Figure 3.6 in *Essentials of Strategic Management*). This map allows the visual learner (or client) the ability to identify direct and indirect competition, identify open niches and possible competitor moves and improves understanding of the competitive playing field and the effects of external trends. Be sure to include Great Cups on this map.

Section 2: Discuss pertinent industry activities and trends relative to:

- Complete a Strategy Map of HR measurements. Consult the Becker, Huselid, and Ulrich text (The HR Scorecard), and base your map upon the measurements you identified in *Measurement in HR* (Week 3 in HR495).

- **Discuss pertinent industry activities and trends relative to:**

- Compensation and benefits
- Employee retention
- Job analysis
- Training and development
- Staffing
- Sources of competitive advantage involving HR
- Other areas you feel are additionally important

Section 3: A summary of opportunities and threats to retail coffee chains participating in the coffee industry.

Include in text citations and a list of all references that you used to support your conclusions, including GC3's Web site, the competitors' Web sites, your textbooks, articles located in the library databases, etc. Your resource list is to be in APA format.

Include any documentation that you feel is essential to support your conclusions (e.g., charts, graphs, screen captures, etc.). Place these in the appendix.

Notes:

- Follow APA guidelines.
- Your reference page and appendices are not included in your page count.
- Completing the minimum requirements of the assignment will result in a grade of no more than a C.

Submission Instructions

Submit your paper to the dropbox provided in the Week 3 section of IC495. Also email your paper to your team advisor.

Grading Criteria

Points Earned <i>At the college level, the emphasis in grading is on the content of assignments and the effectiveness of communication.</i>	Expected Points Assignment Meets All Requirements	Maximum Points Assignment Significantly Exceeds Requirements
Content (40%) All of the required elements are included in the assignment; main ideas are addressed; content is correct, accurate, and of high quality.	22 - 23	30
Analysis (40%) Analysis of the information is evident.	22 - 23	30
Effective communication (20%) Communication is clear, concise, and well presented; critical thought is evident; recommendations and conclusions refer to	11 - 12	15

and rely on the analysis of the data.		
Subtotal (points earned before any applicable deductions)	56 - 57	75
<p style="text-align: center;">Points Deducted</p> <p style="text-align: center;"><i>Error-free mechanics and meeting stated format criteria are the baseline expectations for assignments. Points will be deducted for failing to meet these requirements.</i></p>		
Mechanics (-10%) Grammar, structure, mechanics, and word choices are correct; typographical and spelling errors are absent.	up to -7	
Format (-20%) Briefing document guidelines were followed; length requirements are met; resources are in APA format	up to -15	
Total (points earned minus any applicable deductions)	0 - 75	