Great Cups of Coffee Company

a great cup of coffee at a great price

Case Narrative

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Company History

Founding

The Coffee Hut Company began as part of a diversification strategy of Manning Industries a large, national producer and distributor of packaged goods sold through a range of retailers, primarily grocery store chains. Manning Industries had been highly profitable and its executives were anxious to use some of their accumulated capital to diversify. When they read about the explosive growth of Seattle-based Starbucks in The Wall Street Journal, Manning Industries executives reasoned that making coffee was simple, profit margins were high, and their logistics expertise would assure they could quickly "out-Starbucks Starbucks."

Manning executives choose to launch their new venture (The Coffee Hut) in Columbus, Ohio because Columbus had long been recognized as a good, representative test market for much of middle-America, and because a number of successful fast-food chains (Wendy's, White Castle, Donato's) had begun there.

When the two original Coffee Hut stores showed early promise, Manning Industries embarked on an aggressive growth strategy and the chain was grown to 20 stores in just eighteen months.

However, whether because of the too-rapid growth, a lack of experience in the coffee business, or a misreading of the market, sales slumped. Even as some new stores were being opened, others were closing. In short, The Coffee Hut experiment never performed to expectations. Twenty-two months after the first Coffee Hut store opened, Manning Industries declared coffee shops to be "not the right fit" and announced they were "taking the opportunity to re-focus on their core competencies." They began looking for a buyer for the Coffee Hut chain.

Year One

Manning Industries quickly found their buyer - within the ranks of their own employees. Great Cups of Columbus was incorporated when three friends - two of whom had been Coffee Hut store managers and one who had been a regional development manager for Coffee Hut - acquired the remaining 14 Coffee Hut stores.

From the outset, the friends had varying degrees of interest expertise in three areas of business. In the first months of operation, each partner migrated to assuming responsibility for one of three areas –Tony watched the company finances, Bruce managed the marketing, and Bonnie took on Human Resources. The three shared in making major decisions.

The new company did well almost from the start by focusing on a single, simple idea - the larger size cup of premium quality coffee they served. The Great Cups name and the company motto: "A Great Cup of Coffee, at a Great Price," reflected the basic premise upon which the chain of stores was founded. From the company's inception, in-store customers were treated to various coffee blends served in over-sized ceramic mugs, and carry-out orders were always provided in cups two ounces larger than those used by competing coffee purveyors.

Year Two

The stores rode the rising tide of interest in premium coffee created by market leader Starbucks. In most locations, they catered to a young, urban crowd, though some of the suburban neighborhood locations took on a community coffeehouse feel – serving relatively affluent couples and (late-late at night) college students.

The Great Cups of Columbus stores limited their offerings to coffee and pastries. The freshness of the coffee and pastries served was carefully monitored throughout the day to insure that customers did, indeed, receive a great cup of coffee every time.

The manager of each store was responsible for day-to-day operations, including hiring staff, providing a weekly cash register accounting, and determining the best hours of operation.

The three owners managed the company from their headquarters in an office park near the Columbus, Ohio airport. Because of the high inventory and equipment costs as well as the specialized staff (a roastmaster and two assistants) needed to properly roast coffee, the roastery was moved from its original location inside the largest retail store to a dedicated plant adjacent to the main headquarters. This way, the owners could try out new blends and keep an eye on inventory. The greatest portion of each owner's day was spent visiting the stores. They were always available to help a store manager resolve any issue that might pop up. Their belief was that their collective business acumen and hands-on style was a major factor in the success of the company.

Year Three

The owners resisted the unsolicited advice they often received to increase profitability by cutting corners on product quality. Great Cups purchased exclusively premium Arabica beans from trusted distributors. To maintain ultimate control over product quality, they also refused occasional overtures to allow outside investors, to sell the chain, or to franchise. With two years of operational success under their belts, the owners began to grow the chain – through a strategy they called conservative opportunism. The owners personally selected the sites to install a new store or, more rarely, acquired a distressed coffee shop and converted it into a Great Cups of Columbus shop.

Expansion outside of Columbus began first in Cincinnati, then in Cleveland, and then along the I-71 corridor that connects the three cities. The name was changed from Great Cups of Columbus to Great Cups of Coffee Company and over the years, the company came to be known alternatively as just "Great Cups" or "GC3." As the chain grew, the owners carefully maintained the basic concept of the original stores.

Year Four

As Great Cups of Coffee entered its fourth year, approximately 90% of the stores were located in Cincinnati, Columbus & Cleveland and along the I-71 corridor. A handful of stores were located south of Cincinnati along I-71 and a few were located west of Columbus in the Dayton area.

For the executive owners, running the business was much the same as when they started, although they did travel a lot more and were forced to split up the stores into three territories: Cleveland, Cincinnati, and Columbus.

Year four also saw the Great Cups of Coffee's first venture into business to business sales. The owners made the decision to begin selling custom blended, pre-ground coffees to corporate coffee services. These services would, in turn, contract with clients to deliver coffee and to service the high-capacity coffee machines found in large offices and convenience stores. In order to insure freshness and maintain quality, the owners decided they would distribute to these new business customers through stores rather than directly from the Columbus roastery. Standing orders were faxed from the main office to the nearest local store on a regularly scheduled basis. New orders were sent to the main office, consolidated and then faxed to the nearest local store. In each case, the manager would pull whole beans from store inventory, then blend and grind the coffee to order for pick up by the commercial client.

The store managers were happy with the arrangement of receiving the orders and then blending and grinding on site before pick up by the commercial customers. A single commercial sale could amount to many times the average retail sale, so even a couple of commercial accounts could make a big impact on the store's monthly receipts.

Year Five

Year five looked like a banner year for Great Cups of Coffee Company. Sales to commercial accounts exceeded expectations. The team's careful site selection strategy seemed to be working well as revenues increased and cash accumulated.

Happy with their successes and understanding the need for continued growth, the executive team looked for ways to expand their business even more. During a visit to his boyhood home, Tony learned of an opportunity to acquire a chain of 85 ice cream shops called "Rod's Cones" (headquartered in Pittsburgh). For nearly 30 years until its beloved founder's death, Rod's Cones was an ice cream tradition throughout Pittsburgh and much of Pennsylvania.

The Great Cups of Coffee partners initially considered the acquisition as merely a way to gain prime retail outlets in an expanded geographic market area. Their original thought was to close the ice cream shops, quickly renovate them, and reopen them as Great Cups of Coffee shops. But, after more carefully considering the financial investment required to purchase then renovate so many stores, the executive team concluded conversion was not the right course. Eventually, a different strategy emerged.

It is an axiom of the ice cream business that "stores don't sell ice cream, hot weather sells ice cream." Coffee sales are weakest during the same hot summer months when ice cream sales peak. It was reasoned that offering coffee and ice cream in the same store would smooth out the seasonality of sales. The Great Cups of Coffee team was also anxious to reach beyond the young adults who accounted for the bulk of their coffee sales. By contrast, young families with children were greatest consumers of ice cream.

The Rod's Cones chain was acquired and re-named Great Scoops.

Year Six

As part of the acquisition, Rod's Cones former owner, RJ (for Rod junior), and his management team in Pittsburgh received three-year contracts. RJ became Chief of Operations for the Pittsburgh division of the Great Cups of Coffee Company.

Even before the Pittsburgh acquisition, the Columbus small batch coffee roaster was often operated at (or beyond) capacity. It had begun to experience breakdowns so the executive team decided to give RJ the responsibility of contracting with a Pittsburgh roasting company to roast the green coffee beans supplied by Great Cups out of the Columbus hub. On behalf of GC3, RJ signed a five year contract with a local roastery.

Unfortunately, RJ proved to be a difficult employee. He objected to any changes to the Pittsburgh stores, and when faced with the closing of some of locations, he was adamant about providing unusually generous benefits for employees. Great Cups of Coffee was forced to move several managers from Pittsburgh stores to Columbus stores. This in turn created animosity among the shift supervisors in the Columbus stores who had been waiting for promotions into managerial positions.

The Great Scoops menu was expanded to include Great Cups coffee and pastries. In most cases, Great Scoops shops did not offer a full range of specialty coffee drinks such as lattes, espressos, and cappuccinos. Instead, three traditional American style coffee blends were offered – dark roast, light roast and decaf. Twelve ounce packages of Great Cups branded whole bean and ground coffee blends were also sold in the Great Scoops shops.

Of the 110 Great Cups of Coffee shops then operating, 82 were large enough to accommodate storage and serving of ice cream. Those stores were retrofitted with dipping cabinets and upright retail freezers. In those stores, a limited line (usually 12 flavors) of Great Scoops brand ice cream was sold by the scoop and in 1.5 quart containers for take-home. In the 28 Great Cups of Coffee stores that lacked available space for a dipping cabinet or upright freezer, the only ice cream served was in the form of blended ice cream/coffee drinks.

The GC3 team quickly learned that shipping ice cream was much different than shipping whole, roasted coffee beans. Inventory spoilage (melting), waste, and stock-outs of popular flavors at Great Cups of Coffee locations were common.

During the acquisition and conversion of Rod's, GC3 development continued along I-71 corridor. The company added 12 new Great Cups of Coffee stores – all configured and operated like the original Great Cups of Coffee model.

Year Seven

The Great Cups executive team quickly learned that shipping ice cream was much different than shipping whole, roasted coffee beans. Spoilage (melting) and stock-outs of popular flavors at Great Cups locations were common.

The team also reluctantly decided to close 7 unprofitable Great Scoops stores in the Pittsburgh area. Morale throughout the entire company was understandably affected. The executive team realized that employees were getting their (often erroneous) information via informal channels (i.e., the rumor mill). Although the Ohio stores were in great shape and most of the Pittsburgh stores were coming around, the closings still made most employees wary.

A positive change in morale occurred late in the year when the executives learned that a chain of 70 Chicago stores under the corporate name DaDeli was for sale at a great price. Although 42 of the stores were coffee shops similar to the original Great Cups stores, the other 28 were delis or combo-marts (10 were coffee shops in bookstores and 7 were lobby coffee kiosks). In many ways, the DaDeli chain resembled the GC3 chain shortly after it acquired Rod's Cones.

Year Eight

Feeling like they had learned much from the Pittsburgh purchase, the executive team decided the Chicago chain would be a good acquisition and that it would open a new, large metropolitan market area not too far from Columbus.

The Chicago operation had a strong regional marketing department and an HR department. It was decided that this would be a good acquisition as the Columbus marketing department was beginning to feel the burden of marketing all the stores, and there was a hope that the Chicago HR department would complement the strong Pittsburgh HR department, making it easier for the Ohio HR department to focus on strategic issues.

The executive team offered a modest two-year contract to the existing Chicago management team.

The addition of these 70 Chicago stores changed the dynamics of the company. In retrospect, it had been relatively simple to modify the Pittsburgh Great Scoops stores by adding coffee and pastries to the existing ice cream menu. Adding ice cream to the Great Cups stores was a bit more difficult, but that issue seemed to be working itself out. The DaDeli chain in Chicago was a very different matter.

Nothing prepared the team for the diversity of the local markets within the metropolitan area of Chicago. Stores in Chicago often catered to specific neighborhood tastes and sold unique, specialized items. It seemed the DaDeli "chain" was not a chain at all. Mostly, the stores operated independently, with a few sharing a name. Although the DaDeli management was comfortable with this flexibility to serve individual neighborhood tastes, this approach was contrary to the corporate brand of Great Cups of Coffee Company. The Chicago coffee shops were re-branded as Great Cups of Coffee shops, but the executive team decided to keep the Chicago "DaDeli" name for those stores – for now.

Even though GC3 was growing, the executive team was conscious of falling behind Starbucks in innovation. GC3 had been successful with its commercial coffee services operations in Ohio. However, it found limited success in its earlier attempt to sell branded, packaged coffee through arrangements with regional grocery store chains. The company decided to discontinue that operation, despite protests from the Chicago marketing department.

Year Nine

The company was feeling some delayed effects of its broad, aggressive expansion.

The executive team was stretched thin trying to manage their large territories with the same hands-on management style that had served them from the beginning. They had not found time to seek out new opportunities such as other acquisitions or partnerships. Although aware of Starbucks' marketplace efforts, their hectic schedules kept them from investigating different business options thoroughly. They couldn't find time to reflect on their structure or their direction, and they often asked each other about how Starbucks retains their employees and how they have been so wildly successful. No one seemed to have the time to thoroughly seek the answers to these questions.

Another area of concern for the executive team was the store facilities. The current strategy has been for the stores to maintain their regional identity – Ohio stores one way, Pittsburgh their way, and Chicago their own way. However, the different types of stores seem to have different levels of financial success. Customers in Ohio are surprised to find out that Great Cups owns stores in Pennsylvania and Chicago and no one recognizes the DaDeli connection. The executive team believed that they may be missing sales opportunities due to a lack of brand identity as customers traveled to other regions.

On the development front, the executive team had been thinking about adding some new types of outlets, such as in-store kiosks or free-standing stores in malls. Years prior, Starbucks had expanded rapidly through a similar strategy.

At the end of year 9, the leadership team agreed to bring in your team to consult and to help them through some of the company's most pressing issues. The executives agreed to write down their thoughts in a sort of snapshot of top-of-mind issues.

Appendices

Appendix A – Memos from executives to consultants

To: Consulting group
From: Beverly S., newly hired Director of Internet Marketing
RE: Internet Marketing concerns

Since I have recently been hired by Great Cups of Coffee, I have been discussing concerns about our current Internet marketing status with some of our employees. I decided to interview several employees to get their input.

I have been told that we need to do something to make sure people see our website. Several of our younger employees have told me we should be using Search Engine Optimization to be sure our site gets seen by consumers looking for our products and locations. The problem is that when I was in traditional marketing the internet was just getting started and there was no understanding of how to get people to look at your website. That seems to be the case here as well. When I have been interviewing current employees to look at our website, these same younger tech savvy employees are telling me we are missing huge opportunities to understand our customers and that we need to add links on our website.

The other day our CFO stopped by and suggested I talk to a social media expert. When I followed up to meet this consultant, I was excited that his proposal included Facebook, Twitter, and blogs to help promote the company. Although I have used Facebook and Twitter for personal reasons, I am sure that there is more that could be done by using an expert in this area to help us with some new creative ideas could be very beneficial to Great Cups.

Well he explained that Ford recently gave away five Focuses to people with the requirement that they blog about their experience driving a Focus. I responded, “That was great but what does that have to do with coffee?” Although Facebook is extremely popular, I know Great Cups needs a new creative way to reach coffee drinkers. I also need to see if some of our employees have any great ideas on ways that Great Cups can use Facebook to promote the company.

Twitter is the other social media tool that Great Cups needs to think about with the new Internet Marketing Strategy.

Some other ideas that I need to bring into the mix include email, changes to the website, Google adwords along with all the other aspects of Internet Marketing.

Although this is an exciting challenge, there is a lot to be done. Great Cups is years behind when it comes to establishing an Internet Marketing campaign.

To: Consulting group
From: Tony C., CFO
RE: Financial concerns

As I look around, I come to realize that we have outgrown our finance reporting capabilities. When it was just the 14 stores a long time ago, we had mechanisms in place to ensure a quick turnaround of reports. I'm not sure when it happened, maybe with the Pittsburgh acquisition, but somewhere along the line we've lost the ability to produce timely, meaningful reports. I'll try to summarize my main concerns:

Current Format of Reports
Under our current format, we don't have the ability to isolate what is driving our profits. We also cannot pinpoint our most profitable operations, either by location or product line. I guess this situation has crept up on me because I know from my travels which ones are our top stores and what product mix is most profitable; it's just not evident on paper. I'm not sure who else gets these reports and to be honest with you, I'm not sure who should get them. We have become so spread out that a better method needs to be initiated so that we can see the trends developing. We need to be able to identify potential opportunities and problems while there is still time to act on them.

Financial Ratios
At the risk of sounding too technical, our financial ratios have shifted over the years too. I have not paid much attention to these either. I do believe that we are ahead of the rest of pack (industry). I also haven't had the time to sit down and crank out the most common ratios we need to monitor: Liquidity, Asset Management, Debt Management, and Performance.

Cash Flow
Here again there is some reason for concern. While it is very evident that our revenue is up, our ability to get these funds into our main account has been cumbersome at best. We have always been a very creditworthy company. Remember, this was the main reason we were able to leverage the Pittsburgh and Chicago acquisitions, and I would not want our creditworthiness to drop because our working capital is getting tight. We rely on the flow of these funds for our operations. We've got to come up with a better plan to access the Pittsburgh and Chicago funds more quickly.

Coupon Use
Bruce and I were having a drink the other night and he mentioned that in Chicago our coupon campaign was really taking off. Now on the surface this may sound great; but in reality, are we setting a dangerous precedent here? Are we attracting new customers, or are we just allowing our current customer base to use less money and more paper (coupons)? Bruce, what do marketing people do to analyze this?

Personnel
My assistant, Cheryl, has been a godsend; but I'm telling you that she is reaching her limit. You all know that she was our secretary, and her big skill when we first started this was that she balanced her checkbook. She is encountering problems with our field offices, particularly

Chicago. Don’t get me wrong--I know we need to get someone in here with a formal accounting/finance education, but I will not allow her to be abused by someone outside our circle.

Well, I know I’ve brought a lot of problems to this meeting; but I’ve tried to just highlight the big ones. There are a few more issues that need to be addressed but if these were resolved, I’d be a very happy man. We all started this with the idea of creating a better life for ourselves and to have more control of our destiny. I’m convinced that I’ve lost more control of my life….it seems that I spend my time putting out fires everywhere. We need to come up with a workable solution to these items before we look to expand or consolidate.

Employee Benefits

Oh yeah, there is one more important issue. I remember a time when we all drove the company truck to and from stores. Now-- the folks in Pittsburgh got wind that even though we limited them to a travel allowance (remember the acquisition contract), the Chicago group has cars. I’m not sure what the best way to resolve this would be. Do we lease cars, give gas cards, or just give a car allowance? Any ideas?

To: Consulting group
From: Bonnie B., Director of Human Resources
RE: HR concerns

GC3 is at a real crossroads right now, at least as far as HR is concerned. We may have one of the least well-organized HR shops for any company of our size in the whole country! We probably need to get one of those high-powered HR consulting firms – maybe from Chicago, seems like they have all that kind of capability out there – to come in here and figure out how we should put all the pieces together.

We do have some distinctive competencies around here: the Pittsburgh training group is topnotch, although their focus is narrow – their real strength is developing high customer satisfaction with their training of what they call "counter help" out there. Problem is, we have baristas in the most rest of our stores, not ice cream scoopers. We need to find a way to get better transfer of training to the areas of the company that didn't start out in the ice cream business. Not only that, but it's probably also true that the Chicago group could teach us some different marketing approaches than we've used in Ohio and Pennsylvania, if we could just figure out who should be trained with what.

For that matter, the whole company is probably in need of a structural analysis. We've grown through acquisition, and are still paying the price for it – we have lame duck managers on the payroll, or are just now getting rid of some, and we still have some positions that were inherited. We need to do some job analysis to see if we really need those positions, and, if so, where they should be.

If I look at it all from the perspective of professionalism, as reflected in our job descriptions and our inventory of people, we just don't have much. Sure, we have several people with college degrees, even a couple of advanced degrees, but not too much technical knowledge. Bruce has always had to "make do" with a minimal marketing shop here in Columbus. One thing we really learned from acquiring the Chicago businesses is that (we may need more marketing staff?) there is another model for how to market products. I'm not sure we know what the *right* model is for us, but we know that we have choices to make.

Turnover is now a real problem for GC3. We hover around 125% for our part-time and entry-level positions. Maybe that's not terrible for the fast food industry; but it isn't competitive with the big boys, like Starbucks, in coffee industry. Then again, Starbucks has programs we just can't fund in a company with our resources; things like medical benefits for part-time workers and an incentive pay plan. We really do need to take a hard look at some of those ideas, though.

We probably also need to get creative with some job sharing ideas in some locations, which might help reach some other segments of the labor market. We're having a devil of a time keeping store managers in the upscale suburbs of Chicago, and can't even get enough hourly workers for some of those stores! We haven't really concentrated on hiring strategies for high school or college students. We're not sure what incentives might attract and retain them, or – to be honest – haven't really looked closely at all the issue associated with employing 16 and 17 year olds in our kind of stores.

Then, there's the issue of organizational culture. It all started in Columbus, but we don't have the same organizational culture in Pittsburgh that we have in Columbus, and Chicago is a different culture altogether. Chicago is a "work-hard, play hard" culture, while Pittsburgh is more of a "tough guy" culture, and here in Columbus, we're more into "roles." In Chicago, you need Cubs tickets and free coffee promotions to sell product, while in Columbus, we're trying to structure things centrally around who does what functions, whereas in Pittsburgh the store managers like "back to basics;" if it "ain't broke, don't fix it," and, "out-working" the competition to keep customers loyal.

When I studied for my Senior Professional in Human Resources (SPHR) certificate last year, I read quite a bit of material about strategic management of the HR function, strategic alignment of HR strategy with company strategy, and how to use things like HR scorecards to value intangible assets – like people – and show the HR contribution to the success of the firm. I would like to implement some of these strategies. Of course, that would mean we'd have to figure out a whole different set of HR metrics for GC3 to use – heck, we don't track much more than turnover and lost-time accidents around here! We know we should have ways to tell where – by region or specific stores – we are most efficient, or what training programs really pay off, or, for that matter, which products we are really making our money on! Tony has told me a couple of times that profit margins seem to be shrinking, even though revenues are going up. We really need to find out to what extent that is due to "people" issues.

To: Consulting group
From: Bruce R., CMO
RE: Marketing concerns

What gives me the biggest headaches and keeps me up at nights? It's that we haven't yet reached a consensus on whether we're one company or three companies. Sometimes it seems like the only thing we have in common is that we all sell coffee. And sometimes we can't even agree on that. Some of our Pittsburgh Great Scoops stores sell barely five pots of coffee a day. That's crazy. And I can't figure Chicago out at all. Are we coffee shops? Delis? Kiosks?

This lack of consistency plays out in a lot of ways. Perhaps the most visible way is in our branding and identity. No two stores look alike. Our locations are completely unpredictable. I remain convinced that site selection and store layout were the major factors contributing to our store closings. I still don't know that we have a good handle on what predicts a particular location's success. Almost as worrisome as picking a bad location is picking a great one and then having Starbuck's move in across the street. Also, customers who visit one of our stores while they are traveling away from home frequently complain that our menu items aren't consistent. But it's not just the stores themselves. Our name varies – Great Cups, Great Scoops, DaDeli. Likewise, execution also varies, from signage to menus to letterhead. I'm not saying we have to be McDonald's, but if we're ever going to build any brand equity, we have to have a brand.

So, what do we sell anyway? Sure, we sell coffee, but we also sell ice cream and pastries and deli sandwiches and deli meats and… and... and… More to the point what SHOULD we be selling? The problem is I'm not even sure what questions to ask. I suspect one thing we need to look at is the profitability of the different products and the different stores. I also wonder what our customers would say. In the old days, we used to just think of a new product or "borrow" a menu idea one of us came across while on the road. (Remember Biscotti?) Seems like we haven't been adding new items like we used to. Should we be running taste tests? Focus groups?

While I'm on the subject of our store customers, I'm concerned about our customer comment cards. We're still getting right around 40-45 per week. But, as in the past, a few stores account for the majority of these. We've continued to forward them on to the store managers. We continue to assume (hope?) that the store managers are solving the problems and passing along the praise, but I'm not sure that's a safe assumption. Occasionally I read through a stack. Seems like I've read the same complaints and suggestions many times before.

The good news is our various promotional campaigns seem to be working pretty well. Chicago continues to rely heavily on couponing. The redemption rate for these is way up. We've finally figured out what the problem was. We used to have part-time employees earn extra money by paying them per hundred of delivered "door-knobbers." I suspect many of the coupons were never making it to our customers. Now that we're having a real company deliver them, we're seeing them redeemed in our stores. The best response rate seems to be from residential neighborhoods. Pittsburgh continues to have success with radio spots run seasonally (during the peak ice cream months of July & August). In some ways, Compared to Chicago and Pittsburgh, Columbus may seem like the least sophisticated of the three major markets. Columbus' strongest suit continues to be the loyalty of our customers (as evidenced by our frequent-drinker card). I like the way we've been able to stick with our original concept of the community coffee house. Our community bulletin boards, book club meetings and special events continue to be our best tactics for building loyalty (which leads to the best kind of advertising – word of mouth). I'd still like to see how that'd work in our stores in other cities.

Currently what passes for control over our marketing efforts is just regional oversight. The "big three" (Columbus, Pittsburgh & Chicago) each have their own way of doing things – based largely on what they've always done. Even within these regions, it seems no two ads are quite alike.

Intuitively, it seems to make sense to consolidate the Marketing function, and to headquarter it in Chicago. Chicago is, after all, more of a Marketing and Advertising town than Columbus or Pittsburgh. Many of the higher-powered ad agencies have their headquarters there. The Chicago stores have also had the largest marketing budgets and the most concerted advertising efforts. If we were to move Marketing to Chicago, we could create advertisements and other promotional executions there. These would be shipped out to the various regions for implementation. Media buying would also be handled through a Chicago agency. Economies of scale and centralization would likely offset the higher rates of Chicago firms.

I really think we could do more with it. I like that we sell packaged coffees, our ceramic mugs, gift sets and the like over the Internet. Initially, it would probably make the most sense to have orders processed and fulfilled at our roasting facility in Columbus, but it might be interesting to consider having the nearest store send out the order. That way the store manager would get some "credit" for the sale to offset any "hits" he or she would take from having to accept returns. The other thing about our Website is that we haven't done anything to promote it. Seems like the bare minimum effort ought to be to put our URL on everything we print, including our cups – but then, that's Beverly's problem… I guess.

Appendix B – Organizational Chart

Great Cups of Coffee Company

a Great Cup of Coffee at a Great Price

ORGANIZATIONAL CHART