

## case study

# *Adding Another Tool to the Belt at Planet Bean*

By Mike von Massow and Bruce McAdams

## Introduction

Byron Cunningham lifted his bike into the rack outside Planet Bean's downtown Guelph location. He took off his helmet and decided against locking his bike since he was only popping by. Byron is the company's President and CEO and has been since 2003. Riding a bike to work may not seem like a conventional practice for an executive but Planet Bean is not a typical company. A worker co-operative, Planet Bean is not only a dynamic and growing coffee business with a strong brand, it is a company built on a core set of values.

Byron was at the downtown location to make sure his team had set out the patio furniture since it was a surprisingly warm and sunny day. Walking up to the front door he had noticed they hadn't but there certainly was a buzz about inside their newest location. Things were busy but seemed under control so he decided to let his team do their work and file away a mental note that the patio furniture had not been put out. Byron was pleased with how things were going with Planet Bean but couldn't help but think they would have to stay on top of their game to remain successful in an increasingly competitive environment.

## *About the Company*

Planet Bean began roasting coffee in downtown Guelph in 1997. It was the first roaster to open in the city for at least half a century. Since its inception their focus has been on fair trade and certified organic gourmet Arabica coffee. The company has a wholesale division that sells its branded coffee to grocery chains, restaurants and other specialty retail operations. It also operates three retail 'coffee bars' in the city of Guelph. Coffee accounts for over 90% of sales in these stores but they also offer a variety of beverages and a small food offering. You can also purchase whole roasted beans, chocolate bars, re-usable mugs and gelato at their coffee bars.

Quality coffee is what Planet Bean is all about. They roast in small batches and don't warehouse any of their coffee as it is shipped to their stores and customers immediately after roasting. Their roasting team are members of the Roaster's Guild, the organization where the world's best roasters share experience, knowledge and skills.

Between the retail and wholesale business Planet Bean does more than \$2.5 million in annual sales employing approximately 40

people. Within the last 2 years the company has opened two new coffee bars. While the store in downtown Guelph (re-location) enjoyed immediate success the operation at the south end of town has taken longer to establish itself. After a disappointing first year in 2013, sales have shown slight increases in both of the last two years. With the largest amount of space, the south end store was built as a prototype for further expansion as the company views this as necessary to stay competitive in the marketplace.

As President and CEO, Byron Cunningham has the final say on what direction the company sets strategically. He reports to the board of directors for the Sumac Community Worker Co-Operative of which Planet Bean is a division. The co-op was formed in 2005 and helps provide an organizational and financial structure for the company to work within.

## *A Strong Brand Backed by a Strong Set of Values*

Planet Bean is a value-based organization. Walk into any of their stores and it's clear to see that they have a strong social conscience. Among other things, the welfare of the people that grow their coffee is important to them. Their commitment extends beyond the coffee grower to the environment and how it is affected by their operation. Selling 'fair trade, certified organic' coffee is a costly proposition and shows a huge commitment to their values as an organization.

A few years back, the Planet Bean team got together to talk about their vision, mission and values. Here is what they all agreed upon and is posted on the Planet Bean website:

### **Planet Bean Vision**

Planet Bean is an innovative business model that is fair, sustainable and passionate.

### **Planet Bean Mission**

Planet Bean creates the best tasting coffee and through fair trade, links producers and consumers in a meaningful way.

### **Ethical**

We believe our success is grounded in a moral economy informed by the principals of fair trade for our producers, our workers, our shareholders and our customers.

### **Passionate**

We have a passion for excellent coffee, and this is reflected in our knowledge and advancement of gourmet coffee creation

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### Respectful

We are respectful of the many hands that touch our coffee - from the farmers who grow and harvest it, to the roasters who roast it, the baristas who brew it and to those who drink it.

### Ecologically Sustainable

We believe our success as a business is measured not only by our financial earnings but also our ability to reduce our ecological footprint, improve the health of the planet and advance organic production.

### Co-operatively Driven

We believe a democratic workplace based on the international principals of co-operation is the way to create a model for a people centred economy.

*Note: Retrieved from the Planet Bean website; <http://www.planet-beancoffee.com/about>*

### People

For the greater part of a decade the senior management team at Planet Bean has remained the same. As the President and CEO, Byron Cunningham is responsible for the day to day operations of the business and provides the strategy that guides the company. Prior to joining Planet Bean in 2003 Byron had 17 years of sales, marketing and management experience in the consumer packaged goods industry. As Planet Bean's Marketing Manager Bill Barrett is responsible for the marketing efforts of the company and works hard to maintain the brands strength in promoting fair trade and organic coffee production. Bill is one of the initial founders of Planet Bean and often referred to as its moral compass. A third member of the team, John Brouwer is responsible for both finance and human resources. John has been with Planet Bean since it became a co-operative in 2005. Prior to joining Planet Bean John had over 25 years of experience in developing and managing a variety of co-operative businesses including a construction business and fish farm. There is also a small team of people that

are responsible for the coffee roasting and coffee production.

Each retail store has a store manager, two shift supervisors and a team of employees that deliver the Planet Bean brand experience to hundreds of customers a day. New employees are only considered for hiring when they apply with a resume and a letter of introduction. Hiring decisions are made based on a one interview process conducted by the store manager and another employee who sits in on the interview. References are also checked but other than these guidelines there are no other standards for the selection and hiring process.

### *The Ever Evolving Coffee Outlet Industry*

When the term 'coffee war' is mentioned in Canada, most think of the ongoing battle between QSR icons Tim Horton's and McDonalds. But beyond this battle of giants looms a larger war, one with many more players and products. Premium coffee is huge in Canada and Planet Bean is a player competing with many others in what has become an increasingly complex market. Not only is Starbucks in a growth phase but other players such as Second Cup and Williams are also well established in the market. When asked about Planet Bean's pricing strategy Cunningham states their approach "is to be premium to or minimally equal to Starbucks."

The Guelph market is reflective of this trend. For a city of slightly over one hundred thousand people Guelph has many coffee options. In the last year alone two independents and a third Starbucks have opened in areas directly competing with Planet Bean locations. There are other options as well as many local cafes and restaurants sell premium coffee in their spaces. The prominence of single serve coffee systems such as Tassimo and Keurig in both the home and office environment also add to the options for the Guelph coffee consumer.

### *Is Service a Big Deal?*

Although service has always been associated with the value of a product, it has only been in the last few decades that service has been looked at as a point of differentiation in the marketplace. In the early

**Figure 1**

## Pricing Comparison

	Planet Bean	Starbucks	Fair Trade Independent	Second Cup	Tim Horton's
12 oz. Medium blend coffee	\$2.10	\$1.90	\$2.10	\$1.80	\$1.50
Cappuccino	\$3.72	\$3.45	\$3.85	\$3.40	\$2.65
Café Mocha	\$4.25	\$4.25	\$4.30	\$3.90	\$2.90
Espresso	\$2.25	\$2.25	\$2.20	\$2.20	\$1.90
Hot Chocolate	\$3.45	\$3.45	\$3.85	\$3.15	\$1.80
Tea	\$2.05	\$2.05	\$2.45	\$1.95	\$1.50
Muffins	\$2.45	\$2.45	\$2.50	\$1.95	\$1.10
Scones	\$2.45	\$2.45	\$2.50	\$1.95	\$1.20

Figure 2

## Customer Satisfaction Ratings

	Average Trip Advisor Overall Rating	Average Yelp Overall Rating
Planet Bean	3.6	3.9
Starbucks	4.5	4.5
Fair Trade Independent	3.7	3.9
Second Cup	3.9	4.0
Tim Hortons	3.1	2.7

80's books such as Jan Karlzon's Moments of Truth introduced business to the power of service and its effect on the overall profitability of a company. Thirty years later the study of service has expanded and there is broad acceptance that service is important in economic transactions.

In today's world, consumer expectations have been raised in regards to service, especially when it involves premium products and coffee is no different. Throughout its successful run, Planet Bean's major competitor Starbucks has placed an internal emphasis on servicing its customers and has become known as a benchmark of quality service in the food-service industry. Starbucks includes a section on customers in its mission statement:

"We are fully engaged, we connect with, laugh with, and uplift the lives of our customers – even if just for a few moments. Sure, it starts with the promise of a perfectly made beverage, but our work goes far beyond that. It's really about human connection."

Note: Retrieved from the Starbucks website; <http://www.starbucks.ca/about-us/company-information>

### Planet Bean and Service

Through Planet Beans evolution as an organization they have focused on the quality of their coffee, doing so in a socially and environmentally conscious way. Although they understand that service is a key component to the customer experience they have never had a specific strategy to ensure they are hitting the mark on delivering service that aligns with the premium nature of their brand.

Byron and Bill are very active in the stores and feel they have a good handle on how service is being delivered so they have not employed any formal process to measure customer's satisfaction levels. When Bryon is asked about the quality of service Planet Bean is providing its customers his answer is:

"We do a good job but probably could become more consistent. We have some stars that really know their customers. We also have other employees who aren't as focused on the customer, we call these our "coffee nerds"; they work for us because they love coffee."

### The Question

As Byron Cunningham ended his work day with a glorious cup of Planet Bean coffee at the company's downtown location, his mind drifted back to the beginning of the day and the patio furniture not being put out for their customers to enjoy. Was that sort of 'inaction' an indication of the company's lack of focus on customer service, or was he over-reacting because his recent pre-occupation with the threat of increased competition?

Either way, Cunningham had made up his mind that it was time for Planet Bean to have a formal 'service strategy'. Since he didn't feel Planet Bean had the internal expertise to develop such a plan effectively he decided to look outside for help.