

## **A Cultural Perspective of Successful Coffee Shop Chain – The case of Café Frei**

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### *Abstract*

In the globalizing world, we can find that the conventional models and theories for doing business and being successful are valid to a limited extent in the real world. Many entrepreneurs think that it is enough to follow the steps of these theories and the success will be ensured. But in fact, there is not any kind of “recipe book” for doing successful business. Theories can always show only a restricted rationality. The elements of the real world and the economy are not independent from each other. We have to take this into consideration when we make the decision on starting-up a company.

This article shows the case study of Café Frei Ltd., a Hungarian Coffee Shop Chain. We will see the recognizable traits of some mainstream concepts.

“If this is coffee, please bring me some tea; but if this is tea, please bring me some coffee”

– Abraham Lincoln

### *Introduction*

As Heidrich and Réthi (2012) stated all over the world services have become a critical factor in achieving competitive advantage, regardless of the sector of the economy in which they operate. For companies like IBM or GE, services mean the primary source of growth and profit potential in the 21st century. The high quality of service creates a competitive advantage for the traditional service companies, such as Charles Schwab, Marriott Hotel, FedEx and Starbucks. The companies compete not only on the basis of their products, but also with the services they provide. So, globalization sharpens competition.

According to Cowen (2004), critics of globalization contend that even if increased trade promotes material prosperity, it comes with a high spiritual and cultural cost, running roughshod over the world's distinctive culture and threatening to turn the globe into one big, tawdry strip mall. In a certain sense, globalization means a sort of uniformization in all aspects of life. We can say this phenomenon induces the emergence of global culture. As its result, we can recognize that national culture and cultural behaviours have changed over the past few years. The model of Erez and Gati (2004) proposes that globalization, as the macro level of culture affects, through top-down processes, behavioral changes of members in various cultures.

The market is changing as well. Vargo and Lusch (2004, pp. 1-2) argue that “marketing has shifted much of its dominant logic away from the exchange of tangible goods (manufactured things) and toward the exchange of intangibles, specialized skills and knowledge, and processes (doing things for and with), which points to a marketing rationale that integrates goods with services and provides a richer foundation for the development of marketing thought and practice.” Briefly, we can recognize marketing has moved from a product-centered view stressing the importance of tangible output and discrete transactions), to a service-centered view with the importance placed on intangibility, exchange processes, and relationships).

### *Culture and socialization process*

Culture has always been a difficult concept to explain and an even more difficult notion to understand. It has been studied by disciplines such as cultural anthropology, sociology and history, and in numerous other academic areas ranging from psychology to cross-cultural business management. Many attempts at a definition have been made, and a wide variety of scholars working in these areas have offered numerous definitions, understandings and notions of culture. These definitions range from the simple to the complex, they often incorporate and extend previous definitions, and sometimes

they even contradict prior definitions. Many researchers have used more than one definition of culture, depending on the time the definition was formulated and the subject matter to which it referred.

Some anthropologists explain culture in terms of a map. If a map is accurate and one can read it, then one does not get lost. If a culture is portrayed correctly, one will realize the existence of the distinctive features of a way of life and their interrelationships, and will thus be able to navigate successfully between these features (Heidrich, 2001). One of the most accurate and widely accepted definitions of culture is the one offered by Kroeber and Kluckhohn (1952). Their definition shows precisely the many features that form a culture and provides us with a comprehensible notion of culture:

“Culture consists of patterns, explicit and implicit of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artefacts; the essential core of culture consists of traditional (i. e., historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other, as conditioning elements in a future action.” (Kroeber & Kluckhohn, 1952, p.181)

According to some scholars (Hofstede, 2001; Chhokar, Brodbeck, & House, 2007), the socialization process is a very important part of our culture. Socialization is the process by which children and adults learn from others. We begin learning from others during the early days of life; and most people continue their social learning all through life (unless some mental or physical disability slows or stops the learning process). Sometimes the learning is fun, as when we learn a new sport, art or musical technique from a friend. At other times, social learning is painful, as when we learn not to drive too fast by receiving a large fine for speeding. Positive socialization is the type of social learning that is based on pleasurable and exciting experiences and events. We tend to like the people who fill our social learning processes with positive motivation, loving care, and rewarding opportunities. As the human-beings are social-beings, we always need events and occasions to live our social life. The coffee shop is one of these socialization locations. That’s why we will take a look at the relation between coffee consumption trends and culture.

When we would like to set up a company, we follow usually the advice of Kotler. He defines a market as follows: "A market consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want" (1988: 63). Given a product or a service, Kotler suggests the following procedure for bringing the product/service to market (note that Kotler assumes the market exists):

1. Analyze long-run opportunities in the market.
2. Research and select target markets.
  - a. Identify segmentation variables and segment the market.
  - b. Develop profiles of resulting segments.
  - c. Evaluate the attractiveness of each segment.
  - d. Select the target segment(s).
  - e. Identify possible positioning concepts for each target segment.
  - f. Select, develop, and communicate the chosen positioning concept.
3. Design marketing strategies.
4. Plan marketing programs.

Organize, implement, and control marketing effort. This was the main reasoning of Café Frei as well.

### *Coffee consumption*

Regarding the coffee consumption habits, we see that the coffee is consumed differently in different countries. Basically, we can separate some cafe cultures, which define the coffee consumption habits. We can talk about several coffee cultures, such as the Arab-Turkish, French, American or German, Viennese and Italian.

In the Arab world, even in the XVI-XVII century, there were accepted written laws that if the head of the family did not allow his wife to get grams of coffee per day, this was a valid reason for divorce. In these cultures, the role of coffee is much more of a social role, and they don’t consume it because of its stimulant effect. It is typical in a collectivistic culture. We come across this habit in Africa and in some parts of Asia. In China and Korea, tea consumption is more significant than coffee consumption. However, there are examples for Turkish coffee culture in Europe as well, such as in Bulgaria, Serbia, Croatia, and Albania. If we take a look at Figure 1, we can see that in these countries the amount of coffee is less than in other parts of world, because coffee is an important part of social events.

The French coffee culture is similar to the Italian one. Actually, the French coffee culture is a bit closed and had less effects on world coffee culture.

If we consider the American coffee culture, then we can see that people consume a big mug of coffee in conjunction with a casual stroll. It is somewhat less common to sit down in a coffee house with a

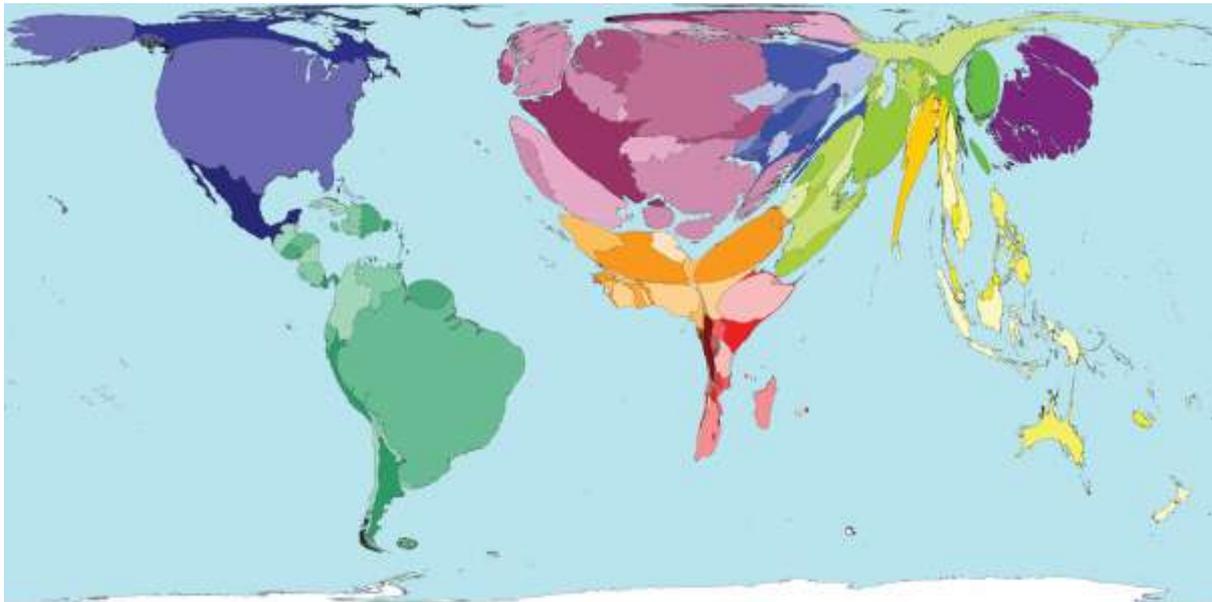
cake and a coffee whilst talking for hours. It's as if you consume a liquid rather than a stimulant – while this is absolutely not true. But they drink an insane amount of coffee daily, and, therefore, they are on the top of coffee consumption ranking.

In the Viennese coffee culture, coffee is a long drink like in American culture, but it has a really cultural or social role as well. It is no coincidence that the famous Viennese coffee houses involve people sitting down and spending a relatively long time there – it is a real social program.

So, we can see that there is wide range of coffee consumption. It is not an easy task to satisfy the different needs. It is a real challenge.

The United States is currently the world's largest market for coffee. Annual consumption per capita is just over 4 kg compared with 5 kg on average in Europe.

Consumption in Europe varies from around 10 kg per capita per year in the Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) to around 3 kg in the United Kingdom and most of Eastern Europe. The annual consumption of over 5 kg per capita in Brazil is exceptionally high among the over 60 coffee-producing countries. Brazil's annual production of around 2.4 million tonnes (40 million 60-kg bags) makes up a third of the world production of just over 7 million tonnes.



**1. Figure Coffee consumption around the world**

Territory size shows the proportion of all coffee worldwide that is consumed in that territory.

Source: [http://www.worldmapper.org/posters/worldmapper\\_1038\\_coffee\\_consumption\\_ver2.pdf](http://www.worldmapper.org/posters/worldmapper_1038_coffee_consumption_ver2.pdf)

### *European and Hungarian Coffee Consumption and Coffee Market*

According to Allegra ProjectCafé11 Europe survey, the UK is the most developed branded coffee shop market with 4,871 outlets and represents 41% of the total European market. Germany and Spain are both well established, with 1,887 and 944 outlets respectively. The fastest growing markets are Slovakia (85 outlets, adding 21 in the last 12 months) and The Netherlands (174 outlets, adding 37 in the last 12 months) albeit from a small base. The growth of specialty coffee and coffee culture continues to be the most influential consumer trend in Europe. Consumers are knowledgeable and demanding, seeking out the most indulgent coffee experience and refusing to settle for sub-standard coffee.

As we can read in a publication of Global Research & Data Services the three leading players in the market are Costa Coffee, Starbucks Coffee Company and McCafé with a combined market share of 34%. In terms of the number of outlets Costa Coffee has 1,444 across 8 countries; McCafé has 1,326 across 14 countries, overtaking Starbucks for the first time in 2011 which has 1,253 outlets across 20 markets. Other influential players include Segafredo Zanetti Espresso, Illy and Wayne's Coffee.

### **1. Table Top 15 European Branded Coffee Chains in 2010**

Rank	Brand	Oct-09	Oct -10	Outlets Added (net)	Growth Rate
1	Costa Coffee	1,047	1,248	201	19%
2	Starbucks Coffee Company	1,183	1,138	-45	-4%
3	McCafé	893	1,101	208	23%
4	Caffè Nero	395	429	34	9%

5	Segafredo Zanetti Espresso	270	270	0	0%
6	Caffè Dallucci	195	234	39	20%
7	Gregory –Coffeeright	220	233	13	6%
8	Caffè Ritazza	320	221	-99	-31%
9	Pret A Manger	195	213	18	9%
10	O'Briens	194	158	-36	-19%
11	Café & Té	144	151	7	5%
12	Greggs	118	140	22	19%
13	Coffeeshop Company	141	134	-7	-5%
14	Espressamente Ily	136	133	-3	-2%
15	Pumpkin	126	123	-3	-2%

Source: Allegra Strategies Ltd.

In markets with an established branded coffee shop culture, branded chain coffee shops will come under increasing pressure to provide an authentic experience that cannot be replicated in the home, especially as more European households have high quality espresso machines, the most popular types being pod/capsule machines.

According to the market leader McCafé's survey in Hungary, at home the espresso is a hit, in coffee shops the specialty coffee is the most popular. 63 % of the respondents most often drink coffee immediately after waking up at home, 25 % at work, 10 % in restaurants and other places. Drinking coffee at home is especially a "whim" for women as more than two-thirds of them drink coffee at home, while only 56 % of men drink it at home.

Those who advocate drinking coffee outside, purchase it mostly in the coffee shop, pastry shop (45 %) or coffee chop chain (25 %). They decide by the quality of the coffee and atmosphere of the place. This group usually consumes coffee locally (59 %), but thanks to the lockable cap the take-away coffee is popular as well. The Hungarian market's leading chains are McCafé, Café Frei, Segafredo and Semiramis. Value for money is critical for success and a high quality coffee offer is essential in order to meet consumers' expectations.

Hungary is characterized by a lesser known American coffee habit – on the street while walking and sipping (2 %), many (35 %) take it with them to their work, and only consume the purchased coffee at work. This may explain why the job was the second rung of the ladder when a person is asked where he/she drinks coffee most often.

Overall, we can say that Hungarian consumers have grown up: it is not the price but the taste and the quality that determines the reason for their choice; we are looking for experience in the coffee, and not its stimulant effect. In addition, many of them think in a responsible way, and are open for sustainable coffee.

In Hungary, the Café Frei is the only branded coffee shop chain, which always offers coffees made from freshly roasted, hand-selected, arabica coffee beans. The Café Frei is also unique in that it offers not only the Italian and French coffee recipes, but the "world's favorite coffees", ie, all major "coffee cuisine" can be tasted in the coffee shops.

The coffee beans are roasted according to the recipe of a Dutch master barista - in many ways. The coffees are mixed in a unique proportion from 26 top-quality plantations of 13 different countries in the world. The gourmets have the options to taste coffees from the different regions separately.

The Café Frei offers a wide range in the shop, according to the customer's needs, from mixed, ground, fresh roasted coffee to books, gifts, accessories of the tea and coffee. Where it is possible, there's room for other cultural events (fine arts, literary and musical works) in the coffee shop.

You can take a trip around the world with the coffees of Café Frei, but the special furniture from Arabia and Africa to South America "reminds" the guests of a world trip, as well as the cakes lined up with favorites from three continents. Wines from Australia to Argentina, provide a "taste-travel" to the guests. The Café Frei is a cosmopolitan, exciting place.

We can say that the operation of Café Frei is the mixture of McDonaldization and Disneyization according to the consumers' and turbulent world's needs. The globalization of services differs from the global deregulation/diffusion of standard products. In a service industry one can distribute only uniform systems. These systems are, however, handled by people with different cultural roots and attitudes, which make uniformity difficult. There are two models of services that are international and prevail in global economy: McDonaldization and Disneyization. The former involves Ford's and Taylor's principles of organizing work in the area of services. The latter also seeks to meet the organizational and human resource requirements of the experience of consumption, the seizing of the moment, which is typical in post-modern societies.

## 2. Table Recognizable traits of McDonaldization and Disneyization

### McDonaldization

### Disneyization

predetermined process for employees  
predictability  
efficiency

theming  
hybrid consumption  
merchandizing  
performative labour

The Café Frei is a franchise. There are many different types of franchises. Many people associate only fast food businesses with franchising. In fact, there are over 120 different types of franchise businesses available today, including automotive, cleaning & maintenance, health & fitness, financial services, and pet-related franchises, just to name a few. The benefits of franchising include using the franchisee's capital to develop a brand at a local rather than national level. The customer then receives a better and more localised service.

Growing your business can be difficult and expensive. The more you grow, the more capital you need, for example, to finance new outlets. At the same time, managing the business becomes more difficult, particularly if your business is spread across the country. You will need to be prepared to travel around the country when giving support.

### Conclusion

As a conclusion we can state the well known models in literature serve as good “crutch” in entrepreneur’s life, but in our turbulent world the role of soft factors of business life (e.g. culture) is on the upgrade. Therefore, we suppose that the models’ usefulness is limited, because the environmental factors and the hardly controllable soft factors play more important roles than the “model factors.” The adaptation has a greater role in our life than ever before, and it is important to quickly make the right decisions. The “Café Frei” is another example that the models are not implemented purely real life, but their special blends will be viable (even if at the very beginning of company there is no such awareness about combined use of models).

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