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IMPLEMENTATION OF THE DIFFERENTIATION STRATEGY IN CAFÉ INDUSTRY IN TURKU



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INTRODUCTION

This thesis research will be studying the integration and working process of the differentiated business-level strategy in the café industry in Turku city area. The motive for implementing this research came from my personal interest for coffee and its big importance in Finnish culture. This work will cover and combine both business-level strategy and coffee history and culture in Finland.

1.1 RESEARCH BACKGROUND

COMPETITIVE STRATEGY – TOOL FOR ACHIEVING COMPETITIVE ADVANTAGE

Competitive strategy is a tool that companies use to achieve competitive advantages. Competitive strategy consists of three main strategy directions, including “no frills”, low-price and differentiation. This research will be focusing on the differentiation strategy in café industry, explaining the importance and influences of the right strategy determination on the business performance. In order to understand the differences between the strategies short description of each strategy is provided below.

No frills strategy is applied when targeting the segment group of those who are not able to afford expensive products or simply do not care about differences between the products. Strategy is implemented for basic products like food and other commodity-likes, mostly in developing areas (Johnson et al. 2005, 245-246).

The same time, low-price strategy concentrates on providing the same benefits as competitors for lower price. Implementation of the strategy has its own risks, including price reduction followed by other competitors and inability to further develop the product because of no resources for reinvesting. Low-price strategy should be planned in a way that no other competitor can espouse it (Johnson et al. 2005, 246).

Third strategy is differentiation. It stands for providing benefits of services and products differently than competitors but for the same price or sometimes higher. This strategy targets segments where consumers value uniqueness and differentiated attributes of the purchased products. In order to implement successful differentiation strategy, it is necessary to identify the strategic customer first. There are customers with different preferences on the market and they have different requirements in terms of differentiation. Also the size of competition base is important when implementing the differentiation strategy. If competitors operate in narrow or the same market segment it is suitable to apply focused differentiation (Johnson et al. 2005, 246-248).

1.2 RESEARCH MOTIVATION

SIMILARITY OF OFFERED SERVICES AND PRODUCTS IN CAFÉ INDUSTRY IN TURKU CITY AREA

As it widely known, Finland is among the world's biggest coffee consumers. The average year consumption is 11.8 kg per capita, measured from 2000 to 2010 (International Coffee Organization 2011). The fact that Finland is the only one country in the world where coffee breaks at work are stated by law also reveals that coffee is a big part of the Finnish culture (Boström et al. 1997, 3).

Turku played quite important role in adapting coffee culture in Finland since the first cafeteria was opened there (Ignatiew & Manninen, 1998, 44). Nowadays, there are plenty of café places in Turku and majority of them belong to different café chains what makes them quite similar in a way. Only few cafeterias in Turku are famous for their uniqueness in design, customer service and offered products.

In order to find out whether my personal observations regarding the similarity of cafés in Turku match with the opinions of other people visiting

cafeterias in the same area, I have implemented a short survey to find out where people usually go for a cup of coffee in Turku and why they choose that specific places.

A sample of 35 university students from Turku answered the survey. The results showed that the café preferences of selected respondents are quite differing. The fourteen places were named in total. However, four mostly named cafés gained votes mainly for their location. Additionally, design was mentioned as a second reason for visiting places of the top four. This survey has proved that the possibility of watching people walking on the streets from a big window is definitely a plus for attracting customers. The most interesting feature of this survey is peoples' misunderstanding of the café concept as the respondents mentioned many places, other than cafés. Places such as doughnut franchise, fast food restaurants, bars and university canteens were named among the rest.

The comments provided by the participants revealed that cozy atmosphere and quality of coffee matter when choosing the place to enjoy coffee. It also showed that part of the population is ready to pay more for quality and better customer service of small cafés rather than going to the chain cafeterias. One person also commented on scarcity in products and similarity of cafés in Turku. None of the respondents mentioned originality as a reason for visiting a specific coffee shop.

1.3 RESEARCH OBJECTIVES AND RESEARCH QUESTIONS

The answers of the survey revealed that respondents are open to new ideas and willing to pay for an added value, which helps to proof that there is possibly a potential for differentiated cafeterias in Turku. The future implementation of this thesis work in this area will enable to scan the consumer needs and to analyze how they match with the present availability of cafeterias in Turku. The aim of this thesis work is to determine how to

implement a differentiated business strategy in café business in Turku so, that it will be successful by matching the consumer needs better than competitors.

Based on the objectives above and the results appeared from the first survey, research questions are identified as following:

RQ 1	What factors must be taken into consideration in the first place when establishing a differentiated cafe business?
RQ 2	What are the ways to discover new differentiation ideas?
RQ 3	How to identify <i>who is the strategic customer</i> of the particular business? How to meet that customer's differentiation needs?

2 LITERATURE REVIEW

2.1 A Continuation model of Porter's generic strategies

Authors define competitive strategy in many ways. Sometimes it is mentioned in connection with the business unit of organization. For example, competitive strategy in organization, according to Johnson et al. (2005), is developed in the independent business units of that organization. The same time, Hitt et al. (1999) brings up industry positioning when talking about the business-level strategies.

In any case, all definitions have one common description. Competitive strategy is the base for achieving competitive advantages in its market.

Michael Porter was the first person who introduced generic strategies and proposed that by using them organization can achieve competitive advantages. As it is shown in Figure 1, these strategies are "cost leadership", "differentiation" and "focus" strategies. In some literature sources focus strategy is divided into two strategies - focus cost and focus differentiation. Through time entrepreneurs have developed also the fifth strategy that covers both, cost leadership and differentiation, to use even more effective strategy.

It can be difficult to carry on the successful hybrid strategy due to the lower level of margins caused by the low costs, leading to inability to reinnovate products. However, when carefully considered, hybrid strategy may be beneficial in some situations. At first, low costs attract bigger volumes. The same time larger volumes provide greater profit returns. Moreover, when the core of differentiation is identified, companies are able to concentrate on reducing costs in other areas. Finally, hybrid strategy can turn out successful when entering new markets with already established market players. Innovative products with the low prices drive consumer attention off the other rivals.

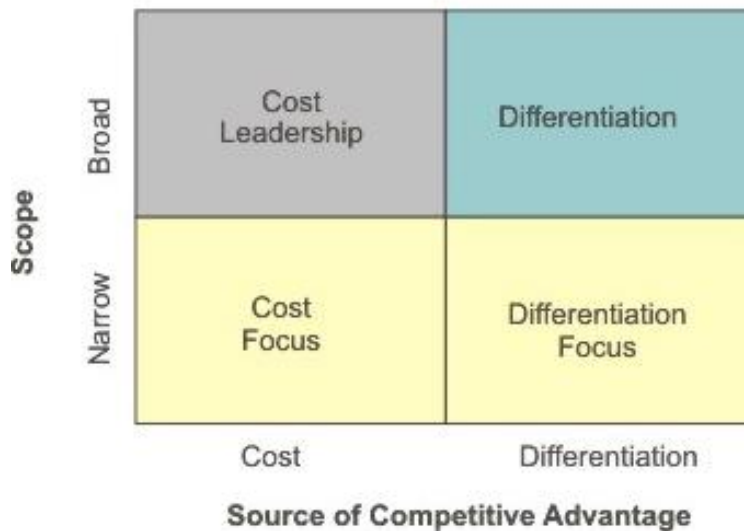


Figure 1. Porter's Four Generic Strategies

However, people still confuse "cost leadership" generic strategy with the low cost. Therefore, in some authors' sources Porter's generic strategies are supported with more developed and broader theories and illustrations. Bowman and D'Aveni (1996) use "market-facing" generic strategies that work by principle that competitive advantage can be achieved by providing products and services to the consumer better or more effectively. Meanwhile, strategy clock straightens divisions of differentiation, focus and price.

According to Bowman (1996), deal between buyer and seller can be achieved when the product's price matches with the product's benefits perceived by the customer. However, product's value requirements in relation to price can differ between customers. Bowman's clock's positions represent positions in the market, where customers have different value requirements. In order to achieve competitive advantage in different positions on the clock (market), specific generic strategies should be implemented. Therefore, positions on the clock also represent different generic strategies.

The demand between positions on the clock is spread unequally. Positions 1 and 2 have bigger demand in the commodity-like markets when more

advanced markets have more demand in positions 4 and 5. Consequently, the beginning positions on the clock are more concerned with the price moving towards the positions where uniqueness of the products is more appreciated than the price. It is important to consider switches within the markets and their changing preferences, when choosing the competitive strategy for specific segment, as disposable income grows also in poor economies. The strategy clock helps to understand that in the "cost leadership" strategy perceived benefits reflect the price that is worth for its value and not the low cost as some people tend to consider.

BOWMAN'S STRATEGY CLOCK

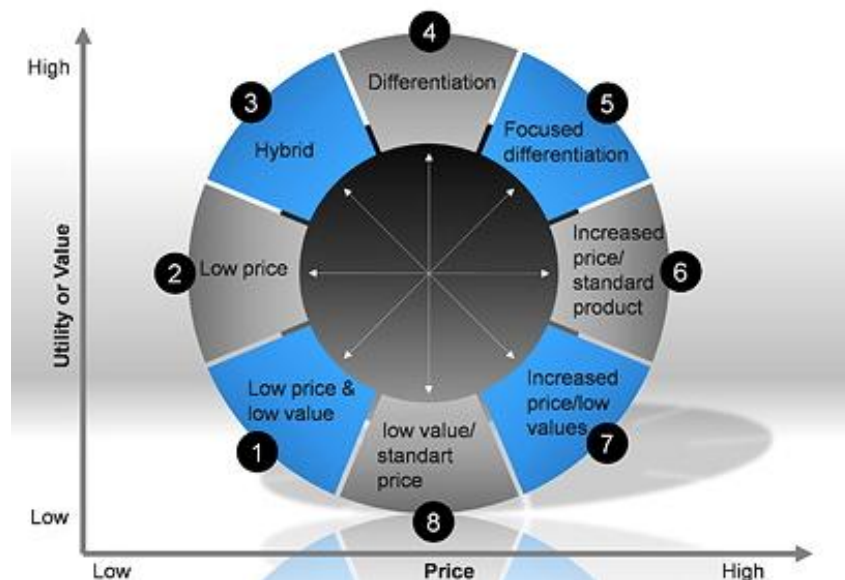


Figure 2. Bowman's Strategy Clock

Organizational costs are of high importance, especially when comparing with those of competitors. Cost is a part of every strategy on Bowman's clock (Johnson et al. 2005, 247).

2.2 Eight strategies of Bowman's clock

Figure 2 shows that there are eight strategies on the clock in total. Meanwhile, these strategies can be grouped into three - differentiation strategies, low price strategies and risk strategies (Thomson & Banden-Fuller 2010, 184). Let's now describe each one of strategies in detail.

Hybrid strategy aims to reduce costs in production, so it can constantly offer low prices. With the gained profits it reinvests in differentiation.

Differentiation strategy offers consumers an added value, which can be derived from product's design, increased functionality or other added attributes. Company that practises focused differentiation is concentrated on targeting one specific segment. Its differentiation focus is usually luxuries that offer so much of added value that it is natural to charge a high price. Additional value is compiled from brand and its name. Consumers, the same time, are willing to pay that price if the purchased product is able to display their strong social status (Thomson & Banden-Fuller 2010, 184).

Next three strategies are the ones under the higher risk of failure.

The increased price/low value strategy is most often practiced in the market with no competition or monopoly market. There is only one market player that can charge high prices even if the added value of offered services/products is recognized as low. There is a risk that some other company may notice the flow and will enter the market by offering the same products or services for the same price but of high quality and through that will eliminate the only one market leader.

In the increased price/standard value position on the clock competitors do not follow of what other companies are doing on the market. It is a risky situation because of possibility of losing market share at some point.

In the position where price is standard and value is low, organization should be definitely prepared for losing market share.

The final group of Bowman's clock is a low price target.

In a low price strategy, companies are able to offer lower price mainly due to the low production costs. Companies of this segment have to maintain low price in order to stay ahead of competition. Low price strategy is risky because of low

margins and too little recourses for product's renovation, and also because rivals can follow the low-cost strategy too.

The same time, "no-frills" strategy serves segments where demand for product benefits is low. No-frills strategy aims to satisfy the basic needs of consumer and therefore, charges low prices for products or services it is offering (Thomson & Banden-Fuller 2010, 185).

2.3 Differentiation strategy

Differentiation is one of four generic strategies. The idea of differentiation is to achieve competitive advantage by providing unique services or products that provide an added value to consumers. The main concept is to provide products and services that are different from those of competitors. Two other factors on which depends strategy's success are defining the strategic customer and defining the range of competitors.

However, in the focused differentiation strategy, company focuses on providing product and service benefits that are highly valued by consumers to the particular market segment. Usually these products are luxury goods and, consequently, high-priced. Defining the right type of differentiation is sometimes an issue for a company as well as distinguishing of a strategic customer (Johnson et al. 2005, 246-248).

Meanwhile, focused differentiation has its own flaws. More likely company goes international when increasing sales through the focused differentiation. A company can get to a global level when it knows how to maintain the strategy in the fifth position on the Bowman's clock, focused differentiation, in every foreign market.

One of the often-appeared issues of the focused differentiation is when it is only a part of an organization. Some companies tend to sell wide range of products to many consumer segments at the same store. That brings difficulties when applying focus strategy for particular goods because other aspects may not fit with the target group's preferences, perception and needs.

New ventures can also struggle when implementing the focused differentiation. It can be hard to achieve more sales due to the fact that there is not enough demand or people are not ready to pay as much money. As a consequence, company strategy moves from position five to position four by lowering prices while maintaining the quality of offered products or services.

Through time markets keep eroding. Common goods improve through the competition and so, consumers do not want to pay any high price as they take better quality for granted. Sometimes market switches happen unexpectedly. Companies, the same time, should be ready for implementing their own change in order to keep up focused differentiation strategy successful (Jonson et al. 2005, 251-252).

Normally company does not differentiate only one product or service. More often differentiation consists of the combination of products and services.

The uniqueness of the provided service or product can be derived from different activities, including product performance, marketing, technology, location and experienced employees (Grant 2005, 283-284). Quite often product's benefits are not straightly recognizable for the consumer. Characteristics of some product can be distinguished only after consumption. In order to launch a successful differentiation strategy, product's unique attributes must be communicated to the final consumer (Grant 2005, 287).

Through the implementation of the differentiation strategy, company seeks to achieve competitive advantage such as providing of a better product or service with the same price or just slightly higher (Johnson et al. 2005, 248).

2.4 Strategic groups

Switching to the second factor of the successful differentiation – identification of the competitors. Sometimes it is hard to understand competition within industry due to its level of broadness. The market leaders of the same industry can compete on different bases such as logistics, sales, product penetration, operations and service. This type of competition refers to the term of strategic

groups (Johnson et al. 2005, 89). Strategic groups are the organizations within the same industry that follow common strategies and are based on similar competition principals, have common characteristics and assets (McLoughlin & Aaker 2010, 45). Accordingly, characteristics of one strategic group noticeably differ from the ones of another strategic group in the same industry. There is large amount of different characteristics that can be defined between strategic groups. Simultaneously all characteristics can be sub grouped in two classes – 1) scope of the organization's activities 2) resource commitment. The former one covers aspects such as product range, geographical coverage and distribution channels. The second category includes brands, marketing spending and extent of vertical integration. In accordance with Johnson et al. 2005, understanding of the industry's history helps to find out which of characteristics are the most important within that particular industry. Implementation of the strategic group map enables organizations to analyze industry's changes through time.

- It helps to define direct competitors, their competition bases and differences between bases of other strategic groups of the same industry.
- It deals with the subject of the mobility between groups, including extent of the barriers to move from one group to another.
- It is concerned with the opportunities and threats to organizations that can be also caused by changes in outside environment, e.g. globalization and advancing technology sector (Johnson et al. 2005, 90).

Strategic group map should be applied in order to implement successful differentiation strategy.

Strategic grouping map will be implemented in order to determine competition bases in the cafe sector in Turku. Cafe businesses used in that map (Diagram 1) will be identified based on their business models. The map will help to identify what are the main strategic groups, what weapons they use to compete

and what opportunities can be derived or threats can be prevented based on the gained information.

2.5 New sense of marketing

After the analysis of the strategic groups comes customer needs and customer itself. However, first, it is worth considering the whole process of marketing before going deeper with the customer needs. What is marketing? How customers and competitors are related to this process?

Marketing deals with customers more than any other business area because it constantly aims to gain new customers by promising them an exclusive value. At the same time, its task is also to keep current customers by satisfying them with the value that those customers were promised. In today's world marketing does not only deliver products and services that are demanded but it is also about creating customer needs that customer itself does not know about. For instance Apple fulfills its promises of "Thinking Different" by constantly developing and presenting customer-driven innovation products derived from the imagination, which enables to keep Apple's customers loyal. It creates the need for customer itself and keeps the loyalty by delivering what it has promised.

As funny as it may sound, marketing follows us everywhere we go. Commercials, posters on the street walls, advertisement e-mail – these are all marketing. As many people tend to consider, marketing is about advertising and selling goods. However, this is an old perception of marketing. The new definition stands for satisfying customer needs in the first place. However, the need is not always discovered by the customer itself but, according to the personal theory of Steve Jobs, new innovations create potential needs for customers (Forbes 2011). Marketing is an exchange process, where organizations and individuals create and exchange values. In short, marketing is about building and maintaining profitable customer relationships. Organization works to create value and to build strong relationships with the customers in consideration of gaining value from them in return.

Marketing is a five-step process, where in the first four steps organizations work on understanding customer needs, creating value and building strong relationships with them. Only in the final step, organizations get their rewards in form of sales and profits obtained from the superior value that they have created to their customers (Armstrong & Kotler 2010, 37-38). Next section explains how to explore and what are the customer needs.

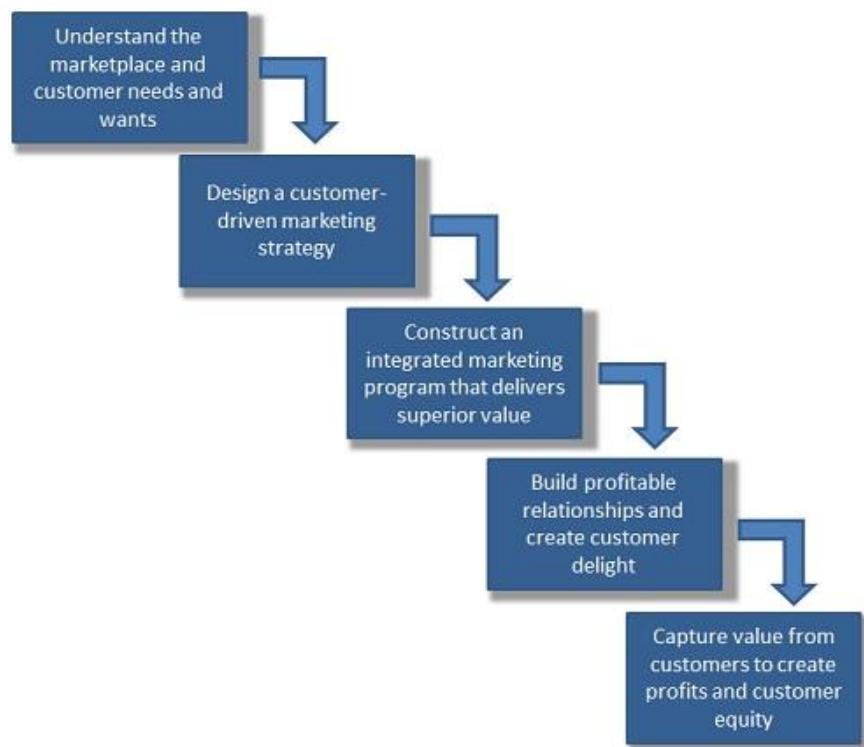


Figure 3. Simple Model of Marketing Process.

Café Voltaire does not use any advertisement for promoting itself. It has been mentioned in newspapers only twice and both times during Christmas. The owner of café Voltaire Jean-Pierre Frigo believes that the spread of word works well in a small community and the fact that not everybody knows about existence of Voltaire makes it special in a way. Café Voltaire has good location, so it will always attract new customers and since the owner Jean-Pierre does not see any competition for Voltaire, there is no need for advertisement.

2.6 From the basics of customer needs

The roots of customer needs lie in the basic human needs. They can be defined as states of feeling suffer. These needs are physical, including need for food, clothing, warmth, safety, social, such as need for belonging and affecting, and knowledge, meaning need for knowledge and self-expression. Human needs are not created or developed. These are the needs of all humans (Armstrong & Kotler 2010, 38).

The same time, wants is the contrary of needs. Wants evolve from needs through cultural influences and individual personalities. Comparing needs with wants, an American needs food but wants hamburger and French fries. The same time when Guinean wants rice and pork. These are the needs influenced by different cultures or societies that perform in term of objects for satisfaction.

Moreover, when buying power is added to wants, latter become demands. Availability of both, wants and needs, people demand goods that have benefits to satisfy their needs even better.

Superior marketing companies go very deep to get to know their customer and their needs, wants and demands. For instance, customer research implementations as well as analysing the customer data are the ways of discovering customer needs. In this kind of companies, employees at all levels stay close to customers, including their management.

The combinations of products, services and benefits, so called market offerings, satisfy wants and needs of the consumer. In addition to physical products, market offerings may include intangible services or benefits that practically can be owned by the customer. Sometimes market offerings can include other essences such as places, organizations, information and ideas (Armstrong & Kotler 2010, 39).

For instance famous water brand Bonaqua does not just sell pure water. It also has started co-operation with the Finnish Red Cross in 2012. Bonaqua donates 3 liters of clean water to Africa from each bottle it sells (Coca-Cola 2012).



Picture 1. Bonaqua's Africa Campaign Ad, Finland 2012.

The goal of Bonaqua's 2012 campaign is to collect 50-80 billions of clean water Kenia, region of Ikuth.

Some sellers are affected by the marketing myopia, meaning concentrating more on the product itself, forgetting about experiences and benefits provided by that product. In this situation, seller is only concerned of consumer's wants and not his/her potential needs. The same time when smart marketers look under the basic benefits products can provide, they think of bigger attributes hidden beyond them. By compiling few products and services, they create experiences of the brands.

2.7 Market Segmentation

Not all buyers have the same needs and wants. Consumer needs may differ very broadly depending on consumers' location, buying attitudes and preferences, resources and buying practices. The aim of the market segmentation is to divide large markets into narrower segments that can be reached easily and more effectively (Armstrong & Kotler 2010, 199). As it has already been mentioned before, for instance, focused differentiation serves some particular market segments or one market segment.

There are no straight instructions on how to segment a market. Marketers use all kinds of variables in order to view market structure the best. Armstrong & Kotler (2010) highlight four main variables for segmenting the market – geographic, demographic, psychographic and behavioral variables.

Geographic variable claims for dividing the market into geographical units like nations, regions, states, countries and even neighborhoods. Company can decide whether it will serve only one region or many of them, taking into account differences between them. Nowadays, it is quite common for businesses to localize their products, sales and promotions in order to meet the needs of one particular region.

The most popular way to segment a market is by using demographic segmentation, which is based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, and nationality. The reason why it is the most popular is that consumer needs and wants vary very closely with demographic variables. These variables are also easier to measure than any other types. Demographic variables have to be available to the marketers before applying any other measures in order to determine the size of the target market.

Psychographic segmentation divides consumers according to their social class, personal characteristics and lifestyle. People of the same demographic segment can have different psychographic characteristics and opposite. For instance, American Express provides cards that reflect consumer's lifestyle or social class. It's campaign "My life. My card." creates images with which consumers want to identify.

The final segmentation variable is behavioral, which categorizes buyers based on their knowledge, attitudes, uses, or responses to a product. According to some marketers, behavioral segmentation is the starting point of defining market segments (Armstrong & Kotler 2010, 203).

2.8 Market segments

The term of market segments arises when investigating consumer needs on a market. Most of the times consumer needs are too diverse and therefore should be allocated into groups (Johnson et al. 2005, 91). Conforming to Johnson et al. (2005), market segment is a group of customers who have similar needs that are different from customer needs in other parts of the market. There are three main factors that can be analyzed in order to define the segment. They are characteristics of people/organizations, purchase/use situation and users' needs and preferences for product characteristics. Depending on industry, it is important to think which fundamentals of segmentation are the most relevant in any particular market. Moreover, consumer needs change through time causing switches in segmentation bases for targeting organizations. The most functioning way to define segments is to apply different bases of segmentation in the same market in order to see fluctuations in the market (Johnson et al. 2005, 91). For experienced marketers it is not enough to use price as a weapon for gaining competitive advantages. In order to stay ahead of other competitors or segment's "leaders", it is critical to built customer relationships that are hard to break. As consumer values differ in every segment, gaining advantages that suit company's capabilities is crucial. For instance, small firm has to find its own unique way to meet consumer values in order to keep its relative market share up in a line with other big brands (Johnson et al. 2005, 94). Relative market share is the firm's own market share divided by the market share of its strongest competitor (Simon 2009, 52). These days it is getting easier to deal with segmentation as availability of consumer data is high and can be scanned electronically. In Internet shopping, for instance, it is possible to target customers on micro-level. Company targets customers based on their previous purchases online. Sometimes this way of targeting segments is more effective than geographical segmentation (Johnson et al. 2005, 94).

It has been mentioned in paragraph 2.3 that identification of strategic customer and direct competitors are two main bases for the successful differentiation strategy implementation. However, before defining the competitors, there is a

reason for consideration of the competition base (Johnson et al. 2005, 248). In this particular case, does new differentiated cafe compete with all other cafe shops located in Turku or only those that serve the same consumer segment? If it is the latter case it is necessary to define that particular segment in order to be able to find out who are the competitors that serve the same segment. Serving particular segment refers to focus differentiation (Johnson et al. 2005, 251).

2.9 Identifying the strategic customer

Selling goods and services on the market involves many players performing different roles. For instance, manufacturer has two customers – retail store and retail store's customers, since product consumers purchase goods from the shops. Both of these customers have influence on the demand. However, one of them is more influential than the other – the strategic customer. Strategic customer is the one to whom the strategy is mainly addressed because he or she has the most influence on the purchase of goods and services. It must be understood who is the strategic customer because as usual strategic customer is a "gatekeeper" to the end user. Understanding of values of the strategic customer is of a high importance. The needs of other customers are also important. However, the needs of the strategic customer are the most important because it has the biggest influence on purchases and demand. The strategic customer can vary also depending on whether it operates in B2B or B2C market. For many businesses retail stores are the strategic customers (B2B market) since the way they present and deliver goods to the final users influences buying preferences of those users. Moreover, in the Internet shopping services the strategic customer can be both – the final user of the product or an intermediate between the product and the final user (B2C market). The latter comes out from the fact that many products purchased online are to be given away as a present. There are many market examples where the strategic customer is not necessarily a final user. Those examples can appear, for instance, in public services or manufacturing businesses, where some equipment for manufacturing is purchased by those who are in charge of managing the company's funds (Johnson et al. 2005, 96).

3 RESEARCH METHODS

Research is something that people undertake in order to find out things in a systematic way, thereby increasing their knowledge (Saunders et al. 2009, 5).

One of the aims of this research is to find out what people think about the services and products available at the moment in the café industry in Turku and to help businesses benefit from the findings and develop their business-level strategies. With the help of customer surveys this study investigates if there is a consumer need that has not yet been completely addressed and searches for ways to solve it.

This research work relies on scientific articles, books and previous researches in the similar area. The purpose of this work is to deepen with the topic and to find the solutions for the research questions. Based on the fact that this research explains the process of the right business-level strategy determination and its further implementation on the market place, this thesis consists of both theoretical and empirical parts. Theoretical part explains what are the business-level strategies, their differences and similarities and factors that influence the selection of the business-level strategy. The empirical part focuses on discovering the present situation on the market and level of consumers' satisfaction for the offered products and services and searches for ways to improve them. This research is useful for new entrepreneurs planning to establish café business in Turku.

One of the main parts of this work will be an example of already operating differentiated cafeteria in Turku, Café Voltaire. The entrepreneur of this café has kindly agreed to participate in this research and has personally showed interest towards this topic. This example will provide better understanding of the motives for establishing a unique business.

3.1 Problem Structure and Research Design

Before going deeper with data collection methods it is important to plan how to collect data and what kind of data to analyze. It is important to come up with research design, a framework for data collection and analysis. Quite often research design is confused with one of the research methods. One of the clearest examples is a case study, which explores the particular case of an organization in order to provide better understanding on the main problem studied in the research. Furthermore, once the case study is determined as the research design, research methods should be defined next (Bryman & Bell 2007, 39). However, the structure of the research problem has big influence on the design. Some research problems can be understood well and some badly. Nevertheless, problem still exists and researcher should come up with the solution. When the research problem is not clear it is hard to formulate the research question.

In the case of this research work problem type is unstructured. The sample survey presented in the beginning of this work has proved that there is a potential for the differentiated cafeteria in Turku. However the research aims to find out how to implement the differentiated strategy in café business so, that it will be successful by matching consumer needs better than competitors. Researcher knows that there is a potential for the specific strategy but does not know what are the requirements for its successful implementation. This is the unstructured problem (Ghauri & Gronhaug 2005, 57). The same time, when the problem is unstructured the task to solve the problem is also unclear. Therefore, the research follows the exploratory design. In the exploratory design problem gets solved, as the researcher finds out new information, step by step. The researcher explores the situation by suspecting and discovering new sources of information. This research, first of all, relies on the available literature related to the topic, mostly books and online articles. It presents the case study of the differentiated café business located in Turku and by that provides more descriptive insight on the subject under the study. The main goal of the case study is to support theory with the practical example and to explain unique

features of the case enterprise. In addition, this work includes both qualitative and quantitative question-based surveys where respondents can freely express their thoughts and opinions. The need for the second survey appears during the development of the research, indicating again the type of the research as exploratory (Ghauri & Gronhaug 2005, 58).

3.2 Research Data and Data Collection

This research is based on both qualitative and quantitative data collection methods, surveys and interviews in particular. In some cases, only qualitative data can explain some of the research objectives. As Hair et al. 2011 mention in their book, qualitative data is likely to be preferred in situations where previous research explains the problem only partially or incompletely. Same as here, there are a lot of definitions on the differentiated business strategy, such as providing different products or services than competitors or providing the same products and services differently than competitors. However, it is explained broadly. In this study interview presents particular techniques of already existing differentiated café business that help to stay ahead of the competition. It explains what kind of different products and services are provided in the differentiated café of the case study used in this research.

The quantitative data collection method, which is survey, is used in order to gather mass of opinions in a limited amount of time, for easy counting and analysis. However, the survey used in this research work includes both closed and open questions due to the fact that the aim of the survey is also to find out what respondents think, their feeling and opinions. It is impossible to acquire this kind of information by using only closed questions.

3.3 Research Procedures

Two surveys were implemented during this research work. The aim of the first survey was to find out what are the most popular cafés to visit in Turku as well as general understanding of café, when the second one was more precise with the purpose to find out what kind of customer needs have not yet been met by existing cafeterias on the market, general satisfaction level in provided services

and what can be improved in particular. The idea of both surveys is to prove that my personal observations match with the ones of respondents that there is a need for more differentiated cafés in Turku. The first survey questionnaire was conducted online and sent out through the social media server and the second one was conducted in a printed form and delivered physically to five different cafeterias. The first survey received 35 replies and the second one 30 replies with the majority of replies from the international café visitors.

Survey was accomplished by using questionnaires. Questions were structured in logical order and simple language was used in order to avoid misunderstanding. All of the answers were provided in multiply choice and paragraph text forms. The idea of the survey was to find out only specific information that would help to answer the research questions. Therefore, it was short and accurate. The target group for survey consisted of coffee drinkers who visit Turku cafeterias. Questionnaires were delivered in paper format and were left in the visible place, the most left close to the cashier or to the table area, in five cafeterias in Turku, including Robert's Coffee, Cafe Brahe, Coffee House, Wayne's Coffee and Aschan. Questionnaires were available in cafeterias for one week, so that questionnaire could achieve more responses. Questionnaires were delivered during different weeks to different places. However, all of them were distributed during July of 2012.

The interview with the owner of café Voltaire was implemented in order to present a real life example on differentiated business strategy and by that to help to answer the second research question – how to identify the right generic strategy for a new café business? The interview also supports theory of differentiation as well as Bowman's clock model that is explained in chapter 2.1.

The purpose and results of both research methods are strongly connected with each other. Survey enables to discover what should be improved on the market and information gathered from the interview explains how to select the right business strategy by using results from the survey.

3.4 Research Limitations

Even though the questionnaires were available in each cafeteria for more than a week, the amount of responses was smaller than expected. The research survey is based on a sample size due to limited responses. According to Robin J. Birn 2000, the presence of the stated sample size serves as a reminder that the survey, though quantitative, is still only based on limited amount of respondents and therefore has statistical limitations that increase with decreasing sample sizes. The sample size for this kind of survey is small and therefore statistically limited with a low validity.

The majority of respondents are international visitors of Turku cafeterias. For comparing, the perfect outcome would be relatively equal amount of respondents from both Finnish and international inhabitants of Turku. The differences between two groups may come from respondents' previous life experiences and their general perceptions. It is also impossible to compare responses on personal level due to the fact that the questionnaires are anonymous.

4 THE CASE OF CAFÉ VOLTAIRE

In order to experience new adventures or explore new about different places does not always require travelling. A little piece of France, Café Voltairé, will bring you to the whole new world of tastes, sounds and creative thoughts.



Picture 2. The door of Café Voltairé

Jean-Pierre Frigo is a 60-year-old French journalist and owner of the café Voltairé, located in Turku. For the first time Jean-Pierre moved from Paris to Finland in 1971 when he was just 20 years old. His living experience in Finland lies in two phases, making in total 23 years of stay. In the first place, he was working as a journalist writing about France for the Finnish media. In addition, he wrote two books during his career. The first one tells about gastronomy, which combines Finnish and French eating habits and the second one is a linguistic book, describing backgrounds of cultures. Jean-Pierre Frigo is also the first journalist, who wrote about the best French restaurants for the Finnish magazine, called "Hyvä Ateria" in the 90's.

However, through years and especially after moving away from Helsinki, French man found it difficult to write due to the scarcity of information related to

happenings and lifestyle in Turku. That is where the idea of establishing own business came from. Even though Parisian journalist did not have any experience in business before establishing café Voltairé, it was not so important to him. Because of his French-Italian background, food has always been around in his life. “Experience does not always matter”, he says. Besides that, Jean-Pierre used to write about economics, so he also has knowledge in business.



Picture 3. The owner of Café Voltairé Jean-Pierre Frigo

As it can be noticed from the photos below, Café Voltairé is a place with the spirit, old-style French spirit. Relaxing French music, mixture of coffee aromas and ancient looking furniture creates atmosphere of a real Parisian pavement café. You can stay few hours reading a book, borrowed straight from the Voltairé's bookshelf, while slowly sipping from your cup of café crème and watching people walking down the street.



Picture 4. Inside view of Café Voltairé

Some visitors come to Voltairé with the specific purpose to buy something from the food boutique, which is another part of the cafeteria. For those who are not familiar with the French cuisine, going to Voltairé's shop is like visiting a food museum. Chestnut jam or goose pate is not something to be often seen in the Finnish shops. Photos of the products available in the shop are provided further. The third part of Café Voltairé is a room for Thursday gatherings. Every Thursday people come to talk about art, music and food. That is also an amazing opportunity to get wine recommendations from Jean-Pierre.

Alcohol is not served in Voltairé but it is definitely a subject of pride for its owner. He refers to the wine as to the "drink of gods" when talking about beverages.



Picture 5. Products sold in boutique. Left – mussel soup; right up – snails; right down – chestnut jam



Picture 6. Fig jam jars from Cafe Voltairé's boutique

Voltaire's gatherings connect people with all kind of interests, where they can share experiences, gain new knowledge and relax.



Picture 7. Another product available in the boutique -foie gras

“It came to this kind of place because it suits me”, he says. According to the owner, café Voltaire is the reflection of his personality. He likes art, music and literature – things that are enjoyable for free. Even the name of the place, Voltaire, comes from the name of the famous French writer and philosopher. There are a lot of photos and posters of famous French artists in the cafeteria as well. Photos of some of them are provided below.

For instance, music in the cafeteria is different from the music played in other places. Jean-Pierre says that some customers are fascinated about the music that plays in Voltaire. “This music brings me away”, they say. In the line of Jean-Pierre’s favorite genres is classical music and Jazz. He also likes listening to

new songs with the fine taste and avoids constant repeating. Music is a big part of journalist's life, so he always looks for fresh sounds.



Picture 8. Photo by Robert Doisneau, Passage des princes

Because of Jean-Pierre's creative personality, money is not a matter of "life or death" for him. He finds energy from people, information exchange and, as already said, music, literature and art. Therefore, it is not his intention to compete with others. Moreover, he does not see any competitors of Voltaire. One of the reasons is that people going to Voltairé are different. "I know exactly what to do in order to gain more profits and clients. However, I do not want to spend all my energy in thinking of money. I am not a materialistic person", he says. One of the next strategies would be to serve lunch during the working days. Serving lunch is very popular here in Turku but still Voltaire is out of competition mainly because of food that would be served in a French style, of course. "It is the matter of quality, not quantity," he says, "There are a lot of

people here who appreciate quantity more. For instance, big coffee cups ". "I think that people who come here are kind of "cream" of Turku, those who have travelled and have different tastes," he adds. In fact, Jean-Pierre divides customers coming to Voltairé in four different groups – international people, France lovers, people interested in gastronomy and those who are looking for a different place than a standard city center's chain café. However, not all of these four groups represent the strategic customers of Café Voltaire because they do not influence the demand equally. He also adds that it is obvious that especially those who are interested in France from Finland are not the poorest people in town. JP uses French expression "bourgeois" to describe this kind of people, one of his customer segments. Another segment, those who are interested in learning cultures, come to Voltairé to experience French atmosphere – good music, books and spirit. "Perhaps they do not speak French or have never been to France but they want to be in this kind of surroundings," he mentions. Third segment includes people who are interested in food. In Voltairé they can ask about French food and wines. The fourth group of people coming to Voltairé consists of those who want to discover something new, unusual or unique. Of course, there are also people who discover Voltairé by accident or due to some specific circumstances. "Some people look confused when they step into Voltairé for the first time, because the place does not fit with their imagination or with the cliché cafeteria in Turku that they are used to", Jean-Pierre says, "They are people forced to be out of the ordinary path."



Picture 9. View from the inside of Voltairé

No matter what, the café establisher is loyal to his beliefs and he is not going to change anything in what he is doing, whether people like it or not. He says that if people like the place, they are welcomed but if not, they can find themselves happy somewhere else. "I am not trying to please people," he adds. The only change that is possibly going to happen in Voltairé soon is serving of lunch. That will help to add profits but in general Jean-Pierre sees as the most important to keep Voltairé alive, not to gain profits.

Regarding the prices café Voltairé has been quite stable. For some coffees it has cheaper prices than the general tendency and for some specialty coffees more expensive. However, during the whole time since Voltairé's establishment prices have been more or less stable. Only the price for Café Crema rose a little. The price list was based on the general level of prices in other places in town.

For Jean-Pierre, establishment of the café Voltairé is a big achievement on its own. He says that before coming to Turku he knew nobody in the town and after the establishment he created so called "new generation of friends". This French man is very excited about meeting new people that come to Voltairé, people of different age and experiences. Café Voltairé is a very young place and it has been attracting very interesting people. For Jean-Pierre getting to know people

in Voltairé is a way of making new friends and customers. “They come because of coffee in the first place but then we end up as friends.” he says. However, he does not start to talk to every café visitor. He uses Finnish word “pelisilmä”- a metaphor that describes ability to predict the behavior or feelings of other people. “You feel when someone is willing to chat or want to be by himself,” Jean Pierre adds.

Jean-Pierre tells that there are about fifty per cent of newcomers when another fifty are permanent customers. People have been writing about Voltairé in newspapers such as *Turkulainen* and *Citylehti* as well as website called *Eat*. However, it was advertized only twice before Christmas in 2010 and 2011. Jean-Pierre says that the amount of people coming here is highly dependable on the spread of word between people in town. Turku is a small town, so people hear from each other what is happening here.

Moving forward from customers to local tastes, Jean-Pierre thinks that people’s satisfaction with the low-quality coffee or food in general is somehow connected to religion and bible. Some people see it as a sin when enjoying something a lot. They prefer to suffer because as bible teaches, it will “relieve their sins”. Jean-Pierre says that if we look at buying habits of people living here, for them it has to be always cheap and if something is cheap, most of the time it is of a low quality. He also adds that when it comes to clothing we can also notice that people do not care so much of what they wear and seeing elegant dressed people is an exception. He also says that he notices differences in the lifestyle the best when he comes from Paris to Turku. In Paris people are surrounded with beauty, it is everywhere. However, here it is a different type of beauty such as old wooden houses and nature. “When I come from Paris to Turku I see how people live. Sometimes I am curious what people buy and I can look in their baskets to see what they have there.” he says. He says that people buy a lot of ready-made food, which is not cheap but which makes them sick and allergic. He talks about food because it can be compared with coffee since they are both products to enjoy. It is general atmosphere, not only when talking about café.

Jean-Pierre talks about young generation today as positive phenomenon due to the fact that the young people nowadays travel and explore the world in a different way than the old generation. He says that the current research will discover how tastes and preferences have changed over time.

4.1 The generic strategy of Café Voltairé

The information provided by the owner of the Café Voltairé leads to the conclusion that the business strategy practiced in the cafeteria is a differentiated business strategy. As it has been already explained in the paragraph 2.2 of this research work, differentiation strategy achieves competitive advantage by providing services or products different from those of competitors for the same or slightly higher price. The same phenomenon has been noticed in the operational procedures of Café Voltairé.

The particular factors that enabled to determine business strategy of Café Voltairé are analyzed below.

Design and atmosphere

Café Voltairé entices customers with its welcoming atmosphere. Voltairé's customers are never left unnoticed. They are greeted and guided to the table. No surprise that fifty per cent of Voltairé's visitors are regular customers because first impression is critical when making long customer relationships. Once customer has been given bad impression it is quite hard to regain his trust (Moment 2008, 25). The music in Voltairé is quite different from the music played in other coffee places in Turku. It is calmer and more relaxing. It has been studied that music has influences on purchasing behavior and sales in general. According to Hoffman and Bateson (2008) music influences customer's perception of the store's atmosphere, which in turns influence's customer's mood.

The design of Café Voltairé is classy, more of an old style. The pieces of decoration and photographs of famous French artists bring the special charm to this place. Also the furniture made of wood is quite rare to be seen in cafeterias nowadays. There are so many things in Voltairé that for a new visitor it can be interesting enough just to sit and observe the place while drinking coffee.

Books

Café Voltairé offers its visitors an opportunity to borrow books straight from the cafeteria's bookshelf. There are also different magazines and newspapers available in the café, so that everyone can find something to read. Generally the most common newspapers available in other cafeterias for free are Iltalehti, Iltasanomat or Citylehti. However, Voltaire offers something different. Availability of books and other reading material is especially tempting for those who come to Voltairé alone, customers interested in literature and just curious people.

Food boutique

A lot of cafeterias in Turku have departments or shelves with different products or souvenirs available for sale. For instance, Roberts Coffee sells coffee cups or coffee beans in the present packages for different occasions, especially for Christmas. Some cafeterias also sell different types of coffee beans, so that customers can smash and brew fresh coffee at home. One of the most popular places where to buy coffee beans is Café Art, it is located on the Aura river side.

However, none of the cafeterias in Turku sells as much varieties of food as Café Voltairé. In fact, the types of food sold in the boutique matter the most. There are mostly canned delicacies, probably because they can stay fresh for longer time and are easy to transport. Voltairé's boutique's products come all the way from France and are quite exotic.

Customer service

Café Voltairé is one of the rarest cafeterias where customers are served to the table. Jean-Pierre serves customers himself. The most pleasant thing in Voltairé is that all breads are prepared fresh. Jean-Pierre never prepares breads in advance or stores them under the glass counter as they do in other cafeterias. Customer can also wish more pepper or salt or any other changes for his or her order.

Thursday gatherings

On Thursdays Café Voltaire organizes gatherings where people can chat and share experiences. It is a big advantage also for those who are interested in wines because Jean-Pierre recommends wines for different foods during those gatherings. Café Voltaire is not just a café, it is a community where coffee is not only a beverage but the reason that brings people together.

Prices

The interview reveals that Voltaire's prices are based on the general price level of Turku cafeterias. So, the added value provided in form of benefits listed above is already included in the price.

4.2 Strategic group map

Jean-Pierre Frigo does not have intention to compete with other cafés in town because he is not obsessed with making profits. His only goal is to make enough profits to keep Voltaire alive. However there is always indirect competition for almost every business on a market, which in turn can affect profit making in general. Burrow and Bosiljevac (2011) describe indirect

competition as a situation on a market where companies provide products of different category but the same time satisfy similar customer needs. Same as in Voltairé's case, products are different by ingredients, flavors, uniqueness and attributes. But they satisfy the same customer needs as other cafeterias – needs for food, drink, break from work and so on. There is a tool that helps to find out who are the competitors named as strategic group map. Strategic group map not only helps to find out the closest rivals of a business, but also enables to analyze own strengths comparing to other rivals competing in the same strategic group or to create new strategic opportunities. To remind, strategic group is a group of firms that operate in the same industry and follow the same business strategies (Forgang 2001, 64). Strategic group map shows the positions of different companies of the same industry. Those companies that are positioned far from each other have quite differing bases for competition and those located in the same division have more similar or the same business characteristics.

To draw a strategic group map company needs to identify two dimensions on which the map will be based on, two attributes that customers appreciate in this business the most. After that company should pick four or five players working in the same industry and to break them down in the table by two attributes defined previously. Data produced by the table are used to draw the strategic group map (Anz 2010, 200).

4.2.1 Construction of the strategic group map

To draw the strategic group map for Café Voltaire, four other players of the same industry were identified. Those players are Café Brahe, Illy's franchisee Fontana Café, Café Art and Latte Café. The reason behind choosing these four places is that they represent different business models and are the most popular places in town based on the first survey of this thesis research.

Business models of cafeterias in the strategic group map:

Café Brahe – Finnish chain café Fontana Café – International franchisee of Illy

Café Art – Independent café

Latte Café – Independent small-size café

The second step in construction of the strategic group map is the table divided by two attributes appreciated by the customer of Café Voltaire the most.

Two attributes used in the table are personalized service and product originality. Personalized service is based on how cafeterias address personal needs of customers when product originality refers to uniqueness of products sold in the cafeteria regarding the taste, place of origin or presentation.

Players	Personalized service	Product originality
Café Voltaire	High	High
Café Brahe	Moderate	Low
Fontana	Moderate	Moderate
Café Art	Low	High
Latte Cafe	Moderate	High

Table 1. Competitors of Café Voltaire

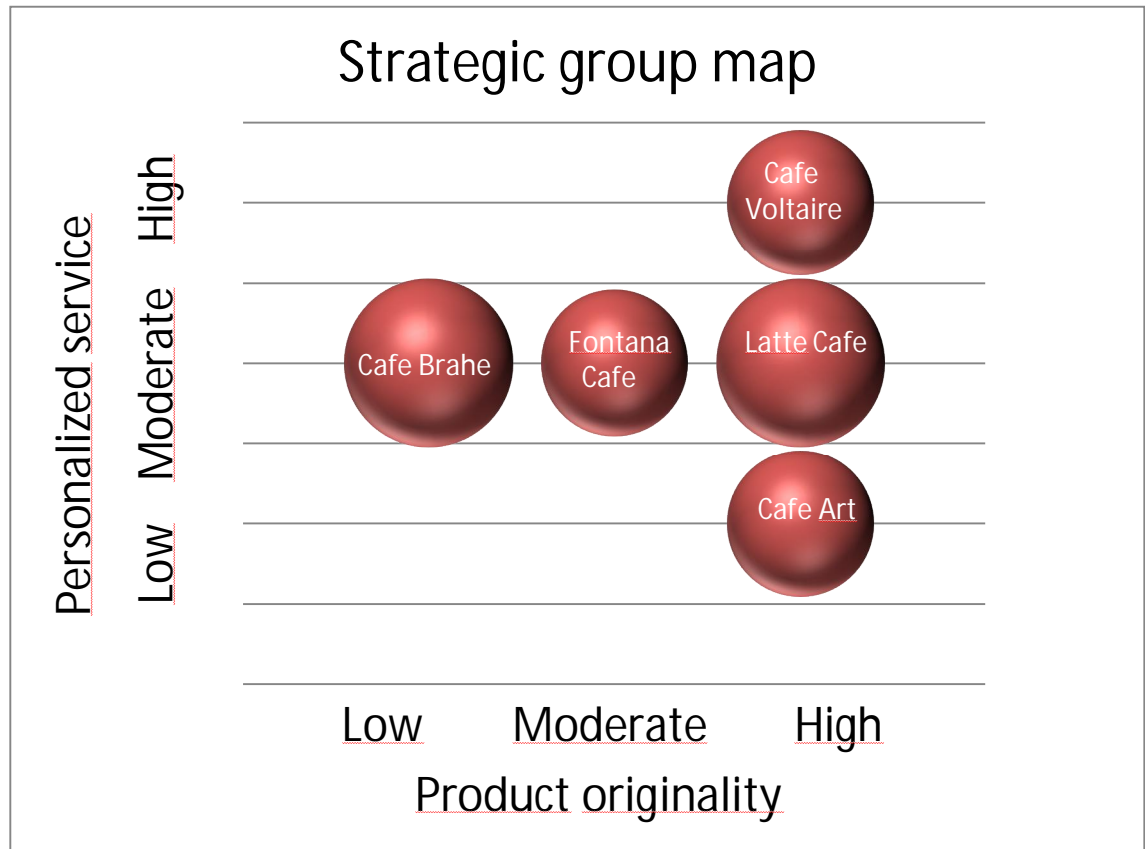


Diagram 1. Strategic Group Map

The diagram 1 reveals that none of the selected businesses lay in the same strategic group. Consequently, this means that all five cafés have different characteristics and bases for competition. However, characteristics of the strategic groups positioned close to each other are not as differing as of those with bigger distances.

4.2.2. Analysis of the strategic group map

The diagram of the strategic group map provided above reveals that Café Voltaire is on top of other industry players in terms of personalized service and product originality. However, two other cafés also have high product originality, which places all of them close to each other. In fact, product originality of Café Voltaire relates mostly to food, Café Art is original by its coffee and finally Latte Café is a mix of both. Café Voltaire sells products originally French, foods that

are not sold in other places in town. The same time Café Art is known for its freshly roasted and professionally prepared coffee. Café Art's employee won second reward in the competition of Finland's best baristas this year. Latte Café sells coffee from every corner of the world, including, for instance, Jamaica or Nicaragua. It also has familiar products with interesting interpretation, for instance toast with the goat cheese, figs and nuts. So all these three market players are very original in terms of products making them closer rivals. The empty space on a map is free for opening cafeterias or areas for moving for existing industry players.

4.2.3. Suggestions for further developments

Lunch service can be suggested to Voltaire as a further action for maintaining leadership on these two dimensions. Enlargement of services would drag new customers making Voltaire even more attractive. Another option is to find out what products are wanted on a market but have not yet been provided. A trial sample survey has been accomplished to find out wants and needs that have not yet been addressed in café industry in Turku. The sample survey is always limited in terms of volumes of received information. However, in this case quality of information matters the most because even few answers can lead to new differentiation ideas.

Questionnaires of the second survey, that was already described in chapter 3.3, were delivered to the next cafeterias: Robert's Coffee, Café Brahe, Coffee House, Wayne's Coffee and Aschan. The survey collected 30 replies from constant coffee drinkers located in Turku. The purpose of the survey was to find out what, from the viewpoint of respondents, could be improved in Turku cafeterias in particular. The most frequently mentioned proposition was the prolonging of the working hours in cafeterias. According to respondents, cafeterias in Turku close too early and the only alternative for spending evenings is going to the bar. Other important suggestions included serving to table, serving more of specialty food and vegan food, providing computers and

Internet access, serving real specialty coffee instead of serving machine made coffee. The results of this survey have showed that there are many gaps in coffee industry in Turku. It has also proven that Café Voltaire meets some of unaddressed needs of survey's respondents such as table service or specialty food. However there are still needs to be addressed, generating the same time new ideas for differentiation.

5 CONCLUSIONS

In the beginning of 1700, when coffee has just arrived to Finland, it was available mostly for wealthy people. However, in the middle of 1800 it was already brewed almost in every house. Coffee drinking is not just a habit for Finns. Throughout years it has transformed into a real tradition.

Coffee catering is a way to address hospitality to guests, whether they are close friends or just spontaneous visitors (TukoSpar, 1994). Finland is also the first country in the world that has imposed coffee drinking by law (Boström et al. 1997, 3).

The passion for coffee in Finland can be also noticed from the correlation between the changes of price and annual consumption. According to the International Coffee Organization's monthly market report of October 2011, the average retail price of coffee from 2009/2010 has increased in 34,5 % in the nine first months of the coffee year 2010/2011, which is the highest increase in the retail price for coffee among other coffee importers.

However, the increase in price did not cause any decrease in consumption. Contrariwise, the annual consumption per capita in kilograms has increased by 0,3 from 2009 in 2010 (ICO 2011). These statistics proof that coffee is irreplaceable commodity for Finns.

According to International Coffee Organization 2012, coffee is among the most popular drinks in the world, so demand analysis is not that necessary for such common commodity. However, more important is to understand drinking habits and local tastes. For instance, the fact that Finland is the largest coffee consumer in the world does not necessary promise success for new café businesses because 87, 9 % share of total coffee consumption in Finland comes from at-home consumption. Finland's out-of-home consumption share of 12,1 % is smaller than of some other European countries, including Belgium with 21,3 % and Denmark with 20,4 % (ICO 2012).

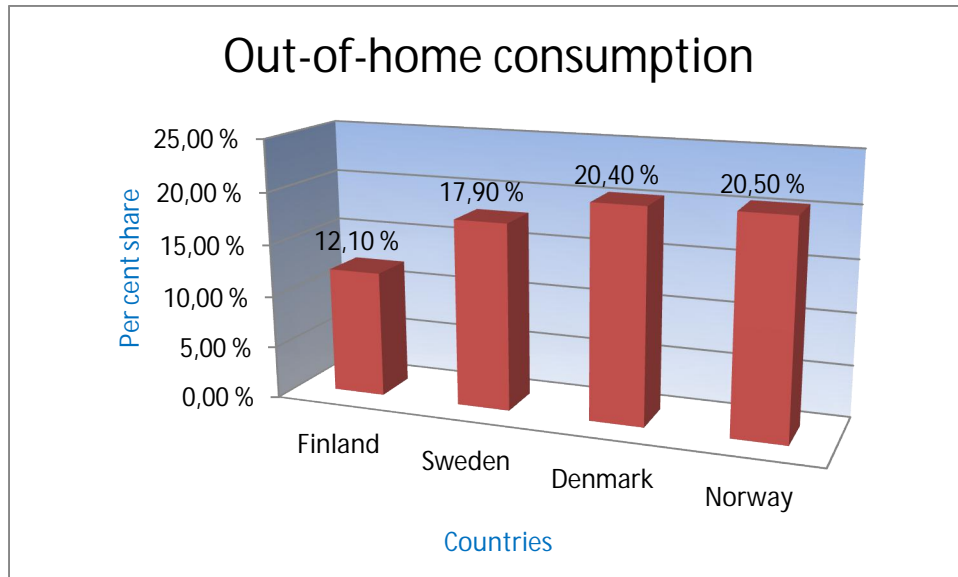


Chart 1. Out-of-home consumption in Finland and Scandinavian countries

Finland, Sweden, Denmark and Norway represent the highest price level indices for total household final consumption expenditure on goods and services after Switzerland (Eurostat 2012). Interesting phenomena is that Finland has the lowest prices among four countries and still has the lowest out-of-home consumption share. The same time when Norway has the highest PLI for food among all EU countries, but has the highest rate of out-home coffee consumption.

Even though differentiation pursues smaller segments with preferences different from those of the mass market, it is still important to take the main trends and habits into account. As an example, 94 % of coffee drunk by Finns is of light roast, leaving 6 % for dark roasts and specialty coffees (Paulig Group 2012). So taking this fact into consideration, business differentiation solely based on coffee may cause difficulties. In fact, selling light roast coffee may act as a reason for customer to enter the place at the first point but to explore something special later on. The most cafeterias in Turku sell black filtered coffee in addition to specialty coffees.

Thinking of already existing players with differentiation strategies in café industry is a major point when establishing new differentiated café business as well as understanding of strategic groups. Differentiation stands for providing

different products or providing same products differently. Consequently, analysis of already applied differentiation can help to avoid straight competition. As theory teaches, differentiation is also a constant process of development because markets become more demanding and it is hard to maintain the same differentiation level. Products that were unique yesterday are taken for granted today. For that reason it is crucial to constantly renovate business strategy as well.

As a summary for the first research question, there are at least four points that should be taken into consideration in the first place when establishing new differentiated café business:

1. Understanding of drinking habits and local tastes
2. Recognizing existing differentiation strategies
3. Acknowledging rivals and understanding of the strategic map
4. Thinking of ways for constant strategy development

There are many ways to look for new differentiation ideas. However, understanding of basics can simplify the process. Depending on what company is aiming to achieve, it focuses on specific primary activities when conducting differentiation. For instance, Michael Porter (1998, 121) uses product's procurement as an example of pursuing differentiation because raw materials affect product's quality and attributes. Café Voltaire also uses French food as its main strategy differentiator. All products served in Voltaire prepared in a French style. Initially differentiation arises from activities of company's value chain, including inbound logistics, operations, outbound logistics, sales, marketing and service. So, one way to discover differentiation is to look at its primary sources. First, company needs to set the goal of what it is planning to achieve and then choose the primary activity from where differentiation can emerge in the most successful way, so that the goal will be reached.

In a small market like Turku usage of direct customer surveys can be the most effective way when looking for new differentiation ideas. The reason why the

market size matters when conducting customer surveys is that required amount of survey respondents goes in hand with the population size when delivering accurate results as well as heterogeneity. When one or another variable grows, sample size expands accordingly (Cohen et al. 2007, 103). However, the margin of error has influence on sample size depending on how accurate projection researcher is aiming to achieve. The sample size of the same population but different margin of errors fluctuates – the smaller the margin of error the bigger sample must be interviewed and vice versa. Research with the smaller margin of error of the same population size is more correct than the one with the bigger margin of error (Saunders et al. 2009, 219).

Based on these facts it can be concluded that conducting more precise research is easier in a small market due to possibilities of sampling bigger proportion of the population than in a market of large population.

Once new idea is generated it is relevant to distinguish the strategic customer or, as it has been already mentioned, customer that influences demand the most. Depending on product or service type, their broadness or selling source, strategic customer can vary. The case of Café Voltairé is a good example because its strategic customer can be an intermediate between the product or service and the final user or the final user itself. The reason behind this phenomenon is that the variety of products and services available for the customer is broader than in a standard cafeteria. For example intermediates in Voltaire are those who purchase goods from boutique for their friends or relatives who like French cuisine and final users are coffee drinkers and those who consume Voltaire's products and services themselves. Strategic customer of any business is the one at whom the strategy is mainly addressed. In a narrow business strategic customer is easier to identify but in a multiply business there can be many strategic customers. In order to meet strategic customer's needs, businesses need to understand what that customer values the most. However values can differ with the large degree and especially in companies with many strategic customers definition of values can become quite challenging. Therefore, it is relevant to understand attributes that are particularly

important to that customer, also known as critical success factors (Johnson et al. 2005, 79). The tool of CSF is used by many organizations and it is customized according to companies' changing strategies. Critical success factors are the business areas that have to perform well for the whole business to thrive. Business mission and objectives are involved when identifying the CSFs. The first step of identifying CSFs is to formulate business mission and objects. Then the leading step is to define activities that are vital for reaching those goals. Finally, the fourth step is sorting the most essential activities from the list – these are the critical success factors of the business. The final stage is monitoring and communicating CSFs with other important elements of the business (MindTools 2012).

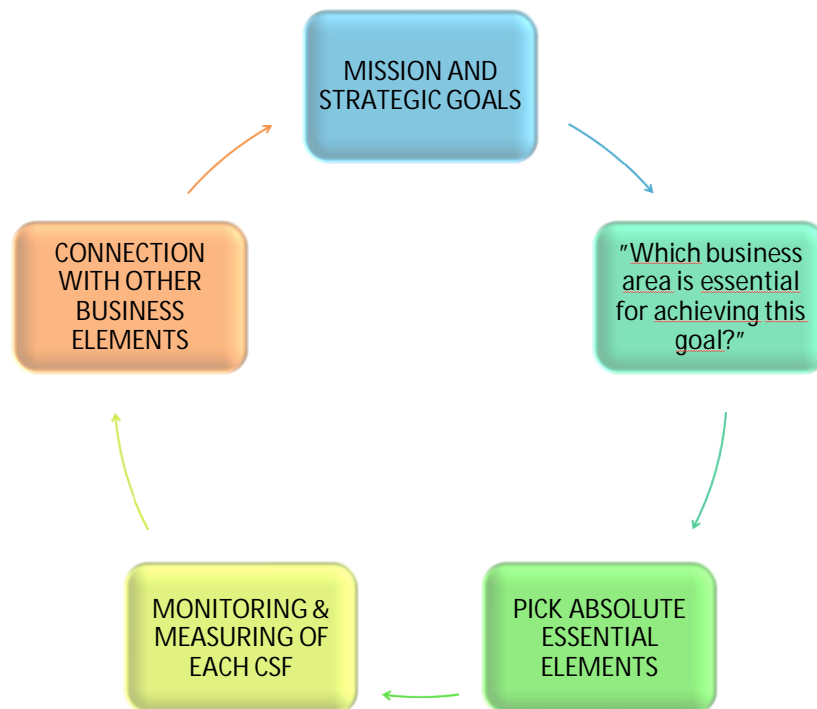


Diagram 2. Five steps to define Critical Successful Factors

The Critical Success Factor can be also explained by using Café Voltaire. The objective of Café Voltaire is to provide unique experience to its visitors by using its French origin. The activities to achieve that goal are – serving French food and beverages, selling French treats, French speaking personnel and knowledge about France, French-style decorations and design, music, way of

serving. Now, we have to pick the most important factors that help to reach the goal of café Voltaire because they are the critical success factors. Based on the information from the interview with the owner of Café Voltaire we can conclude that the next two activities are the most efficient for reaching the goal of café Voltaire – French food and French atmosphere, including design, decorations and music. These are the two critical success factors of café Voltaire.

5.1 Theoretical Linkage

Theory used in this research work was selected to explain the practical example of the case business Café Voltaire as well as to answer three leading research questions. This research studied generic strategies with an emphasis on differentiation strategy. Theory of Porter's four generic strategies was supported with more broad and descriptive version of Bowman's clock. Because differentiation strategy is tightly linked with the product's and service's features, marketing was also studied in this report. The big part of this work went on explaining the role of the strategic customer and competitors in the differentiated business strategy. With the help of selected theory four research questions were answered. Answers were constructed in a logical way and included interesting current facts about coffee consumption. Theory supported findings revealed from the surveys and the case study all the way through this research work.

5.2 Future Research Suggestions

In the future, new market research regarding the changes in consumer needs and product/service offerings on the market will be useful. It can provide an overview on how demand on the market has changed over time and enable to compare of what used to be unique before. In addition, the potential for differentiated businesses in Turku in the next similar research could be proved better by reaching bigger sample size of respondents when conducting the

survey. Also the comparison of uniqueness with the attributes of available cafés on the market could be done more broadly.

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CAFETERIA PREFERENCES IN TURKU

This survey is a part of my thesis research. Please answer two questions to help me to move on. Thank you in advance!

Which cafeteria do you visit the most in Turku?

What are the main factors influencing your choice?

SURVEY ABOUT CAFETERIAS IN TURKU

Hi! I am an International Business student from Turku University of Applied Sciences and this survey is a part of my thesis research. Your opinion has big influence on the output of my work even though it takes only couple minutes to fill this in! Thank you in advance!

What do you appreciate in the cafeteria the most? Why?

Generally speaking, do you think that cafeterias in Turku are similar in a way?

- Yes
- No

What could be improved in Turku cafeterias in particular?

Would you better go to small private cafés or city chain cafés? Why?

Do you think product assortment in Turku cafeterias is big enough?

Heading of appendix