

Just Us Coffee 2– Teaching Note

Mallory Baker, Joe MacDougall, Matt Hannam, Katie Jordan, and Conor Vibert developed this teaching note to guide the use of the multimedia case entitled Just Us Coffee 2 for instructional purposes. It is not the purpose of this material to serve as an illustration of how to effectively or ineffectively address a managerial situation.

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SUMMARY

Just Us! was started in 1996 by Deborah Moore and four others. Recently, Just Us made an order to one of their producers in Ethiopia, they have been struggling to get the quality of coffee they need for their business. When Just Us received the shipment for the year from this particular supplier, again, it was not up to their standards. Advice is being sought as to how to proceed in resolving this real life issue. Students are offered access to a set of transcribed video clips that outline the issue and its cause along with providing context for the issue. In order to arrive at alternative solutions and justify their choice of a solution, students are expected to use sources of information not found in the case.

KEYWORDS

Quality
Expectations
Relationships/ Co-ops
Suppliers

CASENET VIDEOS

Each video in this multimedia case features a segment of an interview with one of the organization's key decision makers. The videos describe:

1. the *Issue* facing the individual or organization
2. the *Cause* of the issue
3. *Background* information for the individual, organization and industry
4. *Alternatives* for addressing the issue
5. A suggested *Solution* and justification

Transcriptions for each video are also available. Students may not access the *Alternatives* and *Solution* videos or transcripts.

OBJECTIVES FOR TEACHING

There are a number of instructional objectives for this case.

- To enhance the decision making skills of students by having them address a real life issue faced by managers of Canadian or international companies.
- To provide students with a brief introduction to the Fair Trade Coffee industry.
- To offer students an opportunity to analyze a situation using concepts that illustrate supply management situations.

POSSIBLE TEACHING STRATEGY

This case is ideal for in-class case analysis or as an assignment. Assuming an 80 minute class, here is an approximate class schedule:

Time (minutes)	Task
5	Introduce case and divide students into groups.
15	Students view <i>Background</i> case videos and make notes.
5	Instructor plays the <i>Issue</i> and <i>Cause</i> clip(s).
25	Students identify alternatives, a solution and rationale.
20	Instructor guides a discussion around alternatives, solution and rationale.
10	Instructor plays the <i>Alternatives</i> and <i>Solution</i> clips.

If the case is used as an assignment, the instructor may want to focus assessment on:

- 1) **Decision-making process.** The instructor would evaluate writing style, appropriateness of information sources, alternatives, solution and rationale. This approach recognizes that the alternatives and solutions offered in the case are not necessarily optimal, and other choices may be equally effective. Students can be rewarded for their selection of decision making approaches, analytical frameworks and cited reference material.
- 2) **Outcomes.** The instructor would evaluate how closely student responses match those offered in the *Alternatives* and *Solution* video clips. Or, the instructor could use the insight of an existing research paper or analytical framework as the basis for judging outcomes.
- 3) **A combination of process and outcome.** The instructor may apportion the grade between process and outcomes.

POSSIBLE QUESTIONS FOR ASSIGNMENTS

Students can be asked to identify a set of alternatives to address the issue outlined in the case, a solution and rationale. Other questions that will help students prepare for their case analysis include:

- What are the values of Just Us' Co-op?
- What does the supply chain/value chain for retail coffee industry look like?
- How analytic frameworks can help Deborah Moore justify ending a Fair Trade agreement with one of their suppliers?

CASE ANALYSIS

Issue: The *Issue* and *Cause* video clips outline the problem or challenge of the case.

- One of the issues that we have is that we purchase coffee directly from our producers and develop long term relationships. With one of our producers in Ethiopia, we have been struggling to get the quality of coffee that we really need for our business. So just recently we received our shipment for the year and it is not up to the standards that we were hoping for. At Just Us! we have really set as our goal to be a real leader in the coffee roasting business, to have a state of the art roastery and to produce top quality coffee. We believe that if you are going to pay a fair price then the quality has to go with that. We have been working with our producers for many years to really help them develop the quality that we need for our business. It is critical to our business because that is how we have set ourselves up. We talk about partnerships. We pay a fair price. We invest a lot in these co-ops. The deal on their part is that they are going to produce the quality that we need.

To start their analysis of the case, students should view the *Background* video clips. These clips should help students grasp the following points or case facts.

- Just Us! provides employment to 45 individuals who are paid above minimum wage
- 40% of Just Us! current revenues are from grocery stores (i.e. SuperStore)
- Just Us! currently operates five cafes and one roaster
- The main competitive advantage of Just Us! is that it is both Fair Trade and Organic
- The major suppliers to Just Us! are coffee and packaging producers, and recently tea producers as it currently the fastest growing part of their business

Researching information sources other than the content of the cases should enable students to garner the following insights:

- The life cycle of the coffee bean consists of five stages: seeding, harvesting, processing the coffee cherries (dry or wet method), preparing for export and shipping.
- Ethiopia is the birthplace of coffee; Ethiopians were the first to recognize coffee's stimulating effect.
- Most first level cooperatives started in the 1970's in Ethiopia. This allowed Farmers' Organizations to sell "Fair Trade" coffee.
- Over thirty developing countries export coffee to Canada and those coffee shipments are still an important source of foreign exchange and job creation in 10-12 Latin American and African countries in terms of their total trade and connection to Canada. (Coffee Association of Canada, n.d.)

- Ethiopian coffee is one of the most popular coffee origins in the world. However, Ethiopia must compete and partner with the coffee companies, which generally have more market power and earn higher profits. Annually, the average Ethiopian coffee farmer earns about \$900 per year. (Equal Exchange, 2014)
- Ethiopian farmers cultivate coffee in four different systems, which include forest coffee, semi-forest coffee, garden coffee and plantation coffee. About 98% of the coffee in Ethiopia is produced by peasants on small farms and it is the country's most important export. (Equal Exchange, 2014)
- There are between four and five thousand independent cafes and coffee shop owners and several thousand franchise owner-operators. (Coffee Association of Canada, n.d.)
- In Canada, Coffee accounted for 16% of the non-alcoholic beverage industry in 2012.
- 86% of adult coffee drinkers, drink their coffee with their breakfast in the morning (Agriculture and Agri-Food Canada)
- The greatest consumption of coffee is found in the 50+ age group, with the least amount found in the 18-24 age group (Agriculture and Agri-Food Canada)
- The quick service coffee market is currently estimated at \$3 billion (Agriculture and Agri-Food Canada)
- For Canadian coffee drinkers, 67% is drunk at home and the rest being bought at restaurants (Coffee Association of Canada, 2012)
- The average profit margins of a small independent café's coffee sales; roughly 25% on coffee sales (Houston Chronicle, n.d.)
- The estimated total sector value of the coffee sector in Canada (coffee driven sales only); upwards of \$5,000,000,000 (Coffee Association of Canada, 2012)
- Growth rate of Fairtrade and Organic coffee segments; 15% annually worldwide for Fairtrade coffee (Co-operative News, 2014) and 21% annually in North America for Organic coffee (Trading Markets, 2010)
- The standards of Fair Trade certified coffee; a floor price between US\$1.01-\$1.40 per pound depending on the type, \$0.20 per pound premium that goes towards social investments, and an additional \$0.30 for organic (Fairtrade Canada, n.d.)

With this information in hand students can be challenged to identify an analytic framework that will help them organize their thoughts.

An important angle to this case is for students to realize that breaking the relationship with the Ethiopian supplier should be seriously considered as an alternative. There are at least two means to create an argument to do so. One approach is to do a five forces industry analysis focusing on the power of buyer, power of supplier relationship. the second means is to do a VRIO analysis of the activities performed in the coffee industry. This will suggest that Ethiopia as a source for coffee does not necessarily offer Just Us a sustained, competitive advantage over time period.

Effort focused on research coupled with analysis should enable students to present a series of options. These can be compared to the options offered by the interviewee which are also summarized below and found in the Alternatives video clip.

- We have been assessing this over the last few days. One of them is to accept it and say, 'Oh well I guess they cannot do any better' and hide it in other coffees. It is not terrible coffee but it is just not what we want. So we have some blending options that we could use to use it up. Another

option is to go back to them and say that we are not happy. And we would like a credit because we have paid top dollar for this coffee and it is not what we wanted. Another option is to go over there and work with them and find out why we are not getting what we want and see what is happening with the transportation. We have met other people who are with other co-operatives in Ethiopia so the other option is to actually change our supplier.

The *Solutions* video clip offers the interviewees' solution to the issue along with a rationale. Highlighted below, this can be compared to the student response and explanation.

- We do have a long term relationship and the man who is head of this co-op has really been a world leader in advocating for coffee farmers so he is someone who we care deeply about. It is not a relationship we want to break very easily but we are quite frustrated. We visited, we have been over there for the past couple of years trying to address these issues and we clearly have not made any direction so we will be phoning them and holding them accountable saying ok you did not give us the coffee that we thought we were going to get and we are not going to pay for that so we want a credit. We have a very sophisticated cupping lab so we are going to send a very clear cupping notes and we can tell them what is wrong, what is going on, and we know what is happening, to give them that information to hopefully help them with their situation. If we do not feel at the end of that that we do not get what we need then we really have no choice but to go to other producers. For some of the producers their quality of coffee meets kind of who their customers are and this co-op has decided to choose with a lot of the big roasters and their quality is not really the specialty coffee standard that we have. So it may be that that is the direction that this co-op wants to go and there is nothing wrong with that, but for us we need to develop others. So through them I think we can meet with other co-ops and hopefully come up with something that is a bit better.

SUGGESTED COURSES

We suggest that this case would be suitable for a number of courses. These courses include:

- Business Law
- Business Ethics

ADDITIONAL RESEARCH

The case offers students opportunities to undertake interesting additional research.

Students may want to delve deeper into how managers make decisions. Classic approaches to decision making include works by Cyert and March (1963) and Tversky and Kahnemann (1974).

Students interested in learning more about the industry in general might make use of numerous online information sources some of which are noted below.

- Agriculture and Agri-Food Canada.
<http://www.agr.gc.ca/eng/industry-markets-and-trade/statistics-and-market-information/by-product-sector/processed-food-and-beverages/the-canadian-coffee-industry/?id=1172237152079>. This Government of Canada website looks at the Canadian coffee industry as a whole, including structure, performance, regulations, and associations.
- Agriculture and Agri-Food Canada
<http://www.agr.gc.ca/eng/industry-markets-and-trade/trade-events/post-show-reports/coffee-and-tea-industry-trends-from-the-canadian-coffee-and-tea-show/?id=1410072148362>, Coffee and Tea Industry Trends from the Canadian Coffee and Tea Show
- Coffee Association of Canada.
<http://www.coffeassoc.com/coffee-in-canada/>. This site provides statistics and trend analysis for the Canadian Coffee industry, including many of the sustainability efforts that Canadian coffee roasters and retailers are engaged in.
- Equal Exchange.
<http://equalexchange.coop/>. This website focuses on beneficial relationships between consumers and farmers in co-operatives and Fair Trade. Offers a history of coffee in Ethiopia
- Fair Trade Canada.
<http://fairtrade.ca/en/products/coffee-0>. This section of the Fair Trade Canada website looks at facts regarding Fair Trade coffee in Canada such as price volatility and other pricing data.
- High Beam
<http://business.highbeam.com/industry-reports/food/roasted-coffee>. Industry report for the coffee industry
- International Coffee Organization
http://www.ico.org/trade_statistics.asp, Provides information on the coffee statistics globally which include total volume and exports by countries..
- Euromonitor International,
<http://www.euromonitor.com/coffee>, Provides “country reports” with information regarding performance and reasons for the performance.
- Statista The Statistics Portal,
<http://www.statista.com/topics/1248/coffee-market/>. Statistics and insight on coffee market
- Quora.com, Coffee Faults, <http://www.quora.com/What-are-the-most-common-coffee-faults-and-how-how-do-you-detect-them>. Describes the most common coffee faults

REFERENCES

A number of articles, referenced below, offer insight that might help instructors effectively explore this case with students.

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