Estrategias de endomarketing en la industria de las cafeterías

Endomarketing strategies in the coffee shops industry

Abstract

Nowadays there is no recognize coffee shop franchise that is not well positioned due to its marketing plan or better known as marketing strategy. A great example of this is Starbucks coffee, which has become one of the most powerful franchises in the world and its empire is due to several factors such as its internal strategies, which have a direct influence in motivation, sense of belonging and empowerment of its employees. The present paper analyzed the main strategies of Endomarketing in this industry and carried out a study in the chains of cafeterias of the city of Samborondon, Ecuador; applying the mystery shopper methodology they were identified the main factors that have been recognized in the Endomarketing strategy of these cafeterias, obtaining as result a high and moderate business philosophy approach and analyzing the most identifiable Endomarketing approaches observed.

Keywords:
Coffee shop, Marketing, empowerment, Endomarketing, Samborondon, mystery shopper.

JEL Classification: M310.

Resumen

Hoy en día no existe una franquicia de cafetería reconocida que no esté bien posicionada debido a su plan de mercadeo o mejor conocido como estrategia de marketing. Un gran ejemplo de esto es Starbucks Coffee, que se ha convertido en una de las franquicias más poderosas del mundo y su imperio se debe a sus estrategias internas, que tienen una influencia directa en la motivación, sentido de pertenencia y empoderamiento de sus empleados. El presente artículo analizó las principales estrategias de Endomarketing de esta industria y efectuó un estudio en las cadenas de cafeterías de la ciudad de Samborondón, Ecuador; bajo la metodología de cliente fantasma se logró identificar los principales factores que han sido reconocidos en la estrategia de Endomarketing de estas cafeterías, obteniendo como resultado un enfoque de filosofía empresarial alto y moderado.

Palabras Clave:
Cafeteria, Marketing, empoderamiento, Endomarketing, Samborondon, cliente fantasma.

Clasificación JEL: M310.
Introducción

The shops that belong to the coffee industry sell, coffee drinks, sweets and other beverages for consumption of for takeout. Worldwide, best known companies include Starbucks, International Coffee & Tea, Costa Coffee and McDonalds McCafe. Their beverages include brewed coffee and tea; espresso drinks (cappuccinos and cafe lattes), cold blended beverages, soft drinks and juices. Food products include pastries, bakery items, desserts, sandwiches, and candy. Many coffee shops sell whole or ground coffee beans for home consumption. Most coffee shops serve high-quality, premium coffee known as specialty coffee (Nadiri & Nazan, 2013). Besides its product quality strategy, the place strategy has become a main differentiator. For example, in some parts of the the world, the biggest coffee shop companies establish their operations abroad, this, due primarily to licensing agreements, for example, Starbucks, an international coffeehouse chain founded in the U.S., owns about 14,000 establishments in near of 75 countries around the world (Hoover's, Inc., 2018).

The coffee shops industry in Ecuador does not differ from this perspective, along with this expansion of premises, the different formats of these establishments have raised in recent years, offering products of the different requirements that are demanded in coffee drinks and desserts. The opening decisions of these locations were made prior to marketing studies and strategic analysis, where concurrence of people and location were decisive factors to inaugurate these points of sale. One of the cities where it has been observed a higher expansion of these chains has been Samborondon. In recent years, not only recognized coffee chains have initiated operations in this city, but also small and traditional chains have ventured into this growing industry. This coffee shop boom has made the coffee shop leaders to look for singular and not easy to imitate differentiator factors. Under this premise, the purpose of this investigation was to observe the main characteristics over the Endomarketing strategies used by these companies in order to establish the main factors that have been determinant for the continuous growing of this industry.

Literature review

Endomarketing concept

Worldwide, Endomarketing is in constant development (Ahmed & Rafiq, 2003), so it is necessary to investigate how this concept is evolving to identify the actions executed from this approach and, mainly, to examine the convergences in the literature on the subject.

According to Dunmore (2005), and Saad, Ahmed, & Rafiq (2002), Endomarketing is a recent concept. The first studies date back more than 35 years and were motivated by the interest in improving customer service management. This way, they coincided with a competition that was gaining an increasingly international perspective. In some cases, the empirical treatment encouraged diverse interpretations and
conceptualizations on the subject and, consequently, different applications in the form of development of methodologies with some points in common, such as, for example, the satisfaction of the employee and the client.

Bohnenberger (2005) cites in his research that, in 1976, Berry, Hensen and Burke (1994) refer for the first time to Endomarketing when they related the high quality of the services with enhancing the capabilities of the internal client. Berry is one of the biggest references and a pioneer of Endomarketing, because in 1981 he was the first to call employees internal clients (Berry, 1981).

Grönroos (1990) marked another milestone when he described the goal of Endo-marketing: "To motivate and educate employees about the importance of the external customer", arguing that the satisfaction of the external customer is made through the employees and demands greater attention and awareness about them among the managers of the organization.

Bohnenberger (2005) points out that Endomarketing is an interdisciplinary subject in both the academic and the business environment. In the academic field there are studies prepared by experts in marketing, human resources and public relations, in this last case with less intensity.

At the beginning, the academic approach refused to pay attention to Endomarketing approaches, especially the ones related to human resources. Then, as the years passed, and Endomarketing became increasingly popular.

In recent years, the importance of Endomarketing is recognized by various authors. All agree that the members of a company have a considerable influence on the generation of value perceived by the external client, regardless of the job position they perform or the place they occupy in the hierarchical order.

From this principle, the idea to look for competitive advantages within the organization through a series of programs and procedures that empower human resources, both for their own wellness and for the growth of the company.

However, the development of Endomarketing has also generated different points of view among researchers regarding the processes, elements and even the intrinsic philosophy of the concept. This has caused companies to refrain from applying it and, therefore, limit their development. It is possible that the ambiguity regarding the leadership of the management of Endomarketing provokes the reluctance of the human resources sectors.

Bohnenberger (2005) points out that many authors and, especially, companies that adopted Endomarketing have been limiting the meaning of this concept until reducing it only to satisfy and retain human talent. Although the implicit objective was to generate value through their workers, the companies did not explore mechanisms that would lead them to close the circle and specify their actions...
in advantages for them. In this way, non-innovative organizations began to withdraw their support for employee satisfaction efforts.

**Endomarketing approaches within the organization**

It is convenient to develop certain aspects of marketing, because the company that may be considering implementing an Endomarketing model must define the marketing approach from which to do it. In addition, identifying Endomarketing as part of holistic marketing helps to understand the intrinsic of its philosophy.

Endomarketing is marketing within the company. It is the set of techniques that allow positioning the strategic communication of the company to a market made up of its workers, with the aim of promoting their motivation, sense of belonging and consequently their productivity (Guzmán, 2013).

For instance, Endomarketing means that the business philosophy can be promoted among employees so that all efforts are aligned. This type of marketing is used not only to promote internal strategies of the Marketing department, but also to generate programs from other areas such as Human Talent, Production, Sales, among others (Regalado, Alpacca, Baca, & Gerónimo, 2011).

In his research on the operation of internal marketing, Fuentes (2009) lists some of the approaches of Endomarketing that may be applied to the diverse departments of the organization:

**Finance department**

For example, the Finance Department of an organization can perform an Endomarketing strategy by internally promoting a program of savings in office costs.

**Human Talent Department**

The Human Resources Administration is a very sensitive area in the mentality of organizations, because it depends on the organizational culture existing in each institution, as well as the structure adopted, the characteristics of the environmental context, the service offered by the organization, the internal characteristics, functions and processes. The Human Talent Department, for instance, can develop an Endomarketing strategy in order socialize an initiative of organizational culture into the company, or a campaign to integrate families of employees.

**Production Department**

The Production Department can perform an Endomarketing plan for the acquisition of a new machine or the incorporation of a new technology that increases the productive efficiency of the organization and may be advantageous for personnel.

**Customer Service**

Customer Service can use Endomarketing in order to perform a
Communication campaign of the results of a determined area in the last satisfaction customer’s survey and congratulate the good service provided by some employees.

Sales Department

Sales can use Endomarketing in order to inform the sales reports of its objectives schedule, this way, Sales Managers can use Endomarketing to promote their initiatives, inviting the employees to contribute with ideas for the development of the organization.

Marketing department

For the Marketing Department, Endomarketing is the involvement of the organization in marketing strategies and tactics, so that they have the knowledge and support of the different departments of the organization. This means that although there is a relationship of interdependence between the different areas of the organization, for the marketing area this may also be more significant in the sense that the decisions must affect the way the organization works, as the commit a large amount of human and physical resources.

The Coffee Shop Industry

In the coffee shops industry, the demand is driven by consumer taste and level of income. The profitability of these companies depends on their ability to ensure well positioned locations and, of course, deliver a high-quality service. Big companies, like MNC have advantages at directing their purchasing and marketing strategies. SMEs, and smaller companies, in the other hand, are able to compete in this market by offering specialized products, or providing superior customer service (Lewin, Giovannucci, & Varangis, 2004).

Coffee shops industry competes with major companies established in the fast food service, donuts shops and gas stations. Coffee shop franchises constitutes a rising market into the specialty eatery, offering brewed coffee and desserts. Success is driven by consumer taste, as well as the location where premises are distributed, and the atmosphere showed in these locals. Small coffee shops may offer a high-quality product that is able to compete in a market that is still growing.

Most coffee chains rent store locations for a settled term. Lease for premises in shopping centers may include a charge for shared are maintenance. Organizations compete for prime areas with other retailers, and bargaining power might be limited. Chains use to close underperforming stores, and put aside a save for outstanding lease payments.

Coffee is still the mainstay of this industry (Figure 1), being expected to account for approximately 50% of industry revenue in 2018 (Bloomberg, 2018). In order offer a wider variety of tastes, bigger coffee shops use to maintain a regular update of their menus according to the season. In the other side, independent coffee shops use to differentiate themselves based on the quality of their products. For this reason,
the type of coffee beans used, the strength of coffee and the style of preparation tend to vary between individual operators. Larger generic coffee chains tend to offer a standard range of coffees, with an emphasis on a higher variety of flavors (Chen & Hu, 2010).

**Customer overview**

The average and most committed coffee consumers are 18 to 24 years old, rich, affluent, educated adults. Although young adults have driven the success of these chains, specialty coffee appeals to a diverse demographic, including college students and older adults. Largest organizations may also offer coffee beans wholesale to commercial customers, such as eateries and restaurants (Olsen, 2013).

**Overview of Industry Profitability Factors**

Consumer taste and individual income drive the demand. The profitability of these organizations relies upon the capacity to anchor prime locations, drive store traffic, and excellent customer service. Large organizations have favorable circumstances in procurement, finance, and marketing; on the other hand, small ones can compete by offering specialized items, serving a local market, or giving a specialized customer service (Tumanan & Lansangan, 2012).

Coffee shops depend enormously on customer traffic and are regularly situated in zones with helpful access for people on foot or drivers. Most locations incorporate downtown or rural retail focuses, shopping centers, places of business, and college grounds. Store organization and size fluctuate by site, as some locations offer more space than others. For little spaces like airplane terminals and supermarkets, some chains offer a kiosk format, without seating (Joo, Stoeberl, & Fitzer, 2009).
Prices for coffee shops products may vary. The retail price for a coffee-based drink can surpass $4. A pound of roasted coffee beans may retail for somewhere in the range of $10 and $20. Coffee shops depend exceedingly on part-time employees, and these employees must have specialized abilities (Rizea, Sarbu, & Condrea, 2014).

An average coffee premise may have one manager and 10 to 15 workers; independents have six to seven. New employees may experience instructional classes and get in-store training in order to guarantee unrivaled customer service and product consistency. Baristas receive special training in order to operate industrial espresso machines used to make specialty drinks (Nadiri & Nazan, 2013).

Accounts receivable keep running between somewhere in the range of 30 and 60 days. Companies may use contracts in order to purchase green coffee and dairy materials. Gross margins range between 40 and 60 percent, and higher commercial sales tend to decrease margins. Chains use comparable store sales in order to measure growth (Rizea, Sarbu, & Condrea, 2014).

License agreements regularly incorporate an upfront fee, this based on percentages of sales or royalties, and renewal alternatives. Franchise agreements may enable licensees to allow sublicenses to third parties within a territory (McManus, 2007).

Overview of Key Industry success factors

According to Hoover's, Inc. (2018) there are several factors that have influenced the success of the coffee shops worldwide which are listed and analyzed (Figure 2):

1. Comfortable and welcoming premises: As a common denominator the most of coffee shops show into their premises a comfortable atmosphere, as well as in the design, presentation and variety of products, accompanied by an agile service and relaxing music.

2. Affordable prices: Prices are undoubtedly very pleasant for a person of medium and high status, since coffee shops often result in places for a simple conversation as well as for a business matter, in addition to the fact that prices are affordable because of the extension of

![Key factors for the success of coffee shop chains](image)
its range of products that allow to diversify prices.

3. **Constant staff training**: Due to the continuous training that coffee shop chains give to their employees, allows a homogeneity in the flavor of their products in the different premises located around the city, in the other hand, constant customer relationship training allows these chains to sell not a product, but an experience.

4. **Management of the entire supply chain**: Many of these chains have power over their own supply chain, which means that they can have price leadership and benefit from economies of scale. This has given them a certain level of independence over their supply chain management that is slightly or not affected by the bargaining power of their suppliers.

5. **Standardized operations manual**: Having an integrated operations manual has allowed these organizations to maintain their business philosophy in each of their chains. This has let several of these chains to be licensed as franchises while maintaining a strict quality control over each facility, as observed in Figure 3.

**Endomarketing approach in service industry**

In external marketing, an external product is the final good/service that a company can offer to their customers in order to satisfy their needs. In the simplest conceptualization, an internal product is the job (Collins & Payne, 2001).

Treating jobs as products refers to go beyond functions that must be accomplished and consider factors other than financial remuneration. This means to also consider the level of involvement of workers in decision-making, career programs, training needs, levels of responsibility and working environment (Saad, Ahmed, & Rafiq, 2002).

Managers need to create an internal product that engages employees in the organization’s philosophy and the relationships with their customers (Figure 4). In fact, without a “good internal
product” focused on improving employees’ competences, there could be a limited hope of engaging employees with the idea of investing their efforts in CR strategies (Sanchez-Hernandez & Grayson, 2012).

According to Kotler (2006) “Internal marketing is orienting a motivating customer contact employee and supporting service people to work as a team to provide customer satisfaction”, points to integrated marketing as an alternative to better serve consumers and, with this approach, suggests that internal marketing must precede external marketing, corroborating what other experts expose regarding Endomarketing. (p. 219).

As observed in Figure 5, internal marketing is mainly applied by marketers in order to motivate all efforts for satisfying customers, with an efficient strategy the marketer may be able to embed the basic principles of marketing in the business strategy such as company vision and mission, tactics, objectives, and ways to measure the success of these last.

![Diagram of internal and external marketing](image)

**Figure 4.** Link between internal and external marketing. Source: Bansal, Mendelson, & Sharma (2001).

**Figure 5.** Marketing in Service Industry. Source: Kotler & Keller (2006).

**Ecuadorian coffee shops industry**

The strategies implemented in MNCs coffee shops do not differ largely from the Ecuadorian scenario. According to León (2014) many Ecuadorian coffee shops shows up that training new employees is one of the most critical aspects in the CRM strategies, for example, in some of these establishments new employees must take an induction course of 5 weeks. Here is explained what the mission and vision of the company is,
and its philosophy, the service quality policy, policy of preparation of products and internal regulation, the practical part is carried out in the premises. Besides, it is reported to future the collaborators (baristas, cashiers, administrators) work aspects related to hours, salaries, overtime and other issues.

Each of these premises has an administrator, who is responsible for distributing the tasks to each of the employees, controlling and transmitting the objective of the company so that their premises have the same essence that the company transmits.

Same author mentions that some Ecuadorian coffee shops handle policies for the distribution of its products, from the preparation to delivery, this aspect is fundamental to understand how integrated supply chain management has helped these organizations to reduce costs gaining total control over their vertical logistics.

**Methodology**

For the present study, it was assumed a qualitative approach of cross-sectional design, this investigation was descriptive and non-experimental, it was applied the mystery shopper methodology (McDaniel & Gates, 2014).

As a measurement tool it was used a data sheet composed by five Likert Scale variables and yes/no questions, they were visited 3 premises for each of the 3 coffee shop chains located in the city of Samborondon, visits were made in work days at 09:00 AM each (Table 1).

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visual Communication of business philosophy</td>
<td>Human Talent</td>
</tr>
<tr>
<td>Quality of attention</td>
<td>Customer Service</td>
</tr>
<tr>
<td>(Very Good, Good, Acceptable, Poor, Very Poor)</td>
<td></td>
</tr>
<tr>
<td>Waiting time after ordering</td>
<td>Production</td>
</tr>
<tr>
<td>(minutes)</td>
<td></td>
</tr>
<tr>
<td>Encourages customers to fill satisfaction Survey</td>
<td>Customer Service</td>
</tr>
<tr>
<td>(Yes/No)</td>
<td></td>
</tr>
<tr>
<td>Standard protocol of service for customers, way to say hello, welcome, etc. Trained staff</td>
<td>Human Talent</td>
</tr>
<tr>
<td>(High, Moderate, Low, None)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors.

**Results**

As result of the mystery shoppers’ observations they were listed these main considerations about the Endomarketing approaches identified at the moment of buying in the coffee shops of Samborondon:
As shown in Table 3, it was mostly observed a high or moderate level of visual communication of the business philosophy in these chains, such as Mission and Vision, corporate culture statements, branding, etc. It was clear that Endomarketing approach showed a well-marked visual arrangement into the coffee shops visited, this fact is supported by the Human Talent Endomarketing approach listed in the “Operational of Internal Marketing”, published by Fuentes (2009), previously analyzed in this investigation.

As mentioned in the investigations of Sanchez-Hernandez & Grayson (2012) and Bansal, Mendelson, & Sharma (2001), reviewed previously, Managers need to create a good internal product in order to engage employees in the organization’s philosophy and the relationships with their customers, this translates into the Quality of service provided. As observed in Table 3 Quality of Service was in a 7/9 proportion considered as Good and Very Good in the Likert scale by the mystery shopper team, only two establishments had a consideration of acceptable or less. So on, the care that these chains have about the interaction between internal and external marketing shows evident to the point of becoming a generalized characteristic for this industry.

Basing in this same approach, times for response were measured in the establishments visited obtaining as result an average of about 5 to 8 minutes. However, none of the coffee shops analyzed showed a greater agility or different results to the mean, so on, none of them showed to have a differentiation strategy based on better response times.

In the other hand and taking as reference the Endomarketing Customer Service approach proposed by Fuentes (2009), Table 3 shows that, despite having customer’s satisfaction surveys in these establishments, employees do not encourage clients to fill them or do not communicate about their existence (7/9).

Table 3.
Results from Mystery Shoppers’ investigation in coffee shops of Samborondon.

<table>
<thead>
<tr>
<th>Parameter</th>
<th>COFFEE SHOP A</th>
<th>COFFEE SHOP B</th>
<th>COFFEE SHOP C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visual Communication of business philosophy (High, Moderate, Low, None)</td>
<td>High</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Quality of attention (Very Good, Good, Acceptable, Poor, Very Poor)</td>
<td>Very good</td>
<td>Good</td>
<td>Acceptable</td>
</tr>
<tr>
<td>Waiting time after ordering (minutes)</td>
<td>5</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Encourages customers to fill satisfaction Survey (Yes/No)</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Standard protocol of service for customers, way to say hello, welcome, etc. Trained staff (High, Moderate, Low, None)</td>
<td>High</td>
<td>High</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors based on data supplied by mystery shopper team
It is interesting to inquire about how this industry that is based on providing a quality service to its users does not propose more effective communication strategies with its clients to know their needs, expectations and measure their degree of satisfaction.

Finally, it was mostly observed a highly proportion of employees applying a standardized protocol for welcoming and serving customers, training procedures and a Human Talent Endomarketing approach were identifiable in every premise visited.

Conclusions

For any organization it is important that all employees know where they are going, their philosophy, their goals and their plans, as well as the marketing approach that is used with customers. After reviewing the Endomarketing strategies observed in this mystery shopper analysis we may conclude that the coffee shops established in the city of Samborondon follow a same trend based on the application of service protocols strategies and a remarkable engage of business philosophy in their employees, especially the ones focused in Human Talent, such as constant staff training and a very remarked corporate culture.

The purpose of Endomarketing must be not only that the employee feels part of the organization but become aware of the importance of his contribution to the strengthening of the brand. For instance, a well-executed Endomarketing strategy will derive, finally, in a greater benefit and better results for the organization. In a mainstream industry as Coffee Shops, this is considered a fundamental starting point for differentiation.

In this investigation, it was mostly identifiable how these cafeterias perform their own quality standards in order to provide a better service based on the interaction of internal and external marketing. For these establishments, service quality not only constitutes a mainstream characteristic for this industry, but also a way to perform tactics, objectives, and strategies to improve the perception of the customers that visit their premises.

As shown, the main approaches where Endomarketing is applied into the coffee shops of Samborondon are based on the physical atmosphere that may be provided to customers and in the service protocols that resulted very similar between the chains visited. Thus, although results were very acceptable in the perception of the mystery shopper team, it could not be identifiable any differentiation trend between these brands, any innovative internal or external marketing strategy would become a turning point into this market, where, digital media campaigns or incentives for customers have not arrived with the strength that should be expected.

In the other hand, some of the Endomarketing approaches, such as the measurement of satisfaction surveys (listed in the “Operational of Internal Marketing”) (Fuentes, 2009), should be improved in order to find more agile
ways to know the needs of customers and measure their satisfaction level. As observed in this analysis, the main problem is that most of Samborondon coffee shops do not have an effective way to measure this variable or do not catch the interest of their clients to fill these surveys. The results of these could be a useful tool for communicating the results of determined areas into the organization and a strategy to improve internal processes.

For future researches, we recommend investigating the use of digital tools in coffee shops for the measurement of the levels of satisfaction of customers.

**Referencias**


