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Local Lion COFFEE SHOP: MarketING Strategy

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Josiah Davis became an entrepreneur in 2008 after graduating from Appalachian State University (ASU) in Boone, North Carolina. Established in 2012, Davis owned and ran a successful business: Local Lion, one of Boone’s premier local coffee shops. He was content with his business and loved his family, which was the pillar of strength for his coffee and doughnut business. However, as the mountain college town of Boone grew dramatically in population, Starbucks opened shop just 1.6 kilometres (km) away from Local Lion. Davis believed his business had deep roots and had contributed to creating the coffee culture in Boone. Local Lion provided the typical “mountain coffee experience” sought by residents and tourists alike. However, the numbers told a different story. More students and tourists were heading to Starbucks, and Davis was left wondering what his next move should be. What could he do to keep his business steady and his customers loyal? What options should he explore?

Background

Three years before opening Local Lion, Davis had started a venture that involved cleaning grill hoods at local restaurants, hotels, and schools. He had noticed a vacuum in the market: to have their grill hoods cleaned, most facilities contracted companies from Winston-Salem, (a city an hour-and-a-half drive east of Boone). Davis recognized that he could offer cost savings to local businesses, and he started his own venture. Through this business, he honed his entrepreneurial talent, established rapport with local lenders and investors, and whetted his taste for further success.

With a growing family, Davis was eventually in search of a new business that afforded him more time with his loved ones. As if by divine providence, he came across a unique opportunity in 2011—he purchased a doughnut fryer and learned handmade doughnut recipes from friends across the state border in Roan Mountain, Tennessee. Davis found this opportunity to be the perfect solution. Just months after acquiring his doughnut fryer, he had procured a storefront, conducted market research, and developed a business plan. Local Lion’s doors opened on April 30, 2012.

Local Lion

Local Lion focused on delivering Boone’s values to its target market, which included local customers, college students, and tourists. Davis wanted his establishment to be a family-friendly place that was different from shops run by big corporations. As owner, Davis oversaw all management and public relations. The business had three parts: Local Lion, its partnership with Appalachian state coffee shops, and the online store The Captain’s Coffee.

Davis believed in Local Lion’s social responsibility and strove to bring its customers Fair Trade coffees with the goal of direct trade with coffee farmers. Davis believed that Local Lion’s tasty beverages should be grown responsibly, and he supported coffee farmers who incorporated organic growing practices.

Boone

North Carolina was split into three distinct geographical regions: the flat plains along the coast, the rolling hills of the central Piedmont region, and the mountains in the western part of the state. Nestled one kilometre above sea level in the northwest corner of North Carolina was Boone, a quaint and vibrant mountain town.

Considered the economic hub of the five-county region referred to as the High Country, Boone was a thriving community that attracted tourists year round: vacationers in the summer months, leaf-lookers in the autumn, and winter sports enthusiasts in the winter.

A short drive from Boone to the Blue Ridge Parkway revealed beautiful vistas of mountain peaks, foggy horizons, and brilliant colours in the fall. Hiking trails along the parkway were frequented year round by students and visiting enthusiasts. A small but bustling town, Boone had a population just under 20,000 and a student population of approximately 18,000 (i.e., the students at ASU). Boone had seen double- and even triple-digit population percentage growth at almost every census since 1900.[[1]](#footnote-1)

Boone’s coffee culture

The yearly student–tourist turnaround created a unique business environment in Boone. That is, there was not much of an “off” season; there was a summer influx of tourists and regular business from students during the academic year.

College students, notoriously lacking sleep and dependent on caffeine, frequented the area’s coffee shops to network, study, and get their daily caffeine fixes. Three coffee shops were located on ASU’s campus, and another three were within a 10-minute walk from campus. Beyond that, a mix of local and chain coffee shops peppered the town. Students frequented the locally owned coffee shops closest to campus, with the newly opened Starbucks across town proving an exception.

Boone was a calm, quaint town with a passion for the local business, coffee, and community. Whether intentionally or by a slow evolution, the town of Boone had collectively developed an appreciation (and reputation) for coffee beyond its purely utilitarian use: enthusiasts closely followed the origin, roast, and preparation of coffee.

A handful of nearby roasters had gained popularity in past years to meet the demand for local coffee; Local Lion roasted its own beans, as did other small shops, including Dogwood Café, Espresso News, and Higher Grounds. Coffee roasted in the high country was available for sale locally, in nearby communities, and for purchase online.

Product

Like most coffee shops, Local Lion offered an array of caffeinated drinks. From hot and iced coffee to teas and specialty drinks, such as its hazelnut truffle and lavender vanilla lattes, few requests went unaccommodated. In addition to selling house-roasted and house-brewed coffee, Local Lion sold homemade doughnuts; bottled and canned beverages, including beers from nearby Appalachian Mountain Brewery (AMB); art prints and jewellery from local artists; and Local Lion–branded apparel. In a 2012 interview, Davis expressed his desire for Local Lion to “become a place that ties into [the] local economy and becomes a bridge for the community in different ways.”[[2]](#footnote-2)

That said, Davis was extremely selective when choosing which third-party products to offer. He did not want his storefront to become Boone’s de facto bazaar. Another High Country native, who had started her business before graduating high school, made the jewellery for sale in the shop. Davis had no plans to allow more third-party vendors to sell in his shop.

True to its name, Local Lion sourced ingredients from vendors in the community whenever possible. Recipes were passed down from friends and family; even the flavouring syrups, extracts, and glazes for coffee and doughnuts were made in house from ingredients such as local lavender and oranges.

When the time came to purchase an espresso machine, Davis opted for a model with more manual controls and very little automation. This allowed his employees to enrich their own understanding of how coffee and espresso drinks were made and to experiment with their own style. Davis believed that the lack of automation, while more time-consuming, translated to a bespoke and higher-quality product.

Local Lion prided itself on fresh, sustainably sourced coffee. Davis sourced his coffee from all around the world and ensured that the coffee he vended was ethically grown and sold. He was transparent about the supply chain path with those who asked, and even proffered this information in promotional material shared on Local Lion’s Facebook page.

Roasted coffee was available for purchase in store and online, both directly to customers and to other businesses—most notably, Crossroads Coffee House and Wired Scholar, the two stand-alone coffee shops on ASU’s campus. Providing beans for three coffee shops locally while maintaining his online sales translated into a high inventory turnover. This volume of sales allowed Davis to keep consistently fresh-roasted coffee in his shop throughout the year.

Local Lion employees produced dozens of fresh doughnuts daily. Both cake- and yeast-based doughnuts were sold, ranging from classic flavours such as cinnamon sugar to more eccentric flavours such as rum raisin and orange glazed. The doughnuts had been a hallmark of the shop since its inception, with early posts to the company’s Facebook page often alerting customers when they had sold out for the day. Local Lion remained the only coffee shop in Boone that was renowned for its confections.

Wholesales represented a significant part of Davis’s business. He operated The Captain’s Coffee, an online shop, which sold his roasted coffee and other coffee-related accessories. Using a different brand name and the Internet as his storefront, Davis targeted a larger audience, not just local connoisseurs. This brand was distinct from the Local Lion’s brand image. Local Lion was your friendly local coffee shop, while The Captain’s Coffee was an online store that had no connection or interest in the Local Lion’s brand.

Pricing

Having no previous experience in coffee shops, Davis wrestled for some time with pricing his product. Initially he had visited other local coffee shops and documented their prices. He then averaged the prices he found “to the quarter” to provide a quick and easy baseline for his pricing structure, which was comparable to that of his competition (see Exhibit 1).

Roasted coffee was sold in plain brown one-pound (0.45 kilogram) bags with a handwritten note on each describing the origin, roast, and flavour of the coffee. This, Davis expressed, was where his customers got the best value. For US$11[[3]](#footnote-3) customers could purchase a one-pound (0.45 kilogram) bag of fresh house-roasted coffee. A free cup of hot coffee was also included.

Davis’s prices were extremely competitive compared with those of other roasters; at $12 per pound (approximately $26 per kilogram) with no free cup of hot coffee, customers payed an extra dollar for coffee beans from Hatchet Coffee. However, Davis feared that the plain brown bags would not catch the eyes of as many customers as he would like. He wondered whether this cost-saving approach affected his customers’ perception of the quality of his coffee.

Place

Occupying a building that had formerly housed the national frozen yogurt chain The Country’s Best Yogurt (TCBY), Local Lion was located on the northbound side of North Carolina Highway 321.[[4]](#footnote-4) For most students and commuters, this location was convenient as it was on the way from Blowing Rock to downtown Boone and ASU’s campus.

Davis recognized that there was no other drive-through coffee shop in Boone and figured that Local Lion’s drive-through would be frequented during the school year by rushed university students, staff, and faculty. He believed that his coffee shop’s drive-through gave him an advantage over the competition. Students and faculty who commuted to campus could save some time, and Local Lion could serve multiple customers at once with the drive-through. Whether customers were on their feet or rolling in a set of wheels, Local Lion was prepared to do business.

To further customize the storefront and create more space for patrons, Davis built a covered seating area between the parking area and the storefront. He found that, during peak hours, the shop lacked sufficient space to accommodate all of his customers. He also wanted to give his patrons the option sit outside during the warmer months. Although the patio was not used frequently in the winter months, it invited both locals and tourists to sit, chat, and engage with others in the community.

Local Lion was located between a handful of student residences. In the immediate area was a university dormitory, a new high-end student apartment complex, various other apartments and single-family homes, and, most notably, no other niche coffee shops. This “coffee desert” made Local Lion the only local coffee shop within walking distance for a sizable segment of the student population in Boone. This location was favourable in many ways, but it also had an unfavourable consequence: because only limited parking was available, those who did not live in the immediate area often found it difficult to find a parking space.

Promotion

The Local Lion marketing campaign was interesting because little was actually done in terms of promotional outreach. Davis was proud that his business brought local products to Local Lion’s customers—the name spoke for itself. The social and economic responsibility demonstrated by the business was in tune with many other Boone businesses and helped build credibility in the community.

Local Lion had multiple partnerships with business in the area. First of all, it had a partnership with AMB, which led to a coffee and doughnut-infused milk stout, which they called Cappuccino Rules Everything Around Me (C.R.E.A.M). This name was a clever cultural reference to the popular Wu-Tang Clan song, “C.R.E.A.M.,” released in the early 1990s. The beer prided itself on being the perfect breakfast beer, offering a rich coffee nose, sweet thick stout body, and a smooth finish. Collaborating with a brewery in a college town was an especially advantageous campaign, given that much of the student population consumed large amounts of both coffee and beer. This partnership with AMB specifically reached the target audiences of both Local Lion and AMB, which included locals, students, and travellers alike. While AMB was a bigger name to people unfamiliar with the area, Local Lion had grown its name with the local and student populations.

Local Lion also had partnerships with two campus businesses. Wired Scholar carried Local Lion coffee and doughnuts exclusively, and a local store called Fruits, Veggies, and More sold Local Lion coffee. The partnerships with local area shops were important because they built not only brand loyalty with local consumers but also working relationships with other businesses that were likely to help each other grow.

Another aspect of Local Lion’s marketing campaign was its social media presence. On Instagram, the business had attracted almost 300 followers on its Local Lion account and more than 150 on its account for The Captains Coffee. The company’s Facebook page[[5]](#footnote-5) had been regularly used to announce news, partnerships, sales, and milestones since the shop opened in 2012. Among the first posts was a link to an article about the store opening. The remaining posts highlighted Local Lion’s evolving social media strategy. Starting out with candid photos and posts establishing brand personality, the tone and style transitioned to become more educational and empowering. Most recently, Davis had appeared in a series of semi-regular videos talking about the origins and roast of the beans in the shop that week. Local Lion did not have a Twitter page, although The Captain’s Coffee, Davis’s wholesale online-only brand, did.

The online coffee shop The Captain’s Coffee hosted an informative website, which included options to purchase multiple blends of coffee from various parts of the world. The website also included a news section, which provided updates on the latest and favourite brews being introduced to The Captain’s Coffee. A particularly appealing addition was a learning centre, which provided interested parties with instructions on how to roast and brew their own coffee.

Davis relied on local enthusiasm and word-of-mouth recommendations to reach nearby consumers. Once through Local Lion’s door, patrons would find a comfortable space with exposed brick walls and rustic furniture. A large coffee roasting machine surrounded by bags of beans erased any doubt about the primary focus of Local Lion. Patrons were immediately greeted with a large handwritten menu on the back wall (see Exhibit 2). Employees adorned the menu with art and fun notes, giving a homey feel to the restaurant. Local Lion’s logo, installed directly next to the menu, featured a hand-painted lion’s head peeking out over mountains.

To attract customers, Local Lion offered discounts and made philanthropic donations to generate word-of-mouth publicity. For instance, it offered a 15 per cent sale on all coffee purchased online as part of National Coffee Day. It also offered a 15 per cent discount to repeat customers. In addition, when the owners Davis and his wife announced their pregnancy, 30 per cent of their profits of the day were donated to the local pregnancy centre.

Competition

Local Lion had positioned itself among the most popular coffee shops in Boone. That said, competition always existed among the cohort of coffee shops.

The three best-known coffee roasters in Boone were Local Lion, Espresso News, and Hatchet Coffee. Espresso News was one of two other roasters in Boone that had a physical storefront. Located closer to the college campus and sporting a second level with hip music and an eclectic collection of furniture, Espresso News offered more convenience and a homey atmosphere to students unable or unwilling to travel to Local Lion. Hatchet Coffee, on the other hand, primarily sold online and through a local bread and pastry shop. All three coffee roasters sold branded accessories, from stickers to shirts to diner-style mugs.

Dogwood Café was located on King Street, in the heart of downtown Boone. It also happened to be about the same distance from campus as Espresso News, making it the second most walkable off-campus coffee shop. Dogwood Café offered lots of seating but did not have as much space for patrons as many of the other shops because it was located on the main street in downtown Boone.

Higher Grounds offered the largest selection of roasted coffee beans for purchase; these ranged in price from $11.99 to $13.99 per pound. The shop was located in a shopping centre more than 1.6 km (one mile) from campus, and most students did not immediately think to stop at Higher Grounds for a quick fix of caffeine.

Crossroads Coffee House and Wired Scholar were both operated by ASU and used Local Lion’s beans to brew their coffee. Students frequented both coffee shops for various events, including university-sponsored activities such as club meetings, study groups, and open mic nights.

Beans 2 Brew, while not technically a coffee shop, did offer the lowest prices (and smallest selection) of coffee. Beans 2 Brew operated as a rolling “two-week fundraiser” benefiting academic clubs in the ASU’s business college. It was closed on the weekends but was the most convenient option for a large section of the student population.

Starbucks had two locations in town: one stand-alone location and one inside of a grocery store. The newly opened store featured architectural elements similar to many of the region’s vacation homes and country clubs, including exposed wood, a gabled roof, and stone accents. Promotions included a signature drink specific to Boone. Many customers defaulted to Starbucks—an established name that led to brand loyalty. Although the locations were often crowded, the clientele differed slightly from that at Local Lion or other local coffee shops. New residents or tourists passing through often chose Starbucks coffee because of its reliability rather than trying a local alternative. Davis was unconcerned when he heard Starbucks was exploring an expansion into Boone and had not noticed much of a change in his traffic or margins. Starbucks opened its doors at the tail end of the summer 2017, as the tourists started to leave and students returned for the fall semester. Because of this timing, it was difficult to isolate Starbucks as the reason for seasonal changes in traffic. Davis believed that his customer base was loyal to local roasters and that his shop provided an atmosphere that catered to a different audience from that at Starbucks.

However, more students and tourists were heading to Starbucks now that it was present, and Davis was left wondering what his next move should be. What could he do to keep his business steady and his customers loyal? What options should he explore?

Exhibit 1: A Comparison of boone coffee shop prices for commonly ordered items (in US$)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Coffee Shop** | **12 oz Coffee** | **16 oz Coffee** | **20 oz Coffee** | **Small Latte** | **Large Latte** | **1 lb Coffee** |
| **Local Lion** | 1.64 | 1.87 | 2.11 | 3.28 | 3.75 | 11.00 |
| **Espresso News** | 1.64 | 1.87 | 2.11 | 3.04 | 3.98 | 12.00 |
| **Dogwood Café** | 1.64 | 1.87 | NA | 3.09 | 3.86 | NA |
| **Higher Grounds** | 1.59 | 1.73 | 1.87 | 2.81 | 3.75 | 11.99–13.99 |
| **Crossroads Café** | 1.75 | 2.10 | 2.35 | 2.95 | 4.25 | NA |
| **Wired Scholar** | 1.75 | 2.10 | 2.35 | 2.95 | 4.25 | NA |
| **Beans to Brew** | 1.50 | 2.00 | 2.50 |  |  | NA |
| **Starbucks** | 1.95 | 2.25 | 2.45 | 2.95 | 4.25 |  |
| **AVERAGES** | 1.68 | 1.97 | 2.25 | 3.01 | 4.01 | 11.50 |
| **Local Lion’s price (as percentage of average)** | 0.97 | 0.95 | 0.94 | 1.09 | 0.93 | 0.96 |

Note: oz = ounce; 1 ounce = 28.34 grams; lb = pound; 1 pound = 0.453 kilograms; NA = not applicable.

Source: Created by authors based on company documents.

Exhibit 2: Local Lion’s handwritten menu



Source: Company documents.

1. U.S. Census Bureau, “Census of Population and Housing,” accessed February 21, 2018, https://www.census.gov/prod/www/decennial.html. [↑](#footnote-ref-1)
2. Chelsea Pardue, “A Place for Community; New Shop in Boone Aims to Sell Homemade Doughnuts and Become a Local Hangout,” *High Country Press*, May 30, 2012, accessed February 21, 2018, https://www.hcpress.com/business/a-place-for-community-new-shop-in-boone-aims-to-sell-homemade-doughnuts-and-become-a-local-hangout.html. [↑](#footnote-ref-2)
3. All currency amounts are in U.S. dollars unless otherwise specified. [↑](#footnote-ref-3)
4. Local Lion website, accessed February 21, 2018, https://local-lion.com/contact/. [↑](#footnote-ref-4)
5. “Local Lion,” accessed February 21, 2018, https://www.facebook.com/TheLocalLion/. [↑](#footnote-ref-5)