UNIVERSITY OF ALBERTA

# Glow Juicery Case Study

Glow Juicery ( http://glowjuicery.ca ) is an Edmonton-based firm started in 2012. Marnie Ashcroft, the CEO, started Glow Juicery to help people make it easier for people to choose healthy food options that can improve their overall wellness.  The company offers freshly-pressed juice and raw food products to its clientele in both single serving and package options. Glow Juicery started as a single brick and mortar shop and has quickly grown to 11 stores across Western Canada as well as reseller partnerships with various retail outlets. As Glow continues to grow, Marnie is looking to determine how to best use her company's time and money to meet the evolving needs of her customers and the industry.

## Organizational Overview

Glow Juicery operates its stores primarily through a franchise model. Franchisees pay up front for initial costs to get their business running and pay ongoing royalties in exchange for continual marketing, support and guidance from the corporate office. Currently Glow has 14 corporate employees with another 90 employees within the franchises. Corporate staff are focused on driving a highly evolving, high-growth company.

Glow's values drive how the company operates and align its mission with its strategic objectives:

- **Put your health first:** Our wellbeing is important, and is largely determined by the foods we eat and the attitudes we carry.
- **Tell the truth:** In our words and our actions, we are authentic and sincere, and expect the same from others.
- **Do the right thing:** We look out for the people around us, and always find a way to do what's right—even if it means more time, work or commitment.
- **Live sustainably:** We respect this planet, and take only what we need, in hopes of preserving it for future generations.
- **Be transparent:** From our natural ingredients to our genuine desire to help others improve their health, everything we do is 100% real.
- **Take accountability:** We are all responsible for presenting the best of ourselves every day. If you make a mistake, own it, learn from it and then do better next time.

Marnie is looking to continue to evolve Glow into a lifestyle brand that is focused on customer service.

Currently the company's sales come from three main channels:

- **Store front (60%):** customers coming into the store and purchasing products in person.
- **Online (20%):** customers order products online and are directed to a store to pick them up.
- **Resellers (20%):** resellers order product from local Glow Juicery stores and sell to customers at their point-of-sale.

Marnie would like to grow the online sales portion of her business to at least 30% of overall revenues while increasing revenues by 20% over the next 3 years.

## Organizational Structure

Glow's business is managed through the following business areas:

- **Operations, Training and Compliancy:** Managing day-to-day corporate office operations, developing franchise policies and procedures, ensuring franchises comply with food production rules and regulations, and providing training to franchisees.
- **Marketing and Brand Development:** Growing awareness of the Glow Juicery story and brand with a focus on retail customers.
- **Business Development:** Identifying, vetting and working with prospective franchisees, looking for opportunities to partner with resellers and finding complementary businesses who can expand the product reach of the brand.
- **Product Development:** Researching and developing new products, working on co-branding opportunities with other companies. The raw food product menu is redeveloped seasonally to account for available ingredients, so this business unit is continually experimenting with and developing new products.
- **Technology, Development and Support:** Maintaining and expanding the technologies that support the company's operations, providing support to franchises as well as internal operations.

## Key Stakeholders

**Note:** All names are fictionalized except for the CEO.

**Marnie Ashcroft, CEO**

Marnie is the founder and CEO of Glow Juicery. Marnie has a background in corporate sales and has previously run a home and design business. Marnie oversees the entire Glow operation and is focused on embedding the company's values into its culture as it continues to grow. Marnie focuses her time on business development opportunities, particularly with franchises, and on ensuring marketing efforts reflect her company's brand.

**Jake Benioff, Director of Operations**

Jake is responsible for ensuring the company's internal operations run as smoothly as possible. Jake looks to find ways to streamline processes where possible, ensure that staff and franchises are following policies and procedures, and developing service agreements with franchises and partners.

**Melinda Sorfram, Director Business Development**

Melinda is responsible for working with potential resellers and having them become wholesale customers. Melinda is also in charge of looking for new geographic markets that can sustain new store locations. Melinda also provides some franchise support as required.

**Franchisees**

Franchise operators come from a diverse background, ranging from young professionals to health-focused families wanting to make a difference in their communities.  Franchisees are looking to work with the corporate office to maximize their success, and are keen on finding ways to increase revenues and market demand. Their goal is to create an organizational balance of Corporate led initiatives and Franchise Owner suggested innovations & product offerings that result in the experience of a more locally adaptive Franchised organization.

**Marketing and Branding**

Marketing and branding is outsourced to a local communications firm that specializes in support small businesses. The company develops monthly marketing strategies and implements them with Marnie's guidance and approval. The company also supports rollouts of Ambassadors; individuals who help spread the word about Glow's products and the personal benefits they've seen as a result of using the products. They are also responsible for performing the day-to-day promotion of Glow via social media and on Glow's website.

**Technology**

Glow has outsourced its technology maintenance and support to another local firm. They are responsible for ensuring the company's website and back-end operations are available 24/7 and can support the growth in demand for the company's products. Initially Glow used an off-the-shelf software-as-a-service product for its e-commerce engine, however they transitioned to a custom-built application that would better support the unique characteristics of Glow's business model. The technology support company addresses change requests as they come in and charges Glow on a time and materials basis for such changes.

**Packaging Production**

Packaging for the company's products is outsourced to other Alberta-based firms. When Glow requires more bottles, the bottle producers shut down their production lines to all other clients and produces only Glow's packaging. As a result Glow must put in a large volume order (at least 54,000 bottles) in order to be able to receive such service. It takes approximately 6-8 weeks to receive new bottles after the order is placed. Bottle caps are manufactured by another Alberta firm with similar requirements. If there are delays in the delivery of packaging, Glow may have to scramble to find a suitable alternative on short notice.

# Main Operational Processes

The following processes are some of the core components that support Glow's operations.

## Product Production

Glow's products have a maximum shelf life of three days; as a result all production is done locally at a store level. Each region is responsible for sourcing their own food from local growers, where possible. Glow provides recommended vendors in each region, but franchises can find their own producers and use them, with the approval of the corporate office.

Each day products are created at the store level based on estimated near-term demand and existing inventory. Each store receives their food supplies from their local suppliers, where possible. Generally, stores have at most two days of ingredients on site. Recent historical sales are used to forecast anticipated demand. Any excess inventory that is unsold after its expiry date is given to staff or to local businesses.

Packaging is sent to stores based on the amount of available package inventory, anticipated demand and the time required to have new packaging delivered to them. Packaging inventory is verified manually and ordered weekly as required.

Most stores also support resellers within their region. Resellers generally have to be physically located within 3-4 hours to allow for products to be transported to them without a degradation in quality. Local franchises are responsible for delivering products to the resellers in their region. This may be done via store employees and a commercial vehicle, or may be outsourced to a delivery service.

## Store Front Sales

When customers arrive in store, the store's Educators help individuals in understanding the available products and what options are suitable for the customer's individual needs. Stores sell products directly to customers in person. Customers looking for a single or small batch of products can purchase and receive their products immediately via point-of-sale transactions. No customer information is captured for such transactions.

If a customer is looking for a larger package of products they may need to place an order that will be ready in one to three days. Educators look to manage the flow of inventory as part of their engagement with the customer.

## Online Sales

Individuals who wish to purchase online can place their order on Glow's website. The order is routed to a particular local store to prepare the product as required. The customer is guided to a particular region based on their location, although they can change their location if the system incorrectly estimates which region the person lives.

Once the customer has paid for the order and the transaction is successful, the order is registered in the company's order system, which routes the order to the appropriate store location. The store operator receives the order through the order system and processes the order. When the order is ready, the store sends a notification to the customer through the company's order system to indicate the customer can come and pick up their order.

## Reseller Sales

There are two main types of reseller sales: from store-front resellers and delivery service orders. Some store-front resellers have standing orders that are periodically filled (for example, twice a week on Mondays and Wednesdays), while others place orders on an ad-hoc basis. Ad-hoc orders are required to be sent in with 48 hours notice so local stores can ensure they have sufficient ingredients to fulfill the order.

Glow has partnered with a delivery service that offers their products are part of an overall grocery order. As a result, demand for their products fluctuates based on end-customer requests. Delivery service orders are generally fulfilled within 24 hours. The delivery service company picks up these orders directly from the local store.

## Core Technologies

Glow has developed a custom-built software system for website content management, e-commerce and order fulfillment. Initially the company used an off-the shelf solution, however they found it was not able to address the company's needs. As a result, the company has invested heavily in its software solution. The order fulfillment system stores customer information, routes orders to stores, and tracks the progress of orders until they are picked up by the customer.

Each store handles store front sales through a point-of-sale system. Payments are handled through a payment processor service. Currently the fees are relatively high; the company is looking for opportunities to reduce these fees as they can materially affect Glow's bottom line.

Glow leverages social media to increase its brand; consequently it uses all the major platforms to communicate with its potential audience (Facebook, Twitter, Instagram). Some individual stores have their own social media accounts to provide localized content to their audiences.

Going forward, Marnie wants to continue to invest in technology development, but wants to balance the investment required with the returns they can generate. Currently she is considering investing further in Search Engine Optimization as well as internal operational and social media analytics.

## Organizational Key Performance Indicators

- **Revenue growth:** quarter over quarter and year over year
- **Gross and net profit margins:** per store/franchise, and at the corporate level
- **Percentage of customers who provide repeat business in past 12 months**
- **Qualitative feedback:** currently Glow has not developed a quantitative performance indicator for this information, although the company focuses on reviewing feedback from all channels (online/social media and in person) to ensure they are meeting and exceeding customer expectations.

## The Opportunity

Recently Marnie has been trying to decide whether to create a loyalty program for Glow Juicery. She has seen the potential benefits of such a program; each time she goes into a Starbucks she sees people pulling out their cards or flashing their phones against the reader to collect 'stars' for free rewards. She's read the research that loyalty programs can drive repeat business, improve customer satisfaction and also give her additional insights into their behaviour. But how much will it cost to get the program up and running? How long will it take to recoup those costs? What are the risks that could derail the program?

Marnie has many ideas for what her company's loyalty program could include:

- Set what purchases qualify to be included in the accumulation of points
- Define the amount of points received for particular purchases
- Be able to create special time-sensitive promotions that would incentivize customers to make purchases in order to get additional points
- Track the accumulation and redemption of points by customer
- Set conditions under which points can be redeemed
- Allow for customers to receive points for non-purchase activities, for example by promoting Glow on social media

She doesn't necessarily need to have all of these items addressed; depending on the costs involved she could live with having a 'bare bones' loyalty program as long as it helped improve the company's key performance indicators.

Marnie has several options to consider when developing the program.

## Basic Rewards Program

Glow could implement a basic program that would reward customers who continually purchase the same products. For example, customers could receive a free raw food meal for every 10 they purchase. This could be easily implemented by using simple stamp cards at each location. When a customer redeems for a free item, the store would log the transaction in Glow's system. This would require the least up-front investment; however, it does not provide any additional data on customers. Plus, customers need to remember to bring their cards with them and get them stamped each time, and not lose them before they can redeem them.

Given the diversity in products at Glow at very different price points (ranging from $5.50 to $50+), it would not be feasible to provide the same stamp for each product; either a stamp card would have to be for a particular type of product (e.g. raw food or package of juices), or customers could get stamps based on how much they spend each time (for instance receive a stamp for each $10 sold, then receive $5 off when reaching 10 stamps).

See Appendix 1 for additional details on how the stamp cards could be handled with the basic rewards program.

## Custom Develop Loyalty Program

Glow could look to have its IT experts develop additional functionality within the customized information system to allow for registered customers to receive points based on the dollar value of each purchase. Customers could then redeem these points on future purchases.

This option would enable Glow to track the success of the loyalty program as customers accumulate, gather and spend points. It would also be fully integrated with their existing systems and allow them to cross-reference this information to the other customer information they have.

However, this could be a very expensive proposition, as the IT group charges for their services on an hourly basis. Glow may wish to adapt and change the program over time, or request enhancements once the program is up and running. These ongoing costs might dramatically eat into the financial benefits from the program.

Additionally, if Glow wants to provide something for customers to be able to track their points on their mobile devices with an app, this would add to the up front and ongoing costs. Apps need to be periodically revised to keep a modern look and feel as well as be compatible with changes to mobile operating systems.

### Leverage Third Party Loyalty Solutions

Glow could also look at businesses that offer loyalty program solutions to small businesses and implement it within their operations. These solutions typically have all the software developed to manage the loyalty reward program with administration functions in place to be able to configure changes to the program, maintain promotions, and gain insights into how well the performance is improving the company's bottom line.

While this option would be cheaper than having Glow's IT experts develop a custom solution, it won't be directly integrated with the rest of the company's systems. This means that staff will need to correlate information across the systems to compare results from the loyalty program with the company's other operational data. Glow could look to pay to have the systems integrated, provided the third-party system has an appropriate Application Programming Interface (API) that would allow for such integration.

Because these options are separate from Glow's existing systems, additional technology would need to be purchased for each store in order to scan bar codes from customer's phones.

## Other Considerations

While Marnie believes a loyalty program would be a good opportunity to enhance engagement with Glow's customers, she is cognizant of the capabilities of her franchisees and the value they need to see when new corporate initiatives are released.

Implementing the loyalty program is not something she can force on her franchises; they need to want to adopt the program. If all franchises don't agree to implement the program, she wonders if it will be worse than having no program at all. What will customers think if they go to different stores and can't use their points at one? How will franchisees feel towards one another if some decide not to go ahead?

Another factor is whether Glow's competitors are offering loyalty programs, either now or possibly in the future. Glow may be able to attract customers from others if they are first to deploy such a program; conversely if they wait too long they may find their customers have already moved onto a competitor and feel 'invested' in the other loyalty program.

Lastly, should Glow possibly look at a rewards program that is not solely for their company? Rewards programs like Air Miles can attract potential customers from other stores that are in different markets and expand the awareness about Glow. However, these programs may not drive repeat customers to Glow specifically. The ongoing costs of such programs may also be higher as well; customers may use their rewards at any participating retailer, so the program managers often charge higher per-transaction costs to allow for reimbursement to the retailers where the points are redeemed, or if they are redeemed with the program manager itself if they offer rewards centrally.

## Financial Information

Each Glow Juicery franchise pays 6% of its revenues to the corporate office in royalties.

Currently, each of Glow's 11 stores has 3,000 customers per year on average. Of those, 60% of the customers visit the store more than once annually; on average the repeat customers purchase from the store 3.5 times per year. Repeat customers purchase a greater amount of product per transaction than one-time customers.

| Customer Type | Revenue Per Transaction |
|---|---|
| Non-Repeat | $25 |
| Repeat | $35 |

Each possible loyalty program implementation is anticipated to bring in new repeat customers by converting some current one-time customers into repeat customer as well as attracting new repeat customers. Additionally, existing repeat customers are expected to spend more on their existing purchase, and also purchase more frequently. The following table indicates the estimated changes in repeat business as a result of each option.

| Option | Basic Program | Custom Program | Third Party Program |
|---|---|---|---|
| New repeat customers per store per year (includes net new customers and converted non-repeat customers) | 200 | 250 | 325 |
| Average increase in revenue per transaction per repeat customer | $3.50 | $4.00 | $5.00 |
| Average increase in number of transactions per repeat customer per year | 1 | 2.5 | 3 |

The average increases in revenue per transaction and number of transactions are expected to occur for both new and existing repeat customers. It is anticipated that the new repeat customers continue to shop at the store in perpetuity.

Not all repeat customers will necessarily participate in the loyalty program, or if they do they may not ever redeem their rewards. However, engagement with the program and the costs of rewards are expected to increase with options that focus on engagement and inducements to achieve rewards.

| Option | Basic Program | Custom Program | Third Party Program |
|---|---|---|---|
| Percentage of customers using loyalty program/redeeming rewards | 60% | 65% | 70% |
| Average number of rewards redemptions per customer per year | 2 | 3 | 3.25 |
| Average cost per reward redemption | $10.50 | $11.00 | $11.50 |

Each option will require a combination of up front and ongoing costs to get the program started.

| Option | Basic Program | Custom Program | Third Party Program |
|---|---|---|---|
| Initial program development costs | $10,000 | $80,000 | $0 |
| Procedure/training updates | $8,000 | $10,000 | $22,000 |
| Initial training | $10,000 | $15,000 | $15,000 |
| Marketing costs | Year 1: $6,000<br>Year 2: $3,000<br>After: $2,000 | Year 1: $8,000<br>Year 2: $4,000<br>After: $3,000 | Year 1: $10,000<br>Year 2: $5,000<br>After: $4,000 |

In addition to these costs, the basic program requires physical printing and shipping of the loyalty stamp cards. This is anticipated to cost $500 per year.

Maintenance of the custom-developed software is anticipated to be 20% of the initial development costs.

While the third-party program has no up-front development costs, there are licensing fees of $3,000 for each store per year. There is a one-time cost of $3,000 to integrate the application with Glow's other software. Additionally, the third party program requires additional hardware to be purchased for each store. This will cost $2,000 per store, and the hardware will need to be replaced every two years at the same cost.

# Appendix 1: Basic Rewards Program Accumulation and Redemption Process

Customers who order and pay online can have their cards stamped when they come to pick up their product. Similarly these customers can redeem their stamp cards in person; if they made the initial purchase online then they will receive a partial reversal on their credit card for the amount redeemed when they come to pick up their purchase.

If a customer forgets to bring in their card when making a purchase they can get an additional card at no extra charge. However, they will have to keep track of all the extra cards they have accumulated and bring them all when they wish to redeem the rewards.

When a customer wishes to redeem stamp cards they need to bring in all stamp cards at the time of redemption. If a customer has more than one stamp card they can add the total stamps together in order to redeem stamps on their purchase.

If a customer has lost one or more of their cards then it is difficult for Glow to be able to provide any compensating stamps. Only customers who purchased online would have a record of their transactions; even in those circumstances Glow cannot guarantee they have not already used their stamp card for another purchase if they made their redemption for an in-person purchase. Glow does not want to unduly punish people who lose their cards but also wants to minimize the risk of individuals 'gaming' the system.