

CAFÉ MARIGNAN

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At a family business, a small neighborhood bar, annual revenues are declining and business is stagnant. The owner is wondering what the reasons for the decline are, how revenues can be returned to previous levels, and how the family business strategy can be aligned to be successful in the future. He is especially worried that he might be missing changes in the needs of the customer base, and wants to make sure his operations stay fresh and “with the times.” The owner consults with his daughter, a senior business student, to discuss the situation and develop solutions.

INTRODUCTION

On a gloomy and drizzly November morning, Anke Poncelet, a graduating Senior business student at a medium size comprehensive State University in the Southeastern United States, got off the train in her home town in Belgium. Anke was gone for a while during her studies abroad, attending an American University on an athletic scholarship. She had not been able to visit her home very often, given her demanding schedule as an athlete and scholar. Between classes, training, and matches, there was little opportunity to find a large block of time to fly to Europe and visit the family, but this time she was able to go during Fall break. As she walked out of the train station and took a deep breath, the emotions of home and familiarity filled her with joy. She turned the corner and came to see the place that held so many memories for her growing up, Café Marignan.

After the first big hellos and a family meal, the family got together that evening to discuss the state of affairs. Things had been well with the family and the family business that was the center of their lives; but not as well as Jean-Pierre, Anke’s Dad, would have liked them to be. Revenues had been steadily declining over the last couple of years. Some reasons were most certainly out of his control, such as an overall decline in revenues for the hotel and restaurant industry based on the frequency of terror attacks across Europe. Often the attacks centered on events where the perpetrators could inflict many casualties in a short time, leading some

customers to fear public gathering places. This was not an really an imminent concern for him since his establishment was located in an unassuming small town, but more an overall assessment of the total business climate. Jean-Pierre was mostly worried about “staying with the times,” and keeping his operations “fresh” for the future. Anke listened to her Dad’s concerns and shared his worries. Remembering many of the lessons taught to her in Business School, she responded to him: “Dad, no worries, I think I can help.”



SITUATIONAL ANALYSIS

‘Café Marignan’ has been in family hands since 1978. It is not a “café” per se as we would believe it to be in the United States, serving coffee and cake, but an upscale gathering place. To compare with socializing places in the United States, the atmosphere is best described as an upscale loft/wine bar with clientele of the middle to upper socioeconomic status. The café has a full bar, and Jean-Pierre took this business over at the age of 17 from the previous owner. The business already had the name ‘Café Marignan,’ and he wanted to take advantage of the existing brand name recognition, so he never changed it.

The family business is organized as a Private limited liability company, similar to a limited liability company (LLC) or subchapter S corporation (S-Corp) in the US. The establishment is located in a small town in the heart of Belgium called Landen. Landen has a total population of approximately 16,000 people. The business is a staple in the neighborhood and its surroundings, and different generations are very familiar with it.

Customers enjoy the relaxed atmosphere, a chit chat at the bar, comfortable

benches, or sitting outside on the terrace in the lounge corners. Entertainment is available in the form of a game of foosball (table-soccer), poker or a game at the bingo-machine. Over all, the business offers its customers a reprieve from the world and a warm home feeling after a long day of work. The bar provides an extensive selection of Belgian beers, as well as a selection of the world best wines in a special wine bar setting, served by a well-educated and friendly staff.

The business is located in the city center of Landen, right next to a well utilized train station. Next to the train station is one of the biggest bus stations of the country, because Landen is located in the center of Belgium, an important transfer point. Café Marignan receives a good amount of walk-in traffic from public transportation passengers waiting on their train, bus, or car ride home. Furthermore, in the vicinity, within 300 to 500 yards, there are parking lots with 340 spaces.

The customer mix at Café Marignan is diverse. Customers of all age groups frequent it, local loyal customers as well as tourists and public transportation passengers making it a meeting or waiting point. The Café Marignan is situated on the end of a long pedestrian only shopping street, which is at the heart of the city. In 2017 the traveler count at the train and bus station for a weekday was 6504 people, 2262 on Saturdays and 2154 on Sundays.

CONTEMPLATING OPTIONS

To raise more revenue, Anke considered a lot of options. Should they raise the prices of the products? On the surface that could immediately increase the revenue, but what would that mean in terms of the competitive pressures from other entertainment places. Would the family business could lose customers over all? She also contemplated a cover charge, for days the bar had special events, or on Saturday nights, but quickly discarded that idea. In such a small town, the customer will not come out if there is a cover to pay. Anke also thought about creating more special deals, offers, and discounts, but the contracted suppliers did not like the idea, worrying about their income.

After considering many ideas, Anke concluded that few options existed. In order to increase revenue, she either needed to attract more customers, or she needed to entice the existing customers to spend more money at the bar. Simply advertising more would likely not increase the number of customers in this small local market, since the customer base is very stable but not growing. If she wanted customers to come more often, she needed to create an extra incentive. Asking the existing customers to spend more at every visit, given the current product portfolio, would also be very difficult, because customers were not likely to increase their drink intake substantially. This upscale bar is a place frequented by customers for the occasional drink in a social setting, not to get intoxicated. Getting customers to

spend more would mean she had to add new and/or different products to the offering, but what would complement the existing products well? Where there rules and regulations she had to follow?

THE NEW PRODUCTS

Anke decided to try a two-pronged approach: increase revenue through product diversification, and increase customer awareness through special events marketing. She decided that the bar patrons could greatly benefit from an offering of “finger foods”, small food items that are not a full meal, are easy to prepare, and are something to snack on while socializing at the bar. For her event marketing, she decided to take advantage of the upcoming holiday season and create events for Christmas, and for New Year’s. That would attract new customers and motivate existing customers to attend these special events for a new/different experience.

The business had very little money to invest into these new initiatives. Anke knew that she had to rely mostly on the existing resources of the firm to offer the new products. The products also had to be complementary to the existing offerings of liquor, beer, wine, and cocktails, to not upset the current business model. Jean-Pierre did not intend to deviate from the current business model (upscale lounge/bar) because the financial statements were not dire by any means. The business was still working well, just not as well as it had been.

Therefore, Anke decided to offer “finger foods” as complimentary products to the drink offerings of the bar. Bringing this change to fruition required a lot of work in advance. The business already had a kitchen area, but it had not really been used for large scale food preparation. Anke had to determine the processes the business would use to create the food items, as well as what permits and resources are needed. Jean-Pierre had to get approval from the fire department, and a hygiene inspection to use the kitchen. The cafe also had to acquire resources such as extra fridges, freezers, ovens and grillers. To avoid having to hire and staff the business with a cook, or with an extra person in the bar, Jean-Pierre suggested not using a fryer. That way, all the staff already working in the bar could easily prepare the food. For the first round of food offerings, Anke picked products that were easy to stock and that would last a long time in the freezer or fridge. All of this happened in the period of December 12, 2017 until January 3, 2018.

The family started with the preparation of the menu for the appetizers and finger foods in the bar. Anke and Jean-Pierre had to contact several different wholesalers and choose the kind of appetizers that would fit with the concept of the bar, and that would be easy to work with. After sorting through the available items, they selected a product range they believed would resonate well with their customers.

The idea behind this concept is that the items are not a full meal, but something to share with friends while socializing and consuming a drink at the bar. Since it is not a full meal, this “finger food” or “snack food;” therefore, has to have an affordable price for the business patron. They decided to offer a limited menu that consists of chicken drumsticks, ham and cheese toast, calamari, subs, pasta, desserts, meat tapas, and fish tapas. All food items were offered for 5.00 Euro per item. For example, 6 chicken drumsticks for the price of 5.00 Euro. Please see the estimated start-up cash flow analysis.

Estimated Food Service Start-Up Cash Flow Analysis

Food Services Project	Currency	Amount
Estimated Start-Up Cost	Euro	15,000
Estimated Monthly Food Revenue	Euro	5,000
Estimated Food Contribution Margin	Euro	70%
Estimated Monthly Food Profit	Euro	3,500
Estimated Time to Break Even		4.3 months

Operationally, it was very easy to teach the bartenders how to make these appetizers. Before the cafe started offering the new items, Anke organized a training workshop for all staff on a day the bar was closed. Every employee was able to learn the steps it took to make the items, and could sample the products in the process. It turned out to be a very effective way to get everybody involved in `cooking` and trying out the new items. As a positive side effect, it turned out to be a great team building exercise.

SUCCESS MEASURES

When the cafe introduced the new products in the bar and through social media, the immediate customer reaction was very good. Because this was the introduction stage, and because everybody was very curious about the new products, how they taste, and what the food looks like, revenue increased almost instantly by 20%.

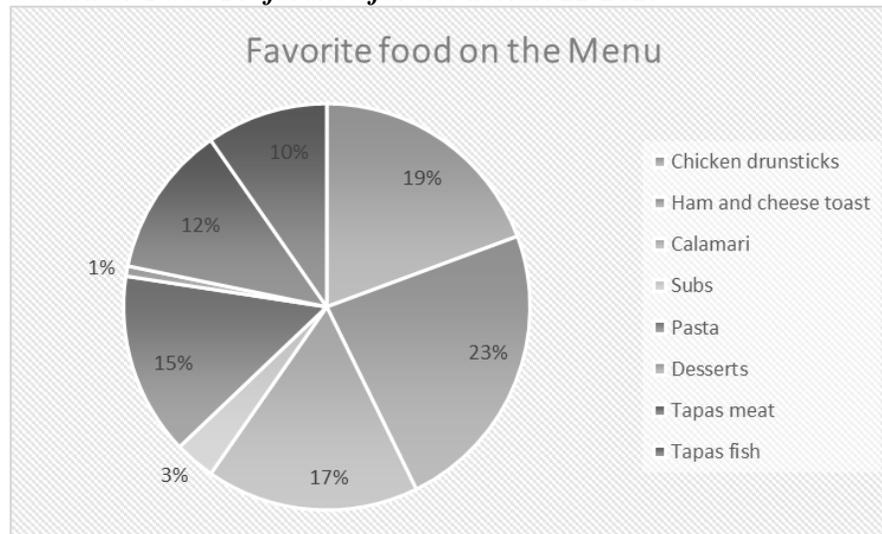
Total Operating Cash Flow December 2017

Operating Revenue 12/18	Currency	Amount
Food Revenue	Euro	6,605
Drink Revenue	Euro	33,742
Total Revenue	Euro	40,347
Food Variable Cost	Euro	1,739
Drink Variable Cost	Euro	5,830
Food Services Start-up Cost	Euro	14,523

Contract Cost	Euro	408
Equipment Cost	Euro	292
Infrastructure Cost (Including Salaries)	Euro	5,830
Total Cost	Euro	28,715
EBIT	Euro	11,632

Since people are curious and like to try many different items first, before they settle on their favorites, it was difficult to determine if the most popular foods in the first three weeks would also remain the favorites. The top three sellers were grilled calamari; chicken drumsticks; and the best-selling item was grilled toast with ham and cheese.

Customer Food Preference for the month 12/2017



After the first two weeks of selling food items, the family had to reorder inventory because they ran out of stock. With experience, and point of sales data available, Jean-Pierre can now anticipate the customer demand, and establish reasonable inventory levels. The company also deleted some of the slow selling items from the menu such as desserts and subs. Anke was pleased with the results of her efforts. Now it was time to think about the events she wanted to create.

PROMOTIONAL EVENTS

Anke knew she could not stay at home all the way to the Christmas holiday, but she knew she was going to return during the semester break and manage the promotional events for her dad. She decided to create two major events in the three weeks she had available: A small Christmas market in front of the cafe and a New

Year's Eve Dance Party. The purpose of event marketing is to provide the existing customer base with new experiences and increase the frequency of their visits; as well as draw some new customers to the event that then might try Café Marignan during other days as well. The events will definitely have to break even, but ideally, should be profitable and lead to a revenue increase for the bar.

The Christmas Market: Small Christmas markets on the village market square are an old tradition in Europe, with the most famous one probably being the Christkindelmarkt in Nuremberg, Germany, drawing about 2 million visitors annually. The events are big, open air markets with partitioned vendor booths. Customers walk from vendor to vendor, enjoying food, drinks, and other wares at the market. Of course, her small home town would not be able to create or sustain anything of that magnitude, but Anke knew it is a nice concept. Her hometown had organized Christmas Market festivities during the last two years, but due to a change in personnel at the city administration, was not going to organize anything this year. The market would also be an open air vendor style market, that partitions different vendors in small booth or tent areas. Since the purpose of the event is to promote the products of Café Marignan, her idea was that the bar would carry some special winter Beers, all brewed in Belgium. She was going to approach their suppliers/vendors for the event and have them assist in delivering products of newer micro-breweries, as well as deliver small tasting glasses themed for the event. That way, the customers could enjoy the taste of many different brews for a very small price.

To create the event, Anke had to contemplate lot of different things. First, she had to pick the right date when “there is not much” going on, so that there are no competing events. This is very difficult in the December holiday season. After the date was set, she contacted their partners, suppliers, and most importantly their wholesale brewery. They have to supply the beer, wine, liquor, and also the extra equipment to create this little Christmas market. Different kinds of advertising panels that could be set up as a bar under each little tent were needed. She also needed to secure mobile tapping stations, so that it would be possible to serve the beer outside, freshly drafted from the tap. The city had to give permission to conduct the Christmas market, and block the street in front of the café. A vendor supplying the tents and the wooden stalls had to be found.

Besides the city, she also had to contact small breweries and other businesses that wanted a tent or a little wooden stall to promote and sell their own products. She secured a DJ for the event and contacted SABAM (a music licensing agency) to apply for a license to play copyright protected music at a public event. They needed approval from the fire department for safety during the event. After the preparations for the Christmas market were completed, Anke started the advertisement

campaign. The biggest focus was on Facebook and Instagram as well as the official website. Additionally, they hung black boards, flyers and posters to promote the events and the new offerings. This also increased word of mouth advertisement compared to the past. In order to ensure the maximum efficiency of her social media campaign, Anke focused on very quick response rates to posts or questions from people, as well as weekly, or sometimes daily, updates to ensure an interactive user experience during the month of December.

The New Year’s Party: The second idea Anke implemented was a New Year’s party. All over Europe New Year’s Eve is the biggest night for adult parties. Many other events throughout the year are themed around children, but for New Years, adults go out for a good time. Jean-Pierre traditionally has held New Year’s Eve parties at Café Marignan, but for this year Anke decided to incorporate the event into a comprehensive seasonal marketing and promotional campaign. The marketing campaign for December, as mentioned, consisted mainly of social media, promoting the events online, and signage/print media, and promoting the events at and around the bar. In addition, the staff and customers at the bar were encouraged to promote the events through word of mouth. To follow the pattern of the Christmas market, adequate staffing, DJ services, equipment and permissions were secured for the New Year’s Eve party as well.

Christmas Market Days Revenue 3-Year Comparison

Bar Revenue During Christmas Market Days	Currency	Amount
Friday 12/18/2015	Euro	1,092.99
Saturday 12/19/2015	Euro	1,727.07
Sunday 12/20/2015	Euro	989.65
2015 Total	Euro	3,809.71
Friday 12/16/2016	Euro	1,184.51
Saturday 12/17/2016	Euro	1,895.85
Sunday 12/18/2016	Euro	1000.18
2016 Total	Euro	4,080.54
Friday 12/15/2017	Euro	1,544.87
Saturday 12/16/2017	Euro	2,213.61
Sunday 12/17/2017	Euro	1,364.74
2017 Total	Euro	5,123.22

RESULTS

This was not the first time that Landen had organized a Christmas market, or that

Café Marignan had participated, but it was the first time that Anke and her family were in charge of it. It was very difficult to keep track of the total attendance at the market, because customers had access from several vantage points, and an accurate count would have taken too many resources. The Christmas market event was very well attended. It drew a crowd that filled the area in front of the café quite nicely. Because the revenue of Café Marignan increased by year over year comparison, to a total of over 5,000 Euro for this year's 3 day event

The New Year's Eve party, however, usually a classic tradition in the city with nobody else hosting an event, was not quite as successful as it had been in previous years. Her Dad had organized a New Year's Eve event for the past 3 years. Every year had been a great success. This years revenue declined because there was unexpected competition. The biggest rival and competitor, created and promoted, an exclusive mystery event five days after Café Marignan released its New Year's Party date and time and kicked off its marketing campaign. The competitor created a special event that was promoted well, and created a lot of hype with ticket sales. Since Café Marignan does not charge a cover at the door, nor sell tickets beforehand, the competing event was viewed as more exclusive. Something Anke will have to take in consideration in the future. The competing event occurred the same evening and at the same time, leading to a decline in revenue at New Year's for Jean-Pierre. The business still profited from the special event and did not incur an overall loss, something that could have possibly looked worse without the marketing campaign in place.

Revenue of the New Year's Parties 2016, 2017 and 2018.

Bar Revenue During New Year's Party	Currency	Amount
01/01/2016	Euro	5,075.75
01/01/2017	Euro	3,573.67
01/01/2018	Euro	3,103.50

CONCLUSION

With a big sigh, Anke plopped into her comfy chair at her College dorm room. She had just returned from Europe after a fun filled, but hectic Christmas holiday. As she reviewed the events that took place, she was quite pleased with herself. She helped her Dad during the busy and hectic season, and her ideas improved the revenue for the family business at home. Most importantly though, she learned something about herself. She appreciated the consulting project as a whole. Identifying a business problem and coming up with solutions for the problem was very gratifying. She realized how much she had learned over her years in college,

but most importantly, she really cherished the experience of organizing such big events.

Unfortunately she was left to wonder if she did all she could for her Dad. Yes, she set up the events she wanted; and yes, it created more revenue, but was there something else that could have been done? Should she make these events an annual occurrence? Should she create different types of events? Was there another initiative available that is possibly less effort, yet leads to greater results? The family business needs new initiatives and care for years to come in an effort to adapt to new customers and markets. Anke just could not shake the feeling that she had not done all that was possible. In a way, it seemed just like the beginning of the project all over again.

PICTURES

In and around Café Marignan





The Bartenders



The Christmas Event



BIBLIOGRAPHY

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