

THE COFFEE COURTYARD – BREWING GROWTH OR TROUBLE?

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It was one of those outstanding winter evenings when Ayesha, the owner of The Coffee Courtyard, had her back to the counter at her café, observing her baristas as they kept the customers coming in. The rich aroma of coffee did not only please the moods, but was also a part of the very quiet conversation going on between students and office workers.

"This place is so familiar and comfortable," said Sameer, a university professor and Ayesha's long-time customer, who often brought his MBA students here for informal discussions. "You have created not only a café but a community, Ayesha."

Ayesha could not help but smile at Sameer but her thoughts were still elsewhere. The sales numbers were steady but the figures she was analysing

the other night told another tale. She was troubled by the increased prices for coffee beans, constant staff turnover and more.

In the year 2021 Ayesha, an enthusiastic entrepreneur, turned the area near her city café into a busy and profitable place with the opening of The Coffee Courtyard. It was her idea of community that came to the fore of the café's business and specialty coffee at the same time that was winning, warm and cozy atmosphere. The café became a local favourite in just three years, drawing university students, professionals, and families all together. The average monthly sales of The Coffee Courtyard were around PKR 2.2 million. Nonetheless, the operating expenses including rent, utilities, and so forth kept the margins really thin. The most recent quarter saw net profits in the range of 7%, which was already far from Ayesha's target of 15–18%.

The café had 6 employees but it was the case of high turnover that had been an ongoing issue. Three of the baristas had quit in the last 6 months, claiming that the jobs were too stressful and that they could get better pay elsewhere. The cost of hiring and training new staff was a further burden on the business. Unstable conditions like costs that keep increasing and employee rotation that occurs too often, even though the sales have always been constant, led to the business being under a lot of pressure. Ayesha, while contemplating the future where her business becoming bigger, found herself standing at a strategic junction that would eventually lead to the demise or success of her enterprise.

That same day, she called in her little management team, Amir being the account-handling and finance-minded cousin, and Sana the HR manager. "I have the chance to take a perfect location in the recently developed commercial area," said Ayesha. "The place has a lot of pedestrians, offices, and even a university around. Just think of how much visibility our second branch could get."

Amir hesitated, counting on his calculator. "Just the rent will suck up most of our working capital. Growth will require loans, and loans come with risks. Are

we sure that we haven't yet reached the break even at this café?" Sana softly said, "But who is going to work at the new place? We have already got a problem with barista turnover. It will be very tough for us to train new hires while keeping the morale high."

The following night, Ayesha confided in her friend, Zara, a marketing consultant.

Expressing, " Zara told, making drawings on a napkin. "You have a powerful brand and steady customers. Provided that with some efforts; such as the right marketing push, social media campaigns, delivery partnerships; you could grow faster without the cost of another branch."

"But will that not weaken our brand?" Ayesha inquired. "The personal touch, and the community feel?"

"Brands evolve," Zara expressed indifferently. "Just take a look at international chains; they depend on the scale and visibility for their very existence. So, do you want to remain a neighbourhood gem, or become a player who is recognized city-wise?"

The dilemma was heavy even more when her supplier called: "Ayesha, the price of coffee beans is going up again next quarter. Another 12% increase is to be expected." And just after a few days, one of her most loyal workers quit. "I really like this place," the barista told, "but the present pay is not enough for me. Larger chains are providing better packages."

That night Ayesha, was sitting after closing time alone at a corner table, and she was whispering to herself: "Should I go for expansion, reinforcing my position, or making a pivot into delivery? Each one presents itself as an opportunity and at the same time as a risk."

Each alternative brings opportunities along with risks. Growing would result in more recognition and revenue, yet could possibly deplete finances. Improving the current café could lead to more profits but might restrict growth. Shifting to e-commerce could give access to a large digital customer base but may compromise the café's personal brand experience.

Ayesha, facing limited resources and tougher competition, has to deliberate her next move very attentively.

Discussion Questions

1. What is Ayesha's dilemma? Identify both the primary and also the secondary problems.
2. Given the various challenges, pertaining marketing, finance, human resources, and entrepreneurship, relate their significance for strategic decision making.
3. How to position The Coffee Courtyard for sustainable growth?