

Examining the Growth of Local Cafe Businesses in Baao, Camarines sur: A Basis for Small Business Management Training Manual

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RESEARCH ARTICLE

Abstract

The primary goal of this study is to analyze the present expansion of neighborhood cafes in Baao, Camarines Sur, to provide a foundation for developing a small business management training manual for industry participants. The purpose of the study was also to evaluate the elements that influence local cafe businesses' ability to grow and maintain their market share, compete with low prices, prepare financially, retain customers, and retain employees. The data collected were excerpts from semi-structured interviews and reviews of publicly available data. Hence, this study generated useful data and revealed potential strategies to drive the local cafe business' new sustainable business programs and policies relative to their growth. The qualified respondents of the study are the business owners / co-owners and operations heads of local cafe businesses in Baao, Camarines Sur. The local cafe businesses in Baao, Camarines Sur, had similar struggles when crafting a set business strategy guide that they could use as a basis for growing their business. There were also challenges when battling competitor pricing and staying competitive. There were also no strategies to increase and develop customer and employee retention. An action plan was also proposed to foster sustainable business best practices for the growth of the local cafe businesses in Baao, Camarines Sur. The researcher took observations to make a comprehensive small business management training manual to help small business owners formally manage their business and improve it. It was also imperative that that manual be distributed and discussed to the beneficiaries through a comprehensive training program.

Keywords: Small Business Management, Business Management, Local Café Businesses, Training Manual

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1 INTRODUCTION

The Philippines is a bustling coffee destination where Filipinos' everyday routines and culture are profoundly rooted in their love for this favorite beverage. Due to its robust coffee culture, the nation has become a top travel destination for coffee lovers worldwide. In the Philippines, coffee represents hospitality and interpersonal relationships and is a necessary component of daily life. Coffee shops and cafes are popular hangouts for friends, coworkers, and families to meet up and chat. It is offered to guests as a show of welcome. The nation also has a long history of producing coffee, with a wide variety of specialty coffee varieties grown in various parts. Every cup of Filipino coffee is a journey from the lush woods of Batangas to the peaks of Benguet.

The Philippines' passion for coffee is a fundamental component of its cultural identity and a monument to the continuing power of this beloved beverage, whether it is savored in the country's traditional brewing method or as a contemporary latte. According to Kantar Worldpanel Philippines, the Philippine coffee market is evolving. The survey results, which showed that 93% of Filipino households—including those with senior citizens—purchase coffee blends at least once a week, indicate a dramatic shift in how Filipinos drink coffee. As the coffee market in the Philippines is changing, Kantar Worldpanel Philippines claims. This survey revealed a significant change in how Filipinos drink coffee, concluding that 93% of Filipino households, including those with senior citizens, purchase coffee blends at least once a week. Many of the blended coffee buyers that drove up sales came from the Metro Manila, South Luzon, and Mindanao markets. The Filipinos went from moderate coffee users to heavy consumers after these two years of steady growth.

Coffee shops continue proliferating in Metro Manila and the highly urbanized provinces and cities. In the nation, this profession has grown in popularity. Filipino customers—many of whom are students completing their homework, those who work remotely as digital nomads, particularly in light of the pandemic, and those who just want to unwind and sip on their favorite coffee beverage—adore visiting coffee shops. During the height of the COVID-19 pandemic, there has been a rise in the number of cafes that have set up businesses in Camarines Sur, specifically in Baao. It was at its peak, especially when things started to open up a bit more. But after some time, without warning, these cafe businesses started shutting down one by one, and as a few of them shut down, a few more sprang up. This fascinating trend made the researcher think about the kind of business strategy these businesses are implementing (if any) and how the researcher can aid these businesses in making qualified and calculated business decisions, given the unprecedentedly high demand for coffee in small towns nationwide.

In an article posited by the Small Business Administration (SBA) Office of Advocacy's 2018 Frequently Asked Questions, 80% of identified small businesses survive the first year of operation in high spirits. However, from there, the number falls significantly. Allowing only about half of small businesses to survive past the five-year mark, from 45.4% to 51%, depending on the year the business commenced. Besides what was mentioned, only one in three small businesses generally survives and reaches the 10-year mark. Coffee shop owners find it immensely difficult to remain in business due to intense competition and the vagaries of customer preferences (Muhammad & Lee, 2015). Specifically, some cafe owners lack the strategies to sustain their business during the first five years of operation.

Cafe A was one of the first of many homegrown cafes to set forth their business in a small town. Currently, they are already in their third year of operations. Thus, it is essential for the business and other similar businesses in the locality of the same tenure as the business to consider developing business strategies to continuously grow their business and combat business challenges, particularly on competitor pricing and changing market behavior.

2 REVIEW OF LITERATURE

2.1 Expanding and Sustaining Business Expansion

Effective management of organizations' resources and capacities leads to corporate growth (Coad et al., 2013). Determining the source of a company's resources and how it produces long-term profits is essential to establishing growth. These findings must be supported by analyzing the timing and methods of resource access and the means of informing potential outside investors. Moreover, the ability of entrepreneurs to participate in networks is crucial (Davidsson, 2010). Development is impacted on multiple levels. Wiklund et al. (2009), for instance, used an integrated model to explain growth by linking the variables of the business (resources, enterprising features, and growth), industry, and agent (human capital and attitudes).

2.2 Battling Competitor Low Pricing

According to the US Chamber of Commerce (Heaslip, 2022), competing on price can quickly lead to over-discounting your product or service and minimizing the value of your brand. To avoid such risks, businesses should emphasize unique selling points and use a competitive analysis to find feature/s that could set the brand apart from the competition. Investopedia mentioned, "Competitive pricing is the process of selecting strategic price points to best take advantage of a product or service-based market relative to competition. This pricing method is used more often by businesses selling similar products since services can vary from business to business, while the attributes of a product remain similar. This pricing strategy is generally used once a price for a product or service has reached a level of equilibrium, which occurs when a product has been on the market for a long time, and there are many substitutes for the product."

Pal and Aradhya (2020) postulated that when it comes to deciding the prices of food and beverages on the menu, restaurants have devised three alternatives to tackle the market competition: Setting the prices above the prices set by the competitors requires the restaurant to constantly incorporate new features and flavors in their menu as well as infuse new customizations to already existing food and beverages. Only then can the price difference be justified properly. For players who are willing to take moderate to high risk, 'below the line' or 'penetration' pricing can work wonders if they can afford to increase the volume of production without altering the production costs to a great extent. However, bankruptcy is a constant threat in such cases, so stringently evaluating the competitors' pricing strategy is extremely advisable. Differentiating factors tend to eliminate themselves when restaurants use pricing strategies that set their prices equivalent to those of their competitors. The greatest advantage of such pricing strategies is that the focus shifts from 'price' to the 'product' itself, and players can essentially offer better products and services with added features and no extra costs.

2.3 Financial Planning for Resource Allocation

The viability and longevity of cafe businesses depend heavily on their ability to handle their financial operations. Creating a financial plan benefits businesses by giving owners, operations directors, and management a tool to assess the company's financial situation. This allows them to more easily and accurately define financial goals and make better decisions (Cafe Coach, 2023).

To open a café, you will need startup capital, which might come from investments, personal loans, or savings. Prioritizing the identification of accessible financing sources is crucial. In order to accomplish this, entrepreneurs should consider estimating the typical startup expenses for a cafe while accounting for different scenarios. It makes sense to have sufficient capital to sustain the cafe long-term. The terms of their investment will be of interest to investors as well. It is critical to include information about the business's loan repayment strategies and the anticipated return on investment for early investors. Consider the profit and loss statement schedule after researching and predicting expenses. When making long-term sales estimates, take the market and geography into consideration. For example, larger sales during the summer months can be anticipated if the town experiences high levels of visitors.

For every operational month, repeat the procedure, predicting sales that ought to be anticipated for those months. Repeat the procedure every month of operation, forecasting sales based on KPIs such as the season, marketing, and local customers' purchasing patterns. Eventually, it will be necessary to have a year-long financial projection in place, which can be developed as a component of the annual business plan. To successfully allocate resources, use a company plan.

2.4 Customer Retention

According to Ranaweera and Neely (2003), customer retention refers to a client's inclination to stick with their service provider. According to Chen et al. (2017), the likelihood of customer retention is significantly impacted by price and discount, personal selling, and customer relationships. Sufficient prices and discounts are necessary components to support the likelihood

of customer retention, and satisfactory personal selling is the most crucial component for raising the likelihood of customer retention. According to [Bahri-Ammari and Bilgihan \(2017\)](#), distributive justice moderates the relationship between relational and loyalty program satisfaction. They also emphasize the importance of focusing on distributive justice to foster loyalty and satisfaction, as loyalty program satisfaction is a major factor in predicting a positive relationship between the operator and customer retention.

According to [Seo et al. \(2008\)](#), a robust correlation exists between switching costs and customer retention behavior. Switching costs correlate with the complexity of handset sophistication and service package, reflecting price and cellular service utilization.

2.5 Employee Retention

According to a 2021 Bureau of Labor research, the turnover rate in the hotel industry exceeded a staggering 86%. Even though it's much lower than the pandemic's peak turnover rate of 130%, it is still significantly above the 47% national average. Just concentrating on the fast-food sector will reveal turnover rates that are very close to 150%. Due to the sector's cyclical nature, restaurants constantly struggle to discover and keep top talent due to the high percentage of seasonal and teenage workers and individuals seeking temporary positions. Numerous factors, such as a lack of opportunities for promotion, insufficient pay and perks, an unsuitable fit for the role, and more, contribute to employee turnover. However, many restaurants have a high turnover rate due to a poor culture and unhappy staff.

LinkedIn's article ([Voice, 2022](#)) postulated strategies to consider when eyeing employee retention. The first is to start with a strong onboarding process. A strong onboarding plan welcomes new workers and equips them with the knowledge they need to do their jobs effectively. This includes job-related skills and also the company culture and values. Training new employees in what they must do, how, and why will give them a solid foundation to grow. It is also ideal to encourage mentorship among peers. Mentors are effective because new employees often feel more comfortable asking questions and speaking with peers as they learn the ropes.

According to [Pappas \(2022\)](#), creating an employee retention plan can also be an essential strategy to retain key employees in the business. Instead of losing them to a rival business and giving that one access to their online training, the objective is to support them in developing their skills and performing at the highest level. You may optimize internal talent by implementing an efficient staff retention plan. They continue to build on the foundation you have jointly established for years, while your organization employs them. Companies should also consider the costs of hiring and training new employees to perform the same activities and responsibilities.

The problem is that you can never be sure if this new hire will meet your standards or if you must bring another worker to cover them. Every worker represents your company. Therefore, having highly skilled and experienced employees enhances your brand, while having employees lacking the necessary abilities hurts it. Keep top talent on staff with the support of an effective employee retention program. They guard against non-compliance by being intimately familiar with your policies. Every business should do everything in its power to keep exceptional employees and help them reach their greatest potential.

2.6 Small Business Management Training

[Dougert \(n.d.\)](#), in their article on SCORE, they mentioned that small business owners who invest in adequate entrepreneurial training are more likely to increase revenue, secure capital, and create a meaningful impact in their communities. However, because of the lack of training facilities and opportunities for enhancing the knowledge and skills of small business owners, businesses are not usually sustained for a long period. Either they would be faced with unprecedented issues on management, people, product, pricing, and many others, which could be an unfamiliar place to be in, especially for business owners who do not have extensive knowledge in running their business or may have very little management experience.

3 RESEARCH METHOD

3.1 Location of the Study

For this study, the researcher decided to use Observation Research. This qualitative research technique allowed the researcher to observe the ongoing behavior of stakeholders in their natural, neutral state. The researcher immersed herself in the cafe environment regularly. This was exercised so the researcher could gather the most accurate data on the current business situation. The researcher conducted a study using this method, and the research questions were answered robustly.

3.2 Participants of the Study

For this research, the researcher opted to involve existing cafe business owners in Baao, Camarines Sur, as this is near the researcher's home, making her familiar and known to these business owners.

3.3 Sampling Techniques

The researcher utilized the Purposive Sampling method to gain detailed knowledge of the growth of local cafe businesses, as the current population is very small and specific.

3.4 Research Instrument

The researcher utilized unstructured interviews and secondary research strategies. Through this, participants could express themselves freely and elaborate on their responses. The researcher also looked for similar research, articles, and literature from other scholars. Aside from unstructured interviews, the researcher also conducted observations as it allows for highly accurate results.

3.5 Data Gathering Procedures

Unstructured interviews and an examination of publicly accessible sources, including websites, blogs, publications that have been published, Scopus indexes, and comparable references, were used to gather data.

3.6 Ethical Consideration

Ethical challenges were taken into consideration in this research. Most issues encountered revolve around confidentiality and anonymity. The study followed the standards and guidelines for ethical consideration such as but not limited to:

Voluntary Participation. The respondents were allowed to choose whether or not they intended to participate; participants were not forced to be part of the study and were advised early on about their right to refuse or withdraw their participation at any point.

Privacy and Confidentiality. Participants have the right to privacy, and the researcher conformed to the existing Data Privacy Act in 2012 during the study.

Especially given that the participants were to give up details on their current business position and existing and upcoming business strategies.

4 RESULTS AND DISCUSSION

From the results of the interviews and observations conducted, the researcher was able to come up with several points that need to be considered in supporting the current growth of local cafe businesses, as well as a proposed Action Plan for review and consideration by the Local Café Owners in Baao, Camarines Sur. Based on observations, it was revealed that there are

no current strategies for growing small businesses, along with a lack of strategy for customer and employee retention. Aside from that, there is also an utter lack of financial planning for resource allocation for the small businesses identified within the area. As a result, problems are encountered, specifically regarding the sustainability of the business.

Among the cafe businesses subjected to observation, 70% of the cafe owners admitted to not having formal training or education in business management. The remaining cafe business owners may have had a background in business during their undergraduate studies but also admitted to their lack of knowledge in the proper application of theories learned in school. In terms of location, 90% of the cafe owners situate their businesses along the Poblacion Area, wherein most of the activities of the town folks are observed regularly. 10% of the cafe owners are almost 150-200 meters from the Poblacion Area.

However, despite its location, people are still coming to their stores because of its wider space and the variety of food served. When it comes to the employees, a whopping 80% of the cafe owners have part-time employees, which speaks to the observed low employee retention rates. Regarding the pricing of their products/ services, 90% of cafe businesses believe that their price offerings are fair and adequate but can be further improved with proper information and training. Regarding their willingness to subject themselves to business management training, 90% of the cafe business owners agree with the idea and take much interest in it. Table 1 shows the action plan crafted. These results will also serve as a basis for crafting small business management training, along with a training manual for the members of the industry.

5 CONCLUSION AND RECOMMENDATIONS

Considering the study's outcomes, it can be inferred that small business owners have an unmatched passion for their business. However, the dedication and hard work they put into making their business profitable and sustainable come with challenges. Through the conduct of this study, the researcher was able to come up with an analysis of the possible reasons behind the hampered growth of these businesses and the possible recommendations that may need to be implemented to foster growth and sustainability for cafe businesses in Baao, Camarines Sur. Semi-structured interviews and an examination of publicly accessible websites, including social media profiles, were used to gather data. Given the proximity of the identified cafe businesses to the research residence, the researcher took her time to observe the cafe industry's daily activities while asking some questions to the small business owners. Relevant information was gathered and shared with the researchers. As such, the researcher recommended crafting a small business management training manual that will be shared with small business owners, along with a small business management training course in which SME experts will be invited to speak on business growth and sustainability.

6 ACTION PLAN FOR THE GROWTH OF LOCAL CAFÉ BUSINESSES

Table 1

PROGRAMS/ PROJECTS/ ACTIVITIES	OBJECTIVES	STRATEGIES	EXPECTED OUTPUT/ PERFORMANCE INDICATORS	ACTUAL RESPONSIBLE PERSONS			IMPLEMENTATION SCHEDULE				
				Marketing	Operations	Top Management	1st	2nd	3rd	4th	
Plan for Success	To develop a Business Plan	Craft a Business Plan for the business to sustain and improve its operations	Increased Sales Developed Sustainability Practices			General Manager	1st	Quarter			

Expand to Success	To allow for an increase in customer traffic through acquiring/ expanding business space	Acquire business space to expand business	Increased Customer Traffic Increased Customer Retention			General Manager	1st Quarter
Switch to Conquer; Switch to Solutions	To respond to low-cost rivals using the Two-Pronged Approach	Craft a service offering sheet to start offering and highlighting the Wedding and Special Occasions Package as part of the service offering of the business. Accept early booking reservations at a discounted rate to attract customers Create new postings on the new offering on social media	Increased customer base Increased revenue stream for the business Increase in brand awareness	Social Media Marketing Personnel	Operations Head & Staff	General Manager	1st Quarter to 4th Quarter
Employee of the Month Award	To retain well-performing and productive members of the team through rewards and recognition	Develop an employee retention strategy guidebook to include employee retention initiatives such as the Employee of the Month Award. Discuss with employees the agreed-upon mechanics and criteria for selecting the Employee of the Month award	Employee Retention Increased Morale among employees			Operations Head General Manager	1st Quarter to 4th Quarter
Weekly Staff Meetings	To allow employees to take part and contribute to business decisions to make them feel relevant and heard in the organization	Conduct Regular Weekly Staff Meetings with the employees to share relevant issues and events with the whole team	Increased Job Performance Improved Business Operations Employee Retention		Operations Head / HR Personnel	General Manager	1st Quarter to 4th Quarter

Allow staff members to speak up during these meetings to get insights on them and suggestions on upcoming initiatives for the business

Customer Retention Strategy Guidebook	To craft a guidebook that will serve as the business' reference in curating strategies for customer retention	Craft a customer retention guidebook based on existing trends, theories, and strategies	Customer Retention Developed Sustainable Business Practices	Operations Head	General Manager	1st Quarter to 4th Quarter
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