

# Gloria jean's coffee essay sample

[Food & Diet](#), [Coffee](#)



Nowadays, coffee is not only a normal everyday drink but a culture or art, with the passion of coffee "Gloria Jean's Coffees" have successfully brought their brand to all parts the world. To understand more clearly about creating "marketing", this report will use Gloria Jeans as the model to analyse their marketing strategy in the new market-Vietnam. Firstly, this report will look through the company's profile which will include their history, products and services, financial situation and its Vietnamese market. Secondly, marketing 4P is used to analyze the marketing strategies of GJ in Australia. Thirdly, in order to create a successful market in Vietnam, extensive research will be required, this report will attempt to use the theories of psychographic and demographic segmentation to understand marketing strategy of GJ in Vietnam. Finally, this report will identify some mistakes of GJ and provide some recommendations.

### 1. Company profile

#### 1. 1 History

Gloria Jean's Coffees (GJ) was first operated in a small town of North Chicago, USA in 1979 by Gloria Jean and Ed Kvetko. In 1995, Nabi Saleh and Peter Irvine realised the market opportunity of this brand and brought it to Australia. Two years later, the Gloria Jean's Coffees franchise system was born and quickly appeared in every Australian state. In 2004, due to the fast growth in the Australian market, Saleh and Irvin returned to the USA and purchased the international brand rights. GJ has now opened 1000 stores and signed 42 master franchise agreements across 39 countries globally, with over 480 stores open in Australia. In 2007, GJ opened two franchise stores in Hanoi capital and Ho Chi Minh-the biggest commercial city of Vietnam. Today, there are 6 franchise stores from North to South of Vietnam.

According to Dr Trung of Griffith University, GJ is currently the top franchise in Vietnam. 1. 2 Products and services

Gloria Jean's coffee is famous all over the world because of their quality of products. They use only the highest quality Arabica beans which are carefully sorted and expertly roasted on the premises. Therefore, they can always guarantee the quality and freshness of their coffee. Besides coffees, they also pay attention to choosing the right types of tea, cocoas and chocolate to make sure their customers have a variety of selections. Their specific products are mocha, latte, cappuccino and espresso with two styles of hot drinks and cold drinks. Their employees are also well trained in the art of making the perfect coffee to ensure customer satisfaction first time, every time.

Furthermore, the company also provides the service name "Gloria at home", which gives customers things such as recipes and right techniques in making the perfect coffee. This service has not only created positive reactions from customers but it also shows how much skill is required in making good coffee. In the continuous development of their service, GJ also merchandises many different types of products which relate to coffee such as espresso machines, coffee mug/cups, cold sipper cups, etc, and with their brand name printed on the products, Gloria Jean's easily and freely gains customer's awareness. In addition to this, the company also provides all information regarding nutrition and ingredients used in their coffee to make sure customers are aware of exactly what they are consuming when they purchase a drink from Gloria Jean's. 1. 3 Finance

According to the reports of Diedrich Coffee, the total profits of Gloria Jean's Coffee from the third quarter of 2008 was \$11. 322. 00 in comparison with \$8. 975. 000 in the same period in the previous year. The table below shows revenue, loss and gains that the wholesaler, franchiser, retailer earned in 2008 in Australia, respectively. It can be seen that the profitability of franchise and retail was negative but overall, the total revenue of the company is in a gain at 26. 1%.

Revenue| Loss (-) / Gain (+)|

Wholesale Revenue| \$2, 773, 000| + 40. 2%|

Franchise Revenue| - \$198, 000| - 23. 1%|

Retail Sales| - \$228, 000| - 18. 6%|

Total Revenue| \$2, 347, 000| +26. 1%|

#### 1. 4 Vietnamese market situation

\* Competition: GJ has definitely faced many difficulties when entering the Vietnamese market because Vietnam themselves is one of the biggest exporters of coffee (Kotecha, et al 2006). Their biggest domestic competitor are Trung Nguyen coffee and Vinacafe. Besides that, there is also strong competition from The Coffee Bean and Angel's In Us Coffee which have almost the same style, products and strategies with GJ in Vietnam. \*

Consumer: Coffee consumption in Vietnam tops the fastest growth rate in the world with 31%, from 1. 208 million bags in 2009 to 1. 583 million bags in 2010 (VinaCorp. com). Therefore, Vietnam is the potential market for GJ to continue investing. The table below shows the consumption of coffee in store

and coffee powder in Vietnam based on income to indicate market segmentation.

Consumption of two kinds of coffees based on income

(2006)(kg/person/year) 2. 1 Summary of recent marketing strategies

This report will focus on analyzing the marketing strategy of Gloria Jean's in Australia by using marketing 4P (products, pricing, place and promotion) 2.

1. 1 Product Established over 30 years ago, Gloria Jean's Coffees has become a coffee icon with over 700 stores in more than 40 countries. As a specialty coffee retailer and one of the fastest growing franchise operations in the world, they offer consumers a range of over 150 products including hot and cold espresso drinks, fresh premium coffee beans, teas, cocoas and coffee related merchandise. From the beginning, the aim of GJ is to bring the best quality coffee to customers by carefully selection every single ingredient. In addition, they also focus on recipes and technique of making coffee.

Therefore, company has successfully gained the consumer's trust. Besides quality, Gloria Jean's nowadays also introduces an image of eye-catching and cute coffee cups for their potential customers from 18 to 25 years old. On August 9th 2012, the best Australian baristas' gathered in Castle Towers- a shopping center in Castle Hill NSW to participate in the final contest of Gloria Jean's Coffees Australian Barista Championships 2012. The event attracted a lot of coffee lovers as well as the press, so the message that they provided to potential consumers was not only that GJ have the best quality coffee but also the best looking attractive products. Moreover, customers also

recognize GJ as a friendly brand. In other words, GJ holds and celebrates many activities and events for communities in Australia and Vietnam. For example, in the Middle Autumn celebration on 2011, GJ visited and gave away free gifts to over 2000 Vietnamese children living in poverty (phunuhiendai.com.vn). They also hold many activities and charity events for supporting children in Australia. GJ was also given The Variety International Corporate Award by Variety organization (variety.org.au). 2. 1.

## 2 Pricing

Today, customers are more and more aware and sensitive towards the cost of an item, so a slight change of price can lead to change of favor brand. According to the website Canstar Blue- "by customer, for customer". GJ and Starbuck are in the same rank so this report chooses Starbuck as GJ's main competitor. The table below shows that although GJ and Starbuck provide the same kinds of product, the price of GJ is higher than Starbuck. | Gloria Jean's| Starbuck|

Café Latte| 4. 2 AUD| 4 AUD|

Cappuccino| 4. 2 AUD| 4 AUD|

## 2. 1. 3 Place

In modern society, coffee outlets are cozy and warm creating a good place for people to hang out, do homework and even business. Catching this trend timely, GJ has strategically located their stores in densely populated areas, city centers, near schools, train stations and shops. Furthermore, their outlets are designed with simplicity in mind, with simple wooden furniture and a yellow coloured theme to create a warm feel. 2. 1. 4 Promotion

Last year, on May 16th GJ teamed up with the Seven Network to sponsor The Amazing Race Australia- their biggest marketing strategy ever. This is a reality television competition between teams of two, in a race around the world. Each team has to travel and complete various "interesting" tasks and get clues so they can advance further. GJ paid almost 3 million dollars for this series; the total prize was \$630,000. This campaign has definitely generated a significant brand reappraisal as well as targeting a new customer demographic. Moreover, the company's position is maintained as market leader in Australia by engaging with potential consumers effectively.

## 2. Porter's five forces

### 2.1 Threat of new entrants

Desbrow, et al. (2007) pointed out that the Australian people have a habit of drinking coffee, especially the youth which has attracted a lot of interest in people to create their own brand or to develop new coffee outlets. Besides that, the procedure to opening a new coffee shop in Australia is not too complicated which encourages people to venture in this industry (Eselius et al. 1997). Therefore, the threat of new entrants for the Australian coffee market is considered high.

### 2.2 Bargaining power of buyers

Coffee basically is not a high value urgent or long term quality like a car, television or mobile phone so customers prefer to purchase different brands of coffee from their nearest stores/ supermarket or they can make their own coffee at home. What is more, cost of GJ has low or no switching which makes their customer switch to other brands with lower price. Therefore, GJ should consolidate their position by quality and pricing to gain customer

loyalty. 'The Australian coffee market is very competitive but consumers are brand-loyal, and becoming more sophisticated'. (Australian Coffee Stats 2006) 2. 2. 3 Bargaining power of suppliers

'Coffee is the world's second largest traded product after petroleum' (Kembell et al. 2002)' but climate changes and green house affects influence the quality as well as quantity of coffee globally. According to indexmundi, in a 3 month period, coffee bean price have increased to more than 11% from \$2110 to \$2350 per metric ton. This change created a new challenge for GJ: it has to maintain their product's price as well as product quality. 2. 2. 4

#### Threat of Substitute Products and Services

Currently, there is not many products that can replace the position of a cup of coffee every morning so this threat is considered low. However, some kinds of foods or candies which contain caffeine can become a threat in the future. 2. 2. 5 Degree of rivalry among existing competitors

Gloria Jean's Coffees is the largest specialty coffee retailer and the fastest growing franchise organization in Australia.'(Skinny Caramelatte the new low fat alternative 2004). However, this market is increasing competition from Starbucks, Coffee Club and Hudson Coffee because they are selling the same kinds of products from a cup of cappuccino to coffee bean which customers can brew at home. According to Kembell et al. (2002), in a slowing market, competition is high. Nowadays, in defining market segmentation, these coffee brands are promoted to educate their customers in the differentiation between the available coffee brands. This strategy will create a new level of consumers who are smarter, more careful in choosing coffees. For example,



the slogan of The Coffee Hub is "real coffee for everyday" insinuating that only they can bring customers real coffee. Or in the menu of Starbucks, they not only provide ingredients of drinks but they also show customers how much energy and the health benefits that customers can get if they buy Starbucks' products.

### 3. Selection of creating market theories

Vietnam legalized franchising in 2005 which created an advance for international business. Moreover, the commercial environment for franchising is increasingly favorable: Vietnam is third fastest in terms of economic growth after China and India (Nguyen & Terry 2011). In 2007, when GJ entered the Vietnam market, and although they had a lot of difficulties such as domestic competition and expensive pricing, GJ successfully created a new trend of using coffee in Vietnam. This report will use demographic and psychographic segmentation theory to analyze GJ's strategy in Vietnam.

### 3. 1 Demographic segmentation

#### \* Age

In Vietnam, GJ focuses on people aged 18 to 27, mostly students and employees. Because traditional Vietnamese coffee is simple, e. g. there is no latte, cappuccino or espresso etc, the customer could only choose between coffee with milk and black coffee. So when GJ entered the Vietnamese market, it had to, in a way, choose the generation who was curious, dynamic and eager for discovering new things, and youth is always the leading force. In Vietnam, 15-24 age group accounted for 25. 2% share of the total coffee consumption in 2008 (ResearchandMarket. com 2010).

#### \* Social class

Unlike in Australia, the price of GJ is considered high in comparison with the other brands in Vietnam like Vinacafe, Trung Nguyen, this is because of the Vietnamese currency and income. Therefore, Gloria Jean's Coffees targeted the upper class in society. It should be noticed that coffee outlets of GJ has always been located in the most expensive and luxurious locations of Vietnam. This means that not only are their potential customers well of in terms of money, they are also very knowledgeable about coffee. According to Phi Nguyen- the first person that bought GJ to Vietnam, the cost and location is one of the main reasons that enhanced the price of GJ's coffee. \*

#### Income

Although GJ does not aim to build up a luxury brand image in Vietnam, the expensive cost require their customer needs to have at least middle income in urban areas. According to the report of Ministry of Industry and Trade, average income in Vietnam is 1300\$/year in 2011 and the average income of the middle class is 300-400 \$/month. The table below indicates the dramatic difference between the price of GJ, Trung Nguyen coffee (the most famous domestic coffee) and normal coffee shop. | Gloria Jean's Coffees| Trung Nguyen coffee| Normal coffee shop| The average price of a cup of coffee. | 70. 000 VND| 30. 000 VND| 10. 000 VND|

#### \* Geographic

The North of Vietnam tends to use tea; if they use coffee, it must be light taste but strong smell. People in the middle of Vietnam like raw coffee which is bitter, with a strong taste and smell. The taste in South of Vietnam is lighter, they tend to use coffee with milk but it needs to have a great smell

(hellochao.vn) Besides that, due to the social class and income segmentation, Ho Chi Minh City and Ha Noi capital-the two largest shopping centers nationwide was definitely their right choice to locate the two first outlets in Vietnam. 3. 2 Psychographic segmentation

#### \* Lifestyle

Due to the Vietnamese lifestyle, GJ not only sells coffee products but they also try and sell ways to enjoy coffee. These are things like space, enjoying art, taste, style. (according to Billy Sin-the Asian business manager of GJ group) Furthermore, the Vietnamese drinking coffee lifestyle is different from Western style: Western style of more punctual e. g. only drink in mornings and more "on the go" and takeaway, whereas in Vietnam people like to drink coffee anytime of the day and hang out at a coffee shop all day and/or meet their friends there before going out. GJ recognizes this and hence they focused on designing their coffee outlets with comfortable furniture; fresh, cool and quiet atmosphere as well as beautiful views. The table below shows the time that people are more likely to use coffee a day. It can be seen clearly that Vietnamese do not have the definite time to drink coffee but mostly in the morning. \* Attitude

In that time when GJ appeared in Vietnam, their products, structure and service were strange and new to the Vietnamese, even to the youth because they had just seen on Western movies or newspapers. GJ requires its customers to line up and wait for their turn. It also requires customers to pay as they order before they can get their drink. This new way of ordering was definitely different with their tradition, it made customers feel annoyed

because they pay money yet they have to serve themselves. GJ's marketing strategy aims to make their customers easily adapt to a new culture, new change. For example, although they have to queue up, pay money before get their drink and have their coffee brought to their table, customers have a chance to decorate their cups of coffee with colorful topping, chocolate powdered, caramel free of charge.

#### \* Personality

Due to the variety of personalities, GJ has created a lot of products as well as services to satisfy their customer. Besides their traditional products (cappuccino, latte, espresso), GJ continually refreshes the menu everyday to assure that "mr biggest personality" can be served. For example, "Ice Chocolate", "Cookies N' Cream" or "Cream Bullu  " are sweet, creamy and decorated colorful for teenagers. They also focus on consumers like the business man or office worker who prefer other drinks such as "Caff   Americano" or "Hot Tea" hence adapting to everybody's needs. For those who do not drink coffee, GJ can still satisfy them with "Italian Soda" and the smoothie "Fruzie".

#### 4. Recommendation

After entering the Vietnamese market 6 years ago, GJ has operated 6 coffee outlets. This growth is quiet slow says Phi Nguyen- Vietnamese franchisor. The reason for this which can be considered is applied molding the structure of GJ in Australia into Vietnamese market. This report recommends some ways for GJ to adapt Vietnamese culture more clearly. \* Redefining the price: Vietnamese currency and income is actually low as compared to Australia but the price of a regular size coffee of GJ is almost the same with Australia.

According to Commonwealth bank, 1AUD can exchange 21.497VND (viewed in August 13th, 2012). Therefore, GJ should decrease their price due to the lower cost of ingredients. They can use Vietnamese coffee beans instead of importing Arabian coffee beans because the quality of Vietnamese coffee bean has improved over time (Figue & Tran 2006) \* Relocate: take HCMC as an example, GJ has two main coffee outlets in HCMC and both of them are located in the city center. For people who live in outer districts where they are far from the city they need to drive a long way just to get there. In other words, it has reduced the competitive advantage of GJ.

## 6. Conclusion

Everyone/every country including Vietnam use coffee in their own way, so when entering a new market Gloria Jean's Coffees should not only focus on the coffee market but also the background of the country/place. The geographic, religion, politics and currency should be considered very important. However, despite high competition, GJ has still succeeded in the Vietnamese market with their quality as well as using the right demographic and psychographic segmentation.

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