

# The coffee bean tea leaf cbtl essay sample

[Business](#), [Company](#)



An international company that the group chose for an assignment is The Coffee Bean & Tea Leaf (CBTL). The assignment begins with the introduction of company background, mission, vision and others. The part is discussed about the market analysis of CBTL. The STP analysis was used to analyze the current market condition of CBTL which included targeting, positioning and market segmentation. Next, the part will be the assessing of culture and management style of Malaysia for CBTL. Factors such as high context culture and religion need to be considerate by CBTL. The assignment also included the aspect of high power distance, collectivism society and long term orientation in management style of CBTL. CBTL will worry on launching of Goods and Services Tax (GST) about 6% on 1 April 2015.

Besides, CBTL also had to follow the Malaysia legal system such as Franchise Act 1998 & Franchise (Amendment) Act 2012, Halal certificate from JAKIM, Employment Act 1955, Food Act 1983 and Business Registration Certificate from Suruhanjaya Syarikat Malaysia with tax payment to Lembaga Hasil Dalam Negeri Malaysia where will be further discuss in the political and legal part. The first entry of CBTL into Malaysia happened in September 1997 which located at Kuala Lumpur Plaza. The main market entry mode of CBTL is franchising method. The competition faced by CBTL in Malaysia's market can be generally divided into 3 type of competition sources which are the other international coffee chain which are direct competition, the smaller privately owned coffee houses and the secondary coffee provider.

In the part of international marketing channel, The Coffee Bean & Tea Leaf (CBTL) involved the four stage of the supply chain in the organization which is suppliers, manufactures, retailer, and customer. Apart from that, for

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integrated marketing communication Coffee Bean and Tea Leaf (CBTL) advertise on television, radio, and print media, while depends on sales promotion, public relation or publicity, and nowadays shifting to online advertising such as social network like Facebook and Twitter. The last part of the assignment is pricing of international market. CBTL utilizing market skimming pricing strategy which is often part of a deliberate attempt to reach a market segment that is willing to pay a premium price for a particular brand or for a specialized or unique product. Besides, they also using value based pricing to establish what value that customers place on these features to increase the value of the product and service.

## Introduction

The Coffee Bean & Tea Leaf is born and brewed in southern California by Mona and Herbert Hyman in September 1963. It is the largest privately owned, family run of tea and coffee company in the world. With a unique roasting process treating each bean differently depending on origin, creating the tea latte and being the first to introduce the Original Ice Blended coffee drink to the world (The Coffee Bean and Tea Leaf). The Coffee Bean & Tea Leaf is an American coffee chain, owned and operated by International Coffee & Tea, LLC, which has its corporate headquarters in Los Angeles, California. The chain has over 750 outlets in 23 countries as company-owned and franchised operations in the US and internationally. Additionally, the company has operations in grocery, office coffee service, foodservice and e-commerce. Currently, the company offers over 22 varieties of coffee and 20 different types of tea. Its vision is to be " simply the best" roaster and global retailer and specialty coffee and tea. While for company's mission is to

create a spirit within the company that inspires the team members to provide our customers with a Total Quality Experience.

CBTL has further expanded its business in Malaysia market to 61 stores at year 2014. All of CBTL outlets are providing non-differentiated service, which allow customer to enjoy the same level of experience. The outlets of CBTL were distributed equally across Malaysia in order to capture all the potential customers. In Malaysia market, CBTL facing great pressure from its competitors such as San Francisco Coffee, Pasific Coffee and one of the most representative one is Starbucks. In order to compete with its competitors in Malaysia, CBTL has used “ merchandize to go” to gain the competitive advantage, which it’s offer out the tiny accessory such as tumbler, cup and even coffee machine with the intention to bring CBTL style back to consumer home.

### Market Analysis

### Market Positioning

Positioning is a process of developing strategies to set the brand in the mind of target customers. It is also an effort to influence consumer perception of a brand or product relative to the perception of competing brands or products. Its objective is to occupy a clear, unique, and advantageous position in the consumer’s mind. An effective positioning is when customers can differentiate your brand from the others. There are different ways and strategies to position a brand. These strategies are Attribute or Benefit, Quality and Price, Use or User and Competition.

### Attribute and Benefits

In addition, Coffee Bean & Tea Leaf often comes out with new type of coffee blend which keep their customers coming back for more. Loyal customers of CBTL will also know that CBTL often promote their new drinks especially during festive season. This is a risk for CBTL to pay for the cost if their new coffee blend is not accepted by Malaysians or customers do not trust the brand in order for them to try and they would lose customers. However, with CBTL being so strong in the market, customers are willing to take risk and try their new product as they are position as serving quality, tasty, aromatic coffee and they are also the expert in this field. This benefits CBTL as they are reliable and customers trust their products and services.

### Quality and Price

CBTL positions themselves to their customers as the perfect place to relax and enjoy. CBTL focused on providing a relaxing and special atmosphere to their customers. CBTL not only concern on the quality of specialty of the product that they are selling but more importantly, the setting and the ambience of the store, the background music, the atmosphere and the environment, all of which differentiate CBTL from its local competitors. The price of a drink in CBTL may range from RM 11- RM 19 but loyal customers of CBTL understand that they are not only paying for the specialty coffee but also the service and environment they receive. Therefore, competitors of The Coffee Bean & Tea Leaf could copy the products, the operational style and the decoration, but it is difficult to copy the atmosphere and the service, which represent the core of western lifestyle which would also require a high investment for competitors therefore creating a barrier for them to compete

with CBTL. These would be the key factors and competitive advantages of CBTL.

#### Use or User

Coffee is becoming more like a need than a want in everybody's lifestyle. Even though at this stage coffee is accepted by certain customers in Malaysia, it is becoming more and more popular among the younger generation, especially those who are more exposed to the western culture. Because of demographic background, preference and consumption power differences, Malaysian drinkers have different perception, understanding and expectations on different coffee houses. The target age group falls into the range of 18 to 35 in Malaysia who is usually stable in disposable incomes, easily influenced, willing to take risk and most importantly those who are always looking forward to try and experience new stuff. Customers from an elder category would prefer drinking tea which is also included in The Coffee Bean & Tea Leaf menu so that they can cater to the elder category and to the Asian market's preference.

#### Competition

The competition faced by CBTL is increasing in Malaysia as the substitute products is becoming more available which causes the demand to become more elastic since customers have more alternatives. A close substitute product constrains the ability of firms in an industry to raise prices. There are many small Malaysian coffee houses which do attracts different group of customers in different ways. However, The Coffee Bean & Tea Leaf is still staying strong in the market. The Coffee Bean & Tea Leaf does differentiate

itself not only because of the premium coffee but particularly because of its service. Small coffee houses cannot keep up with this type of service offered by CBTL neither can they copy the atmosphere provide nor the weekly and seasonal premium offers of new products . The customers of The Coffee Bean are living the lifestyle of The Coffee Bean & Tea Leaf which creates a special feeling and satisfaction in them. Therefore even if the normal coffee houses in Malaysia which offers cheaper coffee, they cannot compete with this kind of lifestyle provided by CBTL which is embedded in the customers mind. Market segmentation

Market segmentation represents an effort to identify and categorize groups of customers and countries according to common characteristics. The process of market segmentation is subdividing a large homogeneous market into clearly identifiable segments having similar needs, wants, or demand characteristics. Market segmentation enables a company to target different categories of consumers who perceive the full value of certain products and services differently from one another. Besides, marketers of the company can also generates the insights needed to devise the most effective approach to best serve those customer needs and wants. CBTL is segmenting their market in Malaysia by two variables which include demographic segmentation and psychographic segmentation.

Demographic segmentation

Age segmentation

The global market segmentation of CBTL is based on the premise that companies should attempt to identify the consumers in different countries

who share similar needs and desires. CBTL is segmenting their market into two based on demographic which are young population and aging population. By understanding the consumer behavior, CBTL implement their marketing strategy effectively on the right segment market.

#### Young population

One of the reason that CBTL segment their market into young population is because young population have the characteristic of easier to influence by others, environment or things. By virtue of their shared interest in fashion, music and a youthful lifestyle, exhibit consumption behavior that is remarkably consistent across border. Therefore, by seeing everyone holding a cup of coffee bean, they tend to spend their money on consuming one also. In facts, the youth nowadays are more attached to their technology and spend more time on socializing online through various social media. CBTL understand that the social media is a critical driving force behind the emergence of this segment, so with the help of social media and the combined with shared wants and needs, desires and fantasies, make it possible to reach the young segment with an effective marketing strategy.

#### Aging population

Aging population is one of the common issues nowadays and it does impact the purchasing and buying behavior as well. However, CBTL focus more on aging elite population because this segment is often associated with older individuals who have accumulated wealth over the course of a long career. Therefore, majority of them are affluent consumers who have the ability to spend on prestigious products with an image of exclusivity. They are more



different from youth, they are more sensitive in terms of internal and external impact of the product such as price and quality concerns. Besides, aging population are rational consumers, they will collect sufficient information and knowledge before purchasing the product. Therefore, CBTL tends to be alert with the needs and wants of the aging population to capture their buying intentions. CBTL creates the buying intention from elderly from the aspects of strength of their brand name, features, price and quality, and value added of their products.

#### Psychographic segmentation

Psychographic segmentation involves grouping people in terms of their attitudes, values, and lifestyles. CBTL segments their market according to consumer lifestyles, they promote their products as an expression of those lifestyles. This enables CBTL to have a more precise match between the product and customer needs and wants.

#### Lifestyle

Lifestyle factors converge to make the coffee industry strong at all times. Young people nowadays tend to spend most of their time in cafes, drinking a cup of coffee, socializing, relaxing and catching up on work. Therefore, CBTL provides an ideal environment for young people to have discussions and meetings at the same time while providing some sort of beverage service. CBTL also serves a wide range of desserts and snacks that can be indulged by the young people who spend their quality time with family and friends. Besides, entertainment on weekend nights draws a young group of enthusiastic customers instead of going to a club or bar and paying for an alcoholic drink.

In the opportunity of changing lifestyle, older adults also enjoy the fact that sipping a quality of a cup of coffee, they can meet with their friends, relax their tiring mind that caused by whole day work. Therefore, if they would want to stop by a good cafe to rest and chatter all day with friends and family, CBTL is a perfect place to be chosen since with the good ambience generated from the environment and the great coffee aroma surrounded. It is nice and comfortable to be in CBTL because outlets design of incorporates a modern contemporary and vibrant interior concept with comfort ambience.

### Target Market

A survey shows that Malaysia has a strong coffee drink culture in which the average of Malaysian drinks 2.38 cups of coffee daily. Coffee drink culture has been cultivated by the expansion and growth of retail café such as Coffee Bean and Tea Leaf that bring in the café culture from West that build on the local coffee-shop culture. The Coffee Bean & Tea Leaf's (CBTL) primary target market is men and women aged 18 to 40 as they tend to be frequent coffee & tea drinkers. The main appeal to this consumer age group is through quality roasted coffee and excellent service. So, despite invest a large amount of marketing and advertising at the younger age groups, CBTL will promote and directed to the adults especially business person.

### Market Needs

Coffee drinking is recently has become all-day activity. For most of the coffee drinkers, by natural, they are looking for something special - that's why they are willing to pay so much for a cup of coffee. According to the Consistent Consumer [1], written by Beller (2005), it stated that a caring of consumer

behaviour must be working with social trends in order to figure out the equal prominence on the various value population. Such like Coffee Bean, people are more willingly to purchase the coffee from CBTL rather than a normal coffee shop because the consumer behaviour had changed as the trends (lifestyle). Many consumers prefer that the coffee from CBTL is worth for both premium price and high quality. The beans are imported directly from Sri Lanka, Colombia, Thailand, Costa Rica, Kenya, Indonesia, and Jamaica in which to preserve the best quality of the beans. consumers do have the perception that the coffee from Coffee Bean is worth with the matches of its price and quality but not only that, even the atmosphere of the Coffee Bean's outlets, it also a kind of satisfaction for the consumers by its outlets' layout, magazines and newspaper provided and even free Wi-Fi.

#### Market Growth

The potential of the coffee industry is obvious as established chains such as Coffee Bean and Tea Leaf are opening up every other day. Coffee shops are a rising star in the specialty eatery industry and the fastest growing niche in the restaurant business, with 7% annual growth rate. The success of the coffee shops industry is driven by the lifestyle and customer taste nowadays. There are a total of 57 outlets of The Coffee Bean & Tea Leaf outlets all over Malaysia- from suburban retail shops, shopping malls to office buildings. The Coffee Bean's signature launched in 1989; from such trend-setting drinks, it was able to attract consumers to come in daily. Statistically, over 20, 000 of signature Ice Blended Coffee is consumed daily. Being able to serve 7 million cups of coffees annually has placed the business to become one of the most successful coffee businesses (International Coffee & Tea LLC, 2013). In

Malaysia, beverages sold in The Coffee & Tea Leaf are considered as a luxury good that one consumes when he has the ability to purchase.

This implies that as there is a rise in percentage in income, there will be an increased demand for the drink (Pettinger, 2011). The Coffee Bean & Tea Leaf has a monopolistic competitive market structure. This is defined as firms having countless competitors, but each sells differentiated products. In The Coffee Bean, the firm is independent about prices and output based on the product and market. Coffee house is a place for Malaysians to consider as socializing, relaxing, or catching up on work. Besides, many young people now more on meeting each other in coffee house. Like mentioned just now in opportunity of changing lifestyle, older adults especially businessman also enjoy the fact that for the relatively modest price of a cup of coffee and snack, they can meet with their friends, relax or work. Culture

#### High Context Culture

In Malaysia, many peoples perceive that coffee house is a place that allows them to pass their day. The CBTL provides calm, invigorating ambiance and good environment for people to relax or catch up on work. Besides, CBTF also provide Wi-Fi to its customers because nowadays everyone is using smartphone to social through the internet. By now, this already became a culture. There are a lot of coffee shop in Malaysia and which are also consider as a social activities that happen in Malaysia. For Malaysians, they enjoy coffee or tea when hanging out or meet up with friends. Thus, in Malaysia drinking coffee or tea are become a trend or and social activities with friends and family.

## Religion

The CBTL not only provides coffee and tea, it also provides varieties types of food and dessert such as cake, muffin to satisfy customer need. Malaysia is a multi-race country while Malay race are the major race in Malaysia. Thus, to capture the dietary preferences of Malaysia consumers, CBTF needs to apply the certificate from government to get prove that CBTF is providing their food and beverage is HALAL. Nowadays, Malaysian's culture and lifestyle is willing to spend the money on something that can make them feel better. The CBTL recognizes the opportunity, so it is providing comfortable environment and also create a status for the customer to attempt to their culture factor. Dietary Preferences

Malaysian likes to drink coffee, from young generation to old generation. According to a research, 81. 2% of Malaysians consider themselves a coffee person. 44 % guzzle 2- 3 cups/day, 25 % drink 1 cup/day. From the statistic, we can say that Malaysia is a coffee drinking culture country. (Norimah AK Jr, 2008) Management

## High Power Distance

Malaysia is a high power distance country. The gap between employees and management level is huge, Malaysian like to accept hierarchical order. Everyone in an organization has his or her own position and everyone should obey the order from higher position such as supervisor should obey to manager's order. Hierarchy in an organization is seen as reflecting inherent inequalities, centralization is popular, subordinates expect to be told what to do and the ideal boss is a benevolent autocrat. Challenges to the leadership

are not well-received. In CBTL, subordinates must obey the order from their supervisor or anyone in the organization who is having higher position than them. Thus, the power in the organization is distributed unequally. The structure of CBTL in Malaysia is advocating bureaucracy concept which the existence of authority ranking to enhance the management of team. Each outlet performance is accountable by each supervisor and manager, and staffs are expected to follow their instruction. Collectivism Society

Malaysia is a typical collectivism society. People in organization likes to work in a close long term commitment to the ' member' group, be that a family or extended relationships. (The Hofstede Centre) Collective achievement is the focus, rather than attainment of individual goals and careers. Possible of personal sacrifice occurs for the sake of the common good. Benefit of group is always the priority when comes to decision making. When CBTL Co enters to Malaysia market, it obtained the man power base in Malaysia, Malaysian work in CBTL expecting the priority in job is to develop better relationship circumstance rather than only focus on personal achievement. This indirectly lead the CBTL in Malaysia be more collectivism. Long Term Orientation

In Malaysia culture, all organization's planning are more likely to be planned in long term basis. Organization is more prefer on gain the better benefit in long term investment rather than obtain immediate but small profit from short term investment. Long term planning is not only aim for higher profit but also tend to minimize the risk in future. The operation of CBTL is working well under well planned at long term basis. The fixed cost incurred to set up each branches is high, therefore the management usually to conduct long

term orientation planning and expect the setup of new branches can only achieve breakeven after long time period, thus CBTL has set a policy for franchise which only applied in Asia and Middle East market, the master franchisors in Asia and Middle East market are not allowed to sub- franchise out any of their outlet. (Batcha, 2007)

### Political

Sometimes, a politic stability of a country will be a reason for an international company to enter a host country for expands their business. As well as in Malaysia, CBTL have decide to enter Malaysia market because stability politic system and bureaucracy system. These factors have become strength for Malaysia to attract more and more international companies running investment in Malaysia as well as CBTL. According a report from International Monetary Fund (IMF) in year 2012, it ranked Malaysia highly among the developing countries and way ahead of Indonesia, Myanmar and Philippines in the ranking. The strength is measured by International Monetary Fund (IMF) is contributed by several factors which include political stability, bureaucracy system, internal conflicts and corruptions. Besides that, it also mention about that Malaysia's credit bureau is a good example in terms of providing comprehensive credit information and ratings on enterprises ( Asia and Pacific Managing Spillovers and Advancing Economic Rebalancing, 2012).

By having good ranking in the International Monetary Fund (IMF) statistic, this had provided the confidence for the CBTL to enter Malaysia market with fewer worries on political issues and credit bureau. This will lead the CBTL

operations and expansion plan be stable and well going with the business friendly government of Malaysia. Besides to be competitive in Malaysia, CBTL also must make sure they understand and familiar with the latest political changes of Malaysia. The political factors include different aspect such as government policies, taxation policies and foreign trade regulation.

All of these factors will affect the company development if the company does not take concern on it. According to Straitstimes online news 2013, Malaysia government had introduced Goods and Services Tax (GST) about 6% and start launching it in April 1, 2015 (Ahmad, 2013). Due to the GST imposed on the selling products in future, CBTL' s products price has a tax increased about 6%. Besides that, the price of raw materials of CBTL's product also will increase 6%. This might cause challenge to CBTL due to the increase in price of product, consumer purchase desire will be affect by the raise of product price.

### Legal Environment

Even though the origin country of CBTL is from California, United State and the business policies are highly influenced by US's legal system, thus the CBTL business should fully understand and comply the legal system avoid punishment such as heavy fine, penalties and so on from US legal system. However, when CBTL enter into Malaysia market, the CBTL had to follow the Malaysia legal system where practice on British common law which different with the US federal law. The CBTL is running on franchise business where when CBTL enter into Malaysia's market, the company should follow under Franchise Act 1998 & Franchise (Amendment) Act 2012. According to the



Franchise Act 1998 & Franchise (Amendment) Act 2012, the franchisor must submit to a franchisee a copy of the franchise agreement; together with the disclosure documents (form BAF1). Basically, disclosure documents provide a full overview of the franchise business system that will be franchised to the franchisee. A franchisor's failure to submit such documents is an offence under the FA.

If there is any material change in the disclosure documents, they must be amended and filed with the registrar of franchisees. The franchisor must submit an annual report (form BAF6) with the registrar. (Wong, 2012) This will affect the CBTL where Malaysia government has more information of CBTL and has more control over its operations after the amendment. In Malaysia, the majority population is Muslim which account almost 60.4% of the total population (Malaysia Demographics Profile, 2013). Due to the Muslim has their own Islamic dietary laws which mean all the foods served must without pork and alcohol ingredients and also the way slaughtering the animal where call as "Halal". The Muslim market gives a big impact to CBTL in Malaysia. Therefore, CBTL must get a Halal certificate from Jabatan Kemajuan Islam Malaysia (JAKIM) for its restaurant to cater Muslim as well as non-Muslim before open business in Malaysia market.

The CBTL must ensure that the management system and operation procedures are follow guideline of Halal so that CBTL can successfully get a Halal certificate (Salama, 2013). Besides that, the labour laws of Malaysia also give direct impact to every business in hiring and recruiting an employee such as the Employment Act 1955. In Malaysia, the CBTL must

follow some significant guidelines when hiring an employee. CBTL must provide SOCSO and EPF for their employees. SOCSO (Social Security Organization) founded to provide social security protection to all employees in Malaysia. CBTL also need to renew the expatriate staff's visa on time if CBTL have employed expatriate staff (Keys Areas To Consider When Maintaining a Malaysia Company). The main function of EPF (Employees Provident Fund) is a compulsory saving and retirement scheme for all legally employed employees in Malaysia. Under the Employees Provident Fund Act every company is required to contribute 12% of the employee's wage and employees are required to contribute 11% of the monthly wage.

While for expatriate staff's, CBTL need to contribute RM5 per person employees are required to contribute 11% of the monthly wage (Malaysian Labour Law : Regulation of Employment). This will affect the cost of CBTL monthly where need to pay extra out of the employee's wage to EPF. In additional, CBTL need to follow many regulatory guidelines for when preparing food in the restaurant (such as Food act 1983, Food Regulation 1985, and Food Safety and Quality). All these laws and systems make it compulsory ensure that restaurant following the guidelines to serve the food in restaurant is safe. Lastly, CBTL must register the business with Companies Commission of Malaysia or Suruhanjaya Syarikat Malaysia obtains a Business Registration Certificate (Suruhanjaya Syarikat Malaysia, 2013).

After this, CBTL have to pay taxation to government every year. According to the Inland Revenue Board Of Malaysia (Lembaga Hasil Dalam Negeri Malaysia), every company must pay the tax from net profit of RM1 to

RM500000 chargeable rate is 20% and above RM500000 tax rate is 25% (Corporate Tax in Malaysia, 2013). This will directly affect the profit margin of CBTL because the portion of profit is deducted from tax. Coffee Bean and Tea Leaf management team should fully understand all these law requirements in Malaysia and also pay attention for a law change to avoid unnecessary treats.

## Planning and Organizing

### Market Entry Mode

Herbert B. Hyman started The Coffee Bean & Tea Leaf in 1963 with a dedication to excellence and quality, and his efforts made him the founding father of gourmet coffee in California. After the great efforts made by CBTL, its businesses are now expanding globally, where there' re now over 950 stores located in over 25 countries which includes California, Arizona, Singapore with 61 stores being set up in Malaysia. (Coffee Bean franchise inquiry form). The handcrafted beverages which are made to order and it can be customized to suit guest's preference that gave CBTL a foundation to expand its business. The first entry of CBTL into Malaysia happened in September 1997. By using the franchising method, the very first flagship Coffee Bean & Tea Leaf store was set at Kuala Lumpur Plaza. The franchise of CBTL is also controlled by their headquarters in California, USA.

Franchising is another variation of licensing strategy where a contract between parent company-franchiser and a franchisee that allows the franchisee to operate a business developed by the franchiser in return for a fee and adherence to franchise-wide policies and practices (Warren J. Keegan

& Mark. C. Green, pg 282) Franchising also requires long-term commitments. In fact, franchising of CBTL not only sells intangible property to the franchisee, but provides helps to their franchises by franchise communication. More information can be granted from the communication between franchisee and franchisor in order to provide franchisor a broader view. This is very helpful as franchisor was able to collect the franchisee's problems which were faced during their initial stages of franchising in a new area like Asia. Like all franchise companies, franchise training would be provided to get to know of how the company works.

The master franchisee and managers whom are innovators to start their franchising in a new area would go for training in the United States of America to learn about the business ethics and how The Coffee Bean and Tea Leaves run and operates. Other than that, CBTL will also make sure that franchisee follow the rules and regulation set by CBTL. This is because CBTL believe in the high requirement set to franchisee is the essential way to ensure the best quality of product and service deliver to their consumers. In the Middle East and Asia Coffee Bean & Tea Leaf does not allow its master franchisees to sub-franchise any of their outlets. This is mainly because the limited size of the specialty coffee industry in these market. CBTL only targets at specific niche markets rather than the general public.

The Coffee Bean and Tea Leaves would make few changes to the original decisions on systems, products and marketing for their international franchise agreement which will apply as a blueprint for franchising in Asia. Expertise and advice would be collected from hired solicitors who specialize

in domestic and foreign franchising. In all, a solicitor for the negotiation of contract modifications and contract enforcement is needed to grow a positive long term relationship between The Coffee Bean and Tea Leaves Company and franchisee. CBTL has further expanded its business in Malaysia market to 61 stores currently. All of CBTL outlets provide non-differentiated service, which allow customers to enjoy the same level of experience. (F&B outlets: The Coffee Bean & Tea Leaf). The stores of CBTL were distributed equally across Malaysia including Sabah and Sarawak in order to capture all the potential customers. (The Coffee Bean)

#### Competition of CBTL in Malaysia

The position of Coffee Bean & Tea Leaf (CBTL) in Malaysia is quite arduous as it's not only facing the competitor from a single side, but surrounded by different competition environment. The competition faced by Coffee Bean and Tea Leaf in Malaysia's market can be generally divided into 3 type of competition sources which are the other international coffee chain which are direct competition (Starbucks, San Francisco Coffee House, Pacific Coffee and Old Town White Coffee), the smaller privately owned coffee houses and lastly the secondary coffee provider [such as McDonald's (McCafe'), Krispy Kreme and Dunkin Donut]. However, the main and biggest competition will be discussed. The biggest competition source that threat CBTL in Malaysia market is definitely Starbucks. Starbucks is hold by Berjaya Group in Malaysia is the most representative one among the list of competitors. Starbucks as a Western Coffee specialty addresses the same target group as CBTL, which is the middle to upper class in Malaysia.

CBTL faces the greatest pressure from Starbucks as both companies provide premium coffee which can be customized by their customers in Malaysia market. The price of beverage is only occurring at the subtle differences, which both companies are having the average price of RM 11-15 for their beverages. Both of the coffee companies have set up plenty of outlets across Malaysia in order to grab the market share. CBTL has set up a total of 61 outlets across Malaysia (F&B outlets: The Coffee Bean & Tea Leaf), while Starbucks has set up more than 140 stores across Malaysia (Starbucks Malaysia) To deal with the fierce rival, The Coffee Bean & Tea Leaf has concentrated its focus to differentiate itself from its competitors. In order to overcome such fierce competition, Coffee Bean & Tea Leaf has to always come out with different types of beverages using different coffee blend and adding different ingredients to attract customers to try their new coffee blend.

Moreover, CBTL came out with CBTL™ System. Coffee Bean & Tea Leaf has recently introduced its own brand of multi-beverage machine which its main competitor Starbucks does not have. This new CBTL system was launch in December 2011. This differentiates them hugely from Starbucks as they are coming out with a wholly new product category.

In addition, Coffee Bean & Tea Leaf has also recognized the important to distinguish itself from Starbucks by offering a variety of services. Coffee Bean & Tea leaf provides Party Packs so that customers can bring a part of CBTL home to enjoy.

## International Marketing Channel

International marketing channel is known as distribution channel that is set of process that which transfer their products or services to reach the customer in the possible time. CBTL is has implemented indirect marketing channel in distributing which has suppliers, manufacturers, retailers and customers.

Suppliers are the businesses that supply materials & other products into the industry. Suppliers play an important role in supplying coffee and tea products for CBTL. This is because the tea leaf and coffee beans used to cater customers must be fresh and high quality. CBTL directly import the finest high grown coffees from around the world. CBTL travel to small farms and private estates in East Africa, Latin America and the Pacific in order to search for the best coffee in the world. The company believes that buying from the best estates and small farms leads to the best coffee in the worldwide. In tea wise, CBTL purchase tea from Sri Lanka, Kenya, China, Japan, Thailand and India. On the road of tea perfection, the company stay connected with the harvester and purchase directly from the tea farmers. Besides that, CBTL also implemented direct purchase some of the raw material such as bread, milk, vegetables and so on from local suppliers.

For the manufacture side, all the imported raw materials of CBTL are shipped to manufacture which is located in Camarillo, California, U. S. The manufacture is responsible for the sorting, blending and roasting the raw materials. In addition, the manufacture is prepared to roast machine which the capacity of 500 pounds and capacity of 600 pounds that roasting the raw

materials daily in order to produce an average which amount of 7 million pounds of coffee a year (McGrath, 2013). Moreover, all the roasted materials will package into plastic bag or tin packaging with the state of art equipment to ensure the product still in the good quality and freshness. Therefore, the product will shipped to all franchises around the world. Next stage is retailers, CBTL is a franchise business in Malaysia. They have successfully opened 950 over stores in worldwide (Coffeebean. com). The fresh roasted coffee and tea leaves are transported to the selected retail stores.

Proceeding to consumption, the coffee and tea is ground, and then brewed for the method of brewing, preparation and additional inputs vary greatly depending on the particular menu item sold. Their specialty and famous is brewing Original Ice Blended, special with coffee and tea based drinks. Furthermore, CBTL have more than 500 grocery stores throughout California and the online throughout the United State (U. S). In Malaysia, as we can seen that CBTL are more likely where located at the shopping shop and airport. For instant like at Suria KLCC, Pavilion Kuala Lumpur, Sunway Pyramid, Mid Valley Megamall and others. The last step for the CBTL is customers which company's accomplishment is based on how the company satisfies their customers and to provide a comfortable, relaxing and friendly environment to drink their favorite beverage. At CBTL, the company is dedicated to providing the customers with excellence in the products they sell, the services they provide, and the environments where their customers shop.



The company was focus more about their customer relationship with the customers which the quality of their products and services, and customers experience to ensure that will fulfill their customer satisfaction. For example, if customers purchase an order of cup of coffee then the staff will prepared and once it's prepared and the drink is placed into disposable cups for which plastic lids are made available and given to the customer for consumption. Apart from that, customers come to the coffee and tea shop is just want to simply avoid their hectic lifestyle in the fast lane and like the environment in the coffee shop that make them feel more soothing and relaxing. For instance that can be seen some students are also like to study or doing assignment at the CBTL because of the environment and even Free Wifi.

#### Integrated Marketing Communication (IMC) and Advertising

Integrated marketing communication is like as advertising, public relations, personal selling, and sales promotion and combine together to provide clarity, consistency, and maximum communication impact. Advertising is one the marketing communication tools to promote the company's products to all customers. CBTL inform and persuade the entire marketplace about their products by using advertising method at the same time create sales and profits. CBTL are advertise on television, radio, and print media, while depends on sales promotion, public relation or publicity, and nowadays shifting to online advertising such as social network like Facebook and Twitter to communicate with target customers. The Coffee Bean and Tea Leaf continue on its path Advertising

Advertising play an important role as one of the marketing communication to acknowledge all the target customers about their latest products. With the advertising methods CBTL able to inform their customers about the launching of new unique donuts of different flavor by advertised with different images to attract different levels of customers. The company may hire professional advertising agencies in creating advertisements that could attract the attention of all customers including planning, creating and producing in the advertisements, performing research and also selecting appropriate media. There are six major types of advertising media which included television, radio, and newspaper, magazines, outdoor media and the Internet.

The company could hire a well-known celebrity as a spokesperson to endorse their products. Among the age group, teenager group is the best target which would attracted by CBTL appearance of the products. Most of the teenagers have almost similar lifestyle in which they like to hang up with friends and enjoy high-tea at the comfortable environment where in CBTL. Besides that, majority of the adults especially businessman has taken coffee to help them releasing tension and refreshing their mind after working for whole day. Based on the target customers, the television advertising and online advertising are the most appropriate marketing tools to promote their products. Online Advertising

One report shows that internet user in Malaysia is representing 60.7% of the population (Internet World Stats, 2012). With the huge internet user population will help CBTL advertise reach each market segment more easily

and effectively. In this case, CBTL now are more focus on online advertising to deliver messages to target audience. The most common world wide web of CBTL is [www.coffeebean.com.my](http://www.coffeebean.com.my) in which the audiences can search for any information about CBTL. For the member, they can direct log in and can check their established profile or their reward member card points and to know what promotions going on.

Besides that, according The Nielsen Company report (Malaysia Internet Usage Take Off , 2010) almost 71% are kept in-touch with friends and family via social network. Thus, CBTL has fully utilized the social networks such as Facebook, Twitter and Blogger to deliver the latest message and build connection with CBTL's target audiences. Through these social networking, CBTL allow customers to obtain more information and give direct feedback to marketers and thus marketer can better understand customers' needs. For instance, Facebook allow customers to share the advertising information, photos or images to their friends. The peer and peer recommendation allow CBTL enjoy the benefits of word of mouth. Sales Promotion

Promotion defined as the activity that motivates consumers to a good or service immediately, either by lowering the price or by adding the value. Totten and Block (1994) cited by Muhammad Rizwan and Colleagues (2003) stated that through this sales promotion offer different incentives and benefits aim to generate immediate sales effect. CBTL often promote different sales promotion to attract more customers and have a try. CBTL come out " The Coffee Bean Card" which is reward regular customers with loyalty points. All these points can allow the card-holders offset the cost of

purchases made at CBTL. This will benefit CBTL encourage customers repeat purchase and thus it can share with friends and family.

Sales promotion can be done by launching like promotion from 50% to 85% off retail price for all items. Items include CBTL Single Serve Machine; Ready-to-Drink Cafe-Caramel-Mocha Latte, Ready-to-Drink Sparkling Lemon & Apple Tea and more. There will also be promotional prices for selected Ice Blended beverages. This promotion held for limited period from 24th to 26th April 2014 at HQ warehouse. Besides that, CBTL also organized different competition for their participants to have chance to get premium gift and thus increase the awareness of their products such as I Wannabe Rewarded Promotion. Public Relation

CBTL have created a public relations campaign to maintain commitment to the community with contribute to the local and charitable causes. CBTL have launched Caring Cup Initiative in which every purchase made will help and donate to the charitable partner, Persatuan SLE Malaysia (PSLEM). This organization promotes Lupus research, awareness and education as well as to serve the needs the people with Lupus and their family. Furthermore, CBTL created " You're not just buying coffee and tea", it not only provide high-quality products to the customers, but it also important that these products can be traced to farms worldwide that pay fair wages and treat worker respectfully. CBTL partnership raised money through the sales of the products and then donates to several programs such as Education for Coffee Growing Families (Colombia), Bogawantalawa Community Center (Sri Lanka),

AID Lanka Kids (Sri Lanka), Kimssa School Self-Help Project (Ethiopia), and Educational Facilities (Papua New Guinea).

## Pricing for International Markets

### Market skimming pricing strategy

Market skimming pricing strategy is often part of a deliberate attempt to reach a market segment that is willing to pay a premium price for a particular brand or for a specialized or unique product. CBTL primary target market is men and women aged 18 to 40 as they tend to be coffee and teas enthusiasts. The main appeal to this consumer age group is through quality roasted coffee and excellent service. Youth are targeted audiences because it is found that the willingness of spending by younger generation nowadays is increasing instead of elder generation on those days. This is due to the lifestyle of consumers had changed as the trend. People consuming a cup a coffee are may be at the same time pursuing a sense of superiority, highest satisfaction from the quality of coffee to the service. Therefore, CBTL consider the standard of living and income levels of their target market and look at how much people are willing and able to spend on their product and service and set prices accordingly.

Since CBTL use skimming strategy, the company is tends to seek competitive advantage by pursuing differentiation strategy or positioning their product in the premium segment. CBTL set their drinks menu mocha latte espresso at RM11. 80 for the small size which higher than normal coffee shop. This creates an exclusiveness of the product because by holding a cup of Coffee Bean, others will have the first perception that this is rich. In return

of the premium price from the consumer, CBTL focus commitment to quality ensures consistent excellent coffee being served to customers. CBTL only purchases the top 1% Arabica beans, and finest hand plucked, whole leaf teas. These beans are freshly roasted daily in small batches, and this guarantees top quality drinks. Besides, there is variety of choice that customers can select from and customers are able to order drinks of their own preference. CBTL is committed to top-notch service for all their stores. All employees go through an extensive training program that ensures consistent high quality service standards to all customers.

Trained staffs would be more knowledgeable with experiences and able to help customers with their needs, providing customers a pleasant service. In addition, the interior design of every CBTL outlets does provide a good atmosphere for customers. The environment of the outlet tends to evoke a sense of coziness and comfortableness for the customer. For the most regular patrons, this gives them a feeling of warmth, welcomed and sense of belonging. Hence, CBTL using skimming pricing strategy by providing commitment to their customer enjoying their quality products at the same time experiencing the quality service and environment to achieve highest customer satisfaction. Value Based Pricing

The Coffee Bean and Tea Leaf consider the buying behavior of the population to determine what value people perceive certain products and services to be worth. Since CBTL utilized a skimming strategy, set a premium price on the basis of greater quality, so CBTL need to establish what value that customers place on these features to increase the value of the product and service.

Hence, CBTL create a fabulous reward program for the customer who has registered as a member of Coffee Bean Card holder. CBTL member can enjoy exclusive privilege of their Reward Program. They can earn redeemable points for every RM1 they spending in CBTL outlet and the more points collected the greater value to redeem any product from CBTL. This has strengthened the willingness of customer to spend for its product because customer can get a reward in return. Besides, good reputation of CBTL toward the concept of social responsibility also added value of its product.

CBTL does have a lot of contribution to the society and attracts customer to consume their product by a catchphrase on the website " You're not just buying coffee and tea". CBTL reflects this responsibility through a broad range of Caring Cup initiatives from preserving the environment to improving education. This reflects on the consumers' perception that their consumption is not only a self-satisfaction whereas at the same time they are helping others those who need helps. It boosts the willingness of customer to pay a premium price on the product they think is worth.

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